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Intellectual Property
Handbook

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ORGANIZATION

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Chapter 1
INTRODUCTION

The Concept of Intellectual Property

The World Intellectual Property Organization (WIPO)

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The Concept of Intellectual Property

1.1 Intellectual property, very broadly, means the legal rights which result from intellectual activity in the industrial, scientific, literary and artistic fields. Countries have laws to protect intellectual property for two main reasons. One is to give statutory expression to the moral and economic rights of creators in their creations and the rights of the public in access to those creations. The second is to promote, as a deliberate act of Government policy, creativity and the dissemination and application of its results and to encourage fair trading which would contribute to economic and social development.

1.2 Generally speaking, intellectual property law aims at safeguarding creators and other producers of intellectual goods and services by granting them certain time-limited rights to control the use made of those productions. Those rights do not apply to the physical object in which the creation may be embodied but instead to the intellectual creation as such. Intellectual property is traditionally divided into two branches, "industrial property" and "copyright."

1.3 The Convention Establishing the World Intellectual Property Organization (WIPO), concluded in Stockholm on July 14, 1967 (Article 2(viii)) provides that "intellectual property shall include rights relating to:

- literary, artistic and scientific works,
- performances of performing artists, phonograms and broadcasts,
- inventions in all fields of human endeavor,
- scientific discoveries,
- industrial designs,
- trademarks, service marks and commercial names and designations,
- protection against unfair competition,

and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields."

1.4 The areas mentioned as literary, artistic and scientific works belong to the copyright branch of intellectual property. The areas mentioned as performances of performing artists, phonograms and broadcasts are usually called "related rights," that is, rights related to copyright. The areas mentioned as inventions, industrial designs, trademarks, service marks and commercial names and designations constitute the industrial property branch of intellectual property. The area mentioned as protection against unfair competition may also be considered as belonging to that branch, the more so as Article 1(2) of the Paris Convention for the Protection of Industrial Property (Stockholm Act of 1967) (the "Paris Convention") includes "the repression of unfair competition" among the areas of "the protection of industrial property"; the said Convention states that "any act of competition contrary to honest practices in industrial and commercial matters constitutes an act of unfair competition" (Article 10*bis*(2)).

1.5 The expression "industrial property" covers inventions and industrial designs. Simply stated, inventions are new solutions to technical problems and industrial designs are aesthetic creations determining the appearance of industrial products. In addition, industrial property includes trademarks, service marks, commercial names and designations, including indications of source and appellations of origin, and protection against unfair competition. Here, the aspect of intellectual creations—although existent—is less prominent, but what counts here is that the object of

industrial property typically consists of signs transmitting information to consumers, in particular as regards products and services offered on the market, and that the protection is directed against unauthorized use of such signs which is likely to mislead consumers, and misleading practices in general.

1.6 Scientific discoveries, the remaining area mentioned in the WIPO Convention, are not the same as inventions. The Geneva Treaty on the International Recording of Scientific Discoveries (1978) defines a scientific discovery as "the recognition of phenomena, properties or laws of the material universe not hitherto recognized and capable of verification" (Article 1(1)(i)). Inventions are new solutions to specific technical problems. Such solutions must, naturally, rely on the properties or laws of the material universe (otherwise they could not be materially or "technically" applied), but those properties or laws need not be properties or laws "not hitherto recognized." An invention puts to new use, to new technical use, the said properties or laws, whether they are recognized ("discovered") simultaneously with the making of the invention or whether they were already recognized ("discovered") before, and independently of, the invention.

The World Intellectual Property Organization (WIPO)

History

1.7 The World Intellectual Property Organization (WIPO) is one of the specialized agencies of the United Nations (UN) system of organizations. The "Convention Establishing the World Intellectual Property Organization" was signed at Stockholm in 1967 and entered into force in 1970. However, the origins of WIPO go back to 1883 and 1886, with the adoption of the Paris Convention and the Berne Convention respectively. Both of these conventions provided for the establishment of international secretariats, and both were placed under the supervision of the Swiss Federal Government. The few officials who were needed to carry out the administration of the two conventions were located in Berne, Switzerland.

1.8 Initially there were two secretariats (one for industrial property, one for copyright) for the administration of the two conventions, but in 1893 the two secretariats united. The most recent name of the organization, before it became WIPO, was BIRPI, the acronym of the French-language version of the name: United International Bureaux for the Protection of Intellectual Property (in English). In 1960, BIRPI moved from Berne to Geneva.

1.9 At the 1967 diplomatic conference in Stockholm, when WIPO was established, the administrative and final clauses of all the then existing multilateral treaties administered by BIRPI were revised. They had to be revised because member States wished to assume the position of full governing body of the Organization (WIPO), thus removing the supervisory authority of the Swiss Government, to give WIPO the same status as all the other comparable intergovernmental organizations and to pave the way for it to become a specialized agency of the United Nations system of organizations.

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

the United Nations. After the United Nations was established, these organizations became specialized agencies of the United Nations system.

1.11 Similarly, long before the United Nations was established, BIRPI was the responsible intergovernmental organization in the field of intellectual property. WIPO, the successor to BIRPI, became a specialized agency of the United Nations when an agreement was signed to that end between the United Nations and WIPO which came into effect on December 17, 1974.

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

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

Mission and Activities

1.14 The mission of WIPO is to promote through international cooperation the creation, dissemination, use and protection of works of the human mind for the economic, cultural and social progress of all mankind. Its effect is to contribute to a balance between the stimulation of creativity worldwide, by sufficiently protecting the moral and material interests of creators on the one hand, and providing access to the socio-economic and cultural benefits of such creativity worldwide on the other.

1.15 WIPO's place on the international scene has greatly changed since its beginnings, when it was created to serve as the secretariat of treaties concluded between States. Although WIPO has maintained this function (it currently administers 23 such treaties), together with the consequential one of promoting intergovernmental cooperation in the administration of intellectual property, its activities have not only expanded, but also greatly diversified.

1.16 An outstanding example of the expansion of WIPO's earlier work is the growth of its registration activities—that is to say, the increase in the use of international treaties that create the facility of a single procedure to apply for patents and register trademarks and industrial designs, valid in up to all States party to those treaties. The Patent Cooperation Treaty (PCT), the Madrid Agreement and Protocol Concerning the International Registration of Marks, and the Hague Agreement Concerning the International Deposit of Industrial Designs have all given rise to an increased volume of registration activities. To strengthen this aspect of WIPO's work, a new international treaty, namely, the Patent Law Treaty, came into existence in June 2000: its purpose is

to streamline application procedures and to reduce the cost of obtaining simultaneous patent protection in several countries.

1.17 In its more recent history, WIPO increasingly does not stop short of promoting all kinds of intellectual property. This is only the means to achieve an end, which is to promote human creativity that results in industrial and cultural products and services enriching human society as a whole. Thus WIPO is increasingly involved in helping developing countries, whose creativity has yet to be adequately harnessed, to receive the full benefits of the creations of their citizens, as well as those of the outside world. WIPO's role is to assist them also in the preparation and enforcement of laws, in the establishment of sound institutions and administrative structures and in the training of appropriate personnel. WIPO has given particular attention to the 49 Least Developed Countries (LDCs), as will be seen in chapter 3, and has also given similar assistance to countries whose economies are in transition, in Central Asia, Central and Eastern Europe and the Baltic region.

1.18 WIPO's cooperation for development program is closely interwoven with governmental and intergovernmental cooperation, including WIPO's agreement with the World Trade Organization (WTO), whereby WIPO assists developing countries in the implementation of WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (see chapter 5).

1.19 The problem of development is compounded by rapid technological and scientific progress. WIPO's approach is twofold: it is to identify and to promote international solutions to the legal and administrative problems posed by digital technology, especially the Internet, to the traditional notions and practices of intellectual property.

1.20 WIPO's work in alternative dispute resolution between individuals and companies, through the WIPO Arbitration and Mediation Center (see chapter 4) has been extended to cover the problems arising from the misuse of domain names on the Internet. WIPO has been accredited by the Internet Corporation for Assigned Names and Numbers (ICANN) to administer cases filed under ICANN's Uniform Domain Name Dispute Resolution Policy. Disputes are handled and resolved online, enabling parties to settle cases in a time- and cost-effective manner, without being physically present in the same place.

1.21 A project that will greatly advance the sharing of valuable intellectual property information benefits is the worldwide global intellectual property information network (WIPONET), a project launched by WIPO in 1999. WIPONET is designed to establish a secure, global network linking the intellectual property offices of all WIPO's Member States, facilitating access to and exchange of information worldwide. Already WIPO's main and subsidiary websites are heavily used all over the world.

1.22 WIPO is increasingly adopting a global approach not only to intellectual property in itself, but to the place of intellectual property in the wider framework of emerging issues such as traditional knowledge, folklore, biological diversity, environmental protection and human rights. These issues are explored in chapter 2 and chapter 7. WIPO has followed the method of consultation and empirical research to find, for example, the relation between intellectual property and genetic resources, traditional knowledge and folklore.

1.23 One of the most significant present-day tasks of WIPO is to demystify intellectual property, so that it is recognized as a part of everyday life not only by those directly involved in it at governmental, legal, industrial and cultural levels, but also by any others who compose civil society, whether in non-governmental organizations or small businesses, whether farmers, public health personnel, individual creators or simply interested members of the general public. Realizing the importance of small- and medium-sized enterprises (SMEs) as the backbone of market economies,

WIPO has established a program aimed at helping them to fulfill their potential as a powerful force behind wealth creation.

1.24 WIPO's agenda of outreach to all members of society is through their inclusion as stakeholders and partners in global and national intellectual property systems. To ensure that such inclusion is of benefit to the parties concerned, WIPO pursues a policy of empowerment. This means that WIPO's activities aim to give to all levels of society an awareness of how they have a stake in a healthy intellectual property system, and also to provide them with access to the knowledge, experience and expertise that will enable them to use those systems effectively.

Structure

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

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

1.27 Unlike the General Assembly, the Conference consists of all the States which are members of WIPO, whether or not they are members of any of the Unions. The main functions of the Conference were originally divided into five groups. First, the Conference was to constitute a forum for exchanges of views between all States members of WIPO on matters relating to intellectual property, and in that context it was empowered, in particular, to make any recommendations on such matters, having regard to the competence and autonomy of the Unions. Secondly, the Conference was to establish the biennial development cooperation program for developing countries and, thirdly, it was to adopt a budget for that purpose. Fourthly, the Conference is also competent to adopt amendments to the Convention establishing WIPO. Proposals for the amendment of the Convention may be initiated by any State member of WIPO, by the Coordination Committee or by the Director General. Fifthly, the Conference, like the General Assembly, was to determine which States and organizations would be admitted to its meetings as observers.

1.28 Why is an intergovernmental intellectual property organization needed? Intellectual property rights are limited territorially; they exist and can be exercised only within the jurisdiction of the country or countries under whose laws they are granted. But works of the mind, including inventive ideas, do and should cross frontiers with ease in a world of interdependent nations. Moreover, with growing similarity in the approach and procedures governing intellectual property matters in various countries, it makes eminent sense to simplify practice through international standardization and mutual recognition of rights and duties among nations. Therefore, governments have negotiated and adopted multilateral treaties in the various fields of intellectual property, each of which establishes a "Union" of countries which agree to grant to nationals of other countries of the Union the same protection as they grant to their own, as well as to follow certain common rules, standards and practices.

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

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

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

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

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

Administration

1.34 The Convention establishing WIPO provides for four different organs: the General Assembly, the Conference, the Coordination Committee and the International Bureau of WIPO or Secretariat.

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

1.36 The fourth organ of WIPO is the International Bureau of WIPO or Secretariat. It is headed by the Director General, and further consists of those who make up its regular staff; the staff in the professional and higher categories are recruited on a principle of equitable geographical distribution established in the United Nations system, and other staff are from a wide range of countries in all regions of the world.

Membership

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

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

1.39 The States party to the Convention Establishing the World Intellectual Property Organization (WIPO) are listed in the appropriate document to be found inserted in the back flap of this volume.

Constitutional Reform

1.40 The Member States of WIPO have, in recent years, adopted or considered a series of policies which ultimately require, for their implementation, amendment of the WIPO Convention and at least certain of the other treaties administered by WIPO.

1.41 The first such policy relates to the unitary contribution system and changes in contribution classes. In 1993 the WIPO Conference and the Assemblies of the Paris and Berne Unions adopted the unitary contribution system in replacement of the multiple contribution system provided for in the WIPO Convention and the treaties administered by WIPO. Under the unitary contribution system a State party to any of WIPO's contribution treaties would pay a single contribution, regardless of the number of such treaties to which it was party. It was adopted on a provisional and experimental basis, pending an evaluation of the outcome, and possibly subsequently the amendment of the relevant provisions of the WIPO Convention and the treaties administered by WIPO that provide for the payment of contributions by Contracting States. In 1989, 1991 and 1993, the same organs also adopted new contribution classes on the same provisional basis, pending the amendment of the requisite treaties to bring the provisions of those treaties into line with the new classes.

1.42 A second such policy arises out of the work of the Working Group on Policies and Practices for the Nomination and Appointment of Directors General, which was established by the WIPO Coordination Committee in 1988. Acting upon the recommendations of the Working Group, the WIPO Coordination Committee and the WIPO General Assembly, the Assemblies of the Paris and Berne Unions and the WIPO Conference adopted a proposal to amend Article 9(3) of the Convention Establishing the World Intellectual Property Organization, limiting to 12 years a Director General's total period in office.

1.43 The third series of policies arises out of the adoption of the 1998-99 Program and Budget. That Program and Budget contained various proposals for the simplification and rationalization of the governance structure of WIPO. The proposals for simplification and rationalization relate to

committees constituted directly by the Assemblies of the Member States; there are, however, other similar proposals in respect of organs or bodies constituted by WIPO-administered treaties.

1.44 Given that it appeared necessary to set in motion the procedure for treaty amendment because of the new practices relating to the unitary contribution system and contribution classes and the policy on limitation of mandates of Directors General, the WIPO Secretariat used the opportunity to propose other options for change in the governance structure of WIPO.

1.45 The culmination of proposals by the Secretariat and the adoption by the Member States of the policies described above was the creation of a Working Group on Constitutional Reform. The Working Group, which was open to all Member States of WIPO and also to the Member States of the Paris and Berne Unions, was established by the WIPO General Assembly at its meeting in September 1999. The Working Group met on six occasions in the space of three years, twice in 2000, 2001 and 2002 respectively. Its final recommendations were submitted to, and adopted by, the Assemblies of Member States of WIPO in September 2002.

1.46 The various proposals on constitutional reform which were studied by the Working Group may be described under five topics:

Unitary contribution system and changes in contribution classes

1.47 The first set of proposals on constitutional reform is to amend the relevant WIPO-administered treaties in order to formalize the unitary contribution system adopted in 1993 and the new contribution classes adopted in 1989, 1991 and 1993.

Executive Committees of the Paris Union, the Berne Union and the PCT Union

1.48 The reasons for the establishment of the Executive Committees of the Paris, Berne and PCT Unions seem to have been the perceived need for a body of a lesser number of member States than the Assembly in order to consider matters that were urgent in nature, and therefore could not await the next ordinary session of the Assembly, or were of lesser importance and did not require attention by the Assembly.

1.49 In practice, the Executive Committees have never functioned as intended. The PCT Executive Committee was never actually constituted; and neither the Paris nor the Berne Executive Committee has ever considered, as a body meeting separately, a substantive item of business.

1.50 The second set of proposals on constitutional reform is therefore to amend the WIPO Convention, the Paris Convention, the Berne Convention and the PCT by abolishing the Executive Committees of the Paris, Berne and PCT Unions.

WIPO Conference

1.51 The WIPO Conference is composed of all the Member States of WIPO. In practice, the Conference never meets separately from the General Assembly. It meets during the same period and in the same room as the General Assembly, and the only ostensible difference in the proceedings is the difference in presiding officer. In practice also, the Conference has considered very few separate items of business. In reality the functional division of work originally envisaged between the General Assembly and the Conference did not occur.

1.52 The third set of proposals on constitutional reform is to amend the WIPO Convention in order to abolish the WIPO Conference.

The other Conferences of Representatives

1.53 The Conferences of Representatives that exist for various Unions were the predecessor bodies of the Assemblies of those Unions. The Assembly of member States of a Union was introduced as a result of the reforms at the 1967 Stockholm Diplomatic Conference, in the Stockholm Act of those treaties that were revised at that Diplomatic Conference. Conferences of Representatives thus exist only for those Unions:

(i) which were established under treaties that have Acts that were concluded before 1967, and

(ii) which have member States that have not yet acceded to or ratified the Stockholm (1967) Act of the Treaty. The following Conferences of Representatives still exist:

- Paris Union Conference of Representatives;
- Berne Union Conference of Representatives;
- Hague Union Conference of Representatives;
- Nice Union Conference of Representatives; and
- the Lisbon Union Council.

1.54 The powers conferred on the Conferences of Representatives by their constituent instruments were extremely limited. In practice, the bodies have never separately considered any item of substantive business. Their convening has tended to be a formality only. Moreover, the number of States belonging to those bodies is small, and declining as States progressively accede to the Stockholm Acts of the relevant treaties.

1.55 The fourth set of proposals on constitutional reform is to amend the relevant conventions and other documents in order to discontinue the Conferences of Representatives.

Unitary Assembly

1.56 Under this proposal, the WIPO General Assembly would be the body competent to make decisions in respect of all WIPO treaties. Each Assembly constituted by a WIPO treaty would be replaced by the WIPO General Assembly so that there would be one organization, one Assembly of Member States, one Secretariat and one contribution from Member States. There would continue to be a number of different treaties, with differing memberships, providing for rights and obligations in the field of intellectual property. They would, however, all be administered in accordance with the unitary structure.

1.57 The fifth set of proposals on constitutional reform is to amend the relevant treaties and conventions in order to reduce the number of WIPO governing bodies to one single Assembly.

Final Recommendations of the Working Group adopted by the Assemblies in 2002

1.58 The final three recommendations on which agreement was reached by the members of the Working Group on Constitutional Reform were submitted to the General Assembly in September 2002. These recommendations were: (i) the abolition of the WIPO Conference; (ii) in respect of the unitary contribution system and the changes in contribution classes, the formalization in the treaties of what was already in practice; and (iii) a change in the periodicity of the ordinary sessions of the WIPO General Assembly and the other Assemblies of the Unions, from once every two years to once every year.

1.59 The Assemblies of the Member States of WIPO adopted the three recommendations of the Working Group on Constitutional Reform in September 2002, and set out a timetable for the process of amendment of several WIPO-administered treaties for implementation of the suggested recommendations. The proposed amendments were considered and adopted by the WIPO General Assembly and the other concerned Assemblies of the Unions in September 2003.

1.60 The Member States of WIPO have now been invited to accept the amendments in accordance with their respective constitutional processes. The said amendments will enter into force one month after written notifications of acceptance have been received by the Director General from three-fourths of the Member States.

Wider Consultation and Outreach

1.61 Apart from using the mechanisms described above, WIPO has increasingly sought to build up the broadest possible base throughout the world. For this purpose, several advisory bodies have been established, and a policy of public outreach has been pursued.

The Policy Advisory Commission

1.62 In March 1998, the Director General of WIPO proposed to Member States the establishment of a Commission of eminent international personalities drawn from politics, diplomacy and administration, to "enhance the Secretariat's capacity to monitor and respond in a timely, informed and effective manner to international and regional developments in intellectual property, in information technology and in other fields bearing on WIPO's operations and its policy environment." More recently (November 2003), members include President Guido de Marco (Malta), President Ion Iliescu (Romania), and President Jorge Sampaio (Portugal).

1.63 Member States approved this proposal. The Policy Advisory Commission (PAC) was to consider vital topics such as the advance of globalization, digital technology, breakthrough discoveries in biotechnology, transfer of technology to developing countries, conservation of biodiversity and the environment, electronic commerce, protection of indigenous cultures and the viability of an "international patent" ensuring the continuing and widespread availability of pharmaceuticals, and the relation of those topics to the intellectual property system. It was to present its findings to the Director General, who would draw on its conclusions in formulating possible policy proposals for the Member States' consideration.

1.64 The first meeting of the Commission took place in April 1999. HRH Prince El-Hassan of Jordan was elected Chair of the 25-member body, which held detailed discussions on both globalization and the need to demystify and depoliticize intellectual property issues. It then resolved to set up a Task Force to develop its work program: this was to include the formulation of a World Intellectual Property Declaration (WIPD) stating clearly and simply to the general public the benefits of intellectual property and intellectual property rights.

1.65 The Task Force met twice, in Amman in July 1999 and Washington, D.C., in March 2000, and worked on the above-mentioned projects as well as considering other questions. The first study to be published under the auspices of the PAC was authored by a member, Hisamitsu Arai, and looked in detail at the Japanese experience of intellectual property and wealth creation. It was published under a new Policy Advisory Commission imprint in December 1999. Work on the World Intellectual Property Declaration (WIPD) led to its adoption by the PAC at its second meeting in June 2000.

1.66 Besides working on the WIPD, the second meeting of the PAC also heard and discussed presentations on the WIPO Worldwide Academy, WIPO's approach to global communications, the information-technology-based WIPONET project and its potential benefits for developing countries, developments in automation of the Patent Cooperation Treaty and the results of the recent Diplomatic Conference for the Adoption of the Patent Law Treaty.

1.67 The third meeting of the PAC took place in Geneva in October 2001, following a preparatory meeting of the Task Force in New York in May of that year. The topics discussed, accompanied by presentations, were the Agenda for Development of the International Patent System and Issues Concerning Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore.

1.68 A fourth plenary meeting took place in November 2003. This followed a preparatory Task Force meeting in Beijing in May 2002. The topics discussed were Managing Cultural Assets, with a discussion paper, entitled *Copyright, Culture and Development: the Role of Intellectual Property and of WIPO in the Cultural Industries,* provided by Mr. Bruce Lehman, and *Intellectual Property Policies and the Japanese Economy*, with a discussion paper, entitled *Strategic Program for the Creation, Protection and Exploitation of Intellectual Property,* provided by Mr. Hisamitsu Arai.

The Industry Advisory Commission

1.69 The Industry Advisory Commission (IAC) was established in 1998 as part of the efforts by WIPO's Director General to take into consideration the broadest range of opinions in the context of policy-making. The Commission is composed of some 20 top-level representatives from the private sector. These representatives were invited in their personal capacity, with consideration being given to balanced geographical distribution and the need to have as broad a range of industries as possible represented. Among the industries represented are those connected with entertainment (motion pictures, theatre, music), telecommunications, pharmaceuticals and biotechnology.

1.70 The idea of the IAC arose from the Director General's conviction that an organization like WIPO, whose mission is to promote the protection of intellectual property worldwide, must stay abreast of developments in the private sector.

1.71 The IAC, which generally meets twice a year, is of crucial importance to WIPO in view of the fact that industry benefits most directly from intellectual property protection. In addition, the challenges that industry faces from globalization and rapid developments in technology directly affect and are affected by intellectual property. The IAC thus provides a forum for leaders in industry to exchange views with WIPO. The IAC will also enhance the WIPO Secretariat's capacity to monitor and respond in a timely, informed and effective manner to the demands of the market sector and of users of intellectual property systems.

1.72 Being a purely advisory body for the Director General of WIPO, the IAC's recommendations are not binding, and the IAC does not in any way replace the decision-making powers of WIPO's Member States.

1.73 Since its establishment, the IAC has held discussions on a broad range of issues, including electronic commerce, intellectual property and wealth creation, biotechnology and the impact of the global economy on the intellectual property system, as well as efforts by WIPO to promote public awareness and understanding of intellectual property and its contribution to economic and social development.

The Ad Hoc Advisory Panel on Privatization

1.74 Bearing in mind the importance of the issue of privatization in an increasing number of countries, the Director General of WIPO created a new body, the Ad Hoc Advisory Panel on Privatization, in 2000, to assist Member States in determining strong intellectual property policies and strategies for their efforts at privatization. It is a panel of nine experts representing governmental, diplomatic and academic circles.

1.75 The Panel met twice in 2000, and in particular considered how identification and appropriate valuation of intellectual property assets could be incorporated into the privatization process, especially through the provision of expert advice, training and guidelines for evaluating intellectual property assets in the privatization process.

WIPO and Public Outreach

1.76 Since 1998 WIPO has made a concerted effort to reach out not only to the intellectual property community but also to the general public, in order to demystify a hitherto specialized field for a wider public. The aim is to promote a general understanding of the role of intellectual property and of the need to foster and protect it. WIPO has concentrated these efforts on using three types of means – information technology, more traditional information materials and "live" activities promoting media and personal contact and interchange.

1.77 The major tool used in information technology to reach a wider public is the Internet. The WIPO website was developed to the extent that visitors viewed an average of 4.5 million pages per month during 2003. Thousands of pages of information, including the documentation of most WIPO meetings and many of its printed publications, are available via the site in six languages, Arabic, Chinese, English, French, Russian and Spanish.

1.78 The more traditional printed information materials—books, pamphlets, brochures, leaflets—increased, and new material was added, also in the form of posters and CD-ROMs. Sales of information products were enhanced by the creation of a new Visitors' Center in 1998 and of an electronic bookshop in 1999. Many publications are made available on CD-ROM to Member States for translation and local printing, and an increasing number of free publications are available for downloading from the WIPO website.

1.79 Media activities and exhibitions on aspects of intellectual property extended public outreach. WIPO press releases, articles in the press and media coverage on radio and television worldwide gave WIPO and its activities greater exposure amongst the public, as did exhibitions on various aspects of intellectual property (such as women inventors, inventions used in everyday life in the home and music in the digital age) held at WIPO and elsewhere.

1. 80 Visits for groups, mostly students, are also organized regularly throughout the year. The groups are briefed on the history, structure and activities of the Organization. Specialized thematic briefings are also organized on request for groups who are interested in more in-depth information about specific intellectual property issues.

1.81 WIPO also worked with certain Member States and organizations (notably in the framework of cooperation for development) in the field of public outreach, with the object of raising awareness in the general public of the nature and importance of intellectual property.

Chapter 2

Fields of Intellectual Property Protection

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Patents

Introduction

2.1 A patent is a document, issued, upon application, by a government office (or a regional office acting for several countries), which describes an invention and creates a legal situation in which the patented invention can normally only be exploited (manufactured, used, sold, imported) with the authorization of the owner of the patent. "Invention" means a solution to a specific problem in the field of technology. An invention may relate to a product or a process. The protection conferred by the patent is limited in time (generally 20 years).

2.2 In a number of countries, inventions are also protectable through registration under the name of "utility model" or "short-term patent." The requirements are somewhat less strict than for patents, in particular in respect of inventive step, and in comparison with patents the fees are lower, and the duration of protection is shorter, but otherwise the rights under the utility model or short-term patent are similar.

2.3 Patents are frequently referred to as "monopolies", but a patent does not give the right to the inventor or the owner of a patented invention to make, use or sell anything. The effects of the grant of a patent are that the patented invention may not be exploited in the country by persons other than the owner of the patent unless the owner agrees to such exploitation. Thus, while the owner is not given a statutory right to practice his invention, he is given a statutory right to prevent others from commercially exploiting his invention, which is frequently referred to as a right to exclude others from making, using or selling the invention. The right to take action against any person exploiting the patented invention in the country without his agreement constitutes the patent owner's most important right, since it permits him to derive the material benefits to which he is entitled as a reward for his intellectual effort and work, and compensation for the expenses which his research and experimentation leading to the invention have entailed.

2.4 It should be emphasized, however, that while the State may grant patent rights, it does not automatically enforce them, and it is up to the owner of a patent to bring an action, usually under civil law, for any infringement of his patent rights. The patentee must therefore be his own "policeman."

2.5 Simply put, a patent is the right granted by the State to an inventor to exclude others from commercially exploiting the invention for a limited period, in return for the disclosure of the invention, so that others may gain the benefit of the invention. The disclosure of the invention is thus an important consideration in any patent granting procedure.

Conditions of Patentability

2.6 An invention must meet several criteria if it is to be eligible for patent protection. These include, most significantly, that the invention must consist of patentable subject matter, the invention must be industrially applicable (useful), it must be new (novel), it must exhibit a sufficient "inventive step" (be non-obvious), and the disclosure of the invention in the patent application must meet certain standards.

Patentable Subject Matter

2.7 In order to be eligible for patent protection, an invention must fall within the scope of patentable subject matter. Patentable subject matter is established by statute, and is usually defined in terms of the exceptions to patentability, the general rule being that patent protection shall be available for inventions in all fields of technology (see Article 27.1 of the TRIPS Agreement).

2.8 Subject matter which may be excluded from patentability includes the following (see also Article 27.3 of the TRIPS Agreement). Examples of fields of technology which may be excluded from the scope of patentable subject matter includes the following:

- discoveries of materials or substances already existing in nature;

- scientific theories or mathematical methods;

- plants and animals other than microorganisms, and essentially biological processes for the production of plants and animals, other than non-biological and microbiological processes;

- schemes, rules or methods, such as those for doing business, performing purely mental acts or playing games;

- methods of treatment for humans or animals, or diagnostic methods practiced on humans or animals (but not products for use in such methods).

2.9 The TRIPS Agreement (Article 27.2) further specifies that Members may exclude from patent protection certain kinds of inventions, for instance inventions the commercial exploitation of which would contravene public order or morality.

Industrial Applicability (Utility)

2.10 An invention, in order to be patentable, must be of a kind which can be applied for practical purposes, not be purely theoretical. If the invention is intended to be a product or part of a product, it should be possible to make that product. And if the invention is intended to be a process or part of a process, it should be possible to carry that process out or "use" it (the general term) in practice.

2.11 "Applicability" and "industrial applicability" are expressions reflecting, respectively, the possibility of making and manufacturing in practice, and that of carrying out or using in practice.

2.12 The term "industrial" should be considered in its broadest sense, including any kind of industry. In common language, an "industrial" activity means a technical activity on a certain scale, and the "industrial" applicability of an invention means the application (making use) of an invention by technical means on a certain scale. National and regional laws and practices concerning the industrial applicability requirement vary significantly. At one end of the spectrum, the requirement of industrial applicability is met as long as the claimed invention can be made in industry without taking into account the use of the invention. At the other end of the spectrum, the "usefulness" of the claimed invention is taken into account for the determination of the industrial applicability. On the other hand, some countries do not require industrial applicability, but utility.

Novelty

2.13 Novelty is a fundamental requirement in any examination as to substance and is an undisputed condition of patentability. It must be emphasized, however, that novelty is not something which can be proved or established; only its absence can be proved.

2.14 An invention is new if it is not anticipated by the prior art. "Prior art" is, in general, all the knowledge that existed prior to the relevant filing or priority date of a patent application, whether it existed by way of written or oral disclosure. The question of what should constitute "prior art" at a given time is one which has been the subject of some debate.

2.15 One viewpoint is that the determination of prior art should be made against a background of what is known only in the protecting country. This would exclude knowledge from other countries, if it was not imported into the country before the making of the invention, even if that knowledge was available abroad before the date of the making of the invention.

2.16 Another viewpoint is based on the differentiation between printed publications and other disclosures such as oral disclosures and prior use, and where such publications or disclosures occurred.

2.17 The disclosure of an invention so that it becomes part of the prior art may take place in three ways, namely:

- by a description of the invention in a published writing or publication in other form;

- by a description of the invention in spoken words uttered in public, such a disclosure being called an oral disclosure;

- by the use of the invention in public, or by putting the public in a position that enables any member of the public to use it, such a disclosure being a "disclosure by use."

2.18 Publication in tangible form requires that there be some physical carrier for the information, a document in the broad sense of the term, and that document must have been published, that is to say, made available to the public in any manner such as by offering for sale or deposit in a public collection. Publications include issued patents or published patent applications, writings (whether they be manuscript, typescript, or printed matter), pictures including photographs, drawings or films, and recording, whether they be discs or tapes in either spoken or coded language. Today, publication on the Internet must increasingly be taken into consideration.

2.19 Oral disclosure, as the expression suggests, implies that the words or form of the disclosure are not necessarily recorded as such and includes lectures and radio broadcasts.

2.20 Disclosure by use is essentially a public, visual disclosure such as by display, sale, demonstration, unrecorded television broadcasts and actual public use.

2.21 A document will only destroy the novelty of any invention claimed if the subject matter is explicitly contained in the document. The subject matter set forth in a claim of an application under examination is thus compared element by element with the contents of each individual publication. Lack of novelty can only be found if the publication by itself contains all the characteristics of that claim, that is, if it anticipates the subject matter of the claim.

2.22 Lack of novelty may however, be implicit in the publication in the sense that, in carrying out the "teaching" of the publication, a person having ordinary skill in the art would inevitably arrive at a result falling within the terms of the claim. Generally speaking, lack of novelty of this kind will only be raised by the Patent Office where there is no reasonable doubt as to the practical effect of the prior "teaching."

2.23 It should be noted that in considering novelty, it is not permissible to combine separate items of prior art together.

Inventive Step (Non-Obviousness)

2.24 In relation to the requirement of inventive step (also referred to as "non-obviousness"), the question as to whether or not the invention "would have been obvious to a person having ordinary skill in the art" is perhaps the most difficult of the standards to determine in the examination as to substance.

2.25 The inclusion of a requirement like this in patent legislation is based on the premise that protection should not be given to what is already known as part of the prior art, or to anything that the person with ordinary skill could deduce as an obvious consequence thereof.

2.26 The expression "ordinary skill" is intended to exclude the "best" expert that can be found. It is intended that the person be limited to one having the average level of skill reached in the field in the country concerned.

2.27 It should be noted that novelty and inventive step are different criteria. Novelty exists if there is any difference between the invention and the prior art. The question, "is there inventive step?" only arises if there is novelty. The expression "inventive step" conveys the idea that it is not enough that the claimed invention is new, that is, different from what exists in the state of the art, but that this difference must have two characteristics. Firstly, it must be "inventive", that is, the result of a creative idea, and it must be a step, that is, it must be noticeable. There must be a clearly identifiable difference between the state of the art and the claimed invention. This is why, in some jurisdictions, there is the concept of an "advance" or "progress" over the prior art.

2.28 Secondly, it is required that this advance or progress be significant and essential to the invention.

2.29 In order to assess the nature of the differences which are relied upon as constituting an inventive step, account has to be taken of the prior art as a whole. Thus, as distinct from the assessment of novelty, the subject matter of the claim under examination is compared not with each publication or other disclosure separately, but with the combinations thereof, insofar as each such combination is obvious to the person having ordinary skill in the art. The combination may be global, whereas the claim may define a set of subject matter known separately, for instance a new form of washing machine including a particular type of motor coupled to a particular type of pump. For the inventive step to be denied, it is necessary that not only the combination, but also the choice of the combined elements, is obvious. It is the sum of the differences that have been discovered which must be compared with the prior art and judged as to obviousness, and not each of the new elements taken individually, except where there is no technical link between them.

2.30 In most cases, it is useful to assess inventive step in relation to three aspects, namely:

- the problem to be solved;

- the solution to that problem; and

- the advantageous effects, if any, of the invention with reference to the background art.

2.31 If the problem is known or obvious, the examination will bear on the originality of the solution claimed. If no inventive step is found in the solution, the question becomes whether or not the result is obvious or whether it is surprising either by its nature or by its extent. If a person having ordinary skill in the art would have been able to pose the problem, solve it in the manner claimed, and foresee the result, the inventive step is lacking.

Disclosure of the Invention

2.32 An additional requirement of patentability is whether or not the invention is sufficiently disclosed in the application.

2.33 The application must disclose the invention in a manner sufficiently clear for the invention to be carried out by a person skilled in the art.

2.34 The description should set out at least one mode for carrying out the invention claimed. This should be done in terms of examples, where appropriate, and with reference to the drawings, if any. In some countries, the description is required to disclose the best mode for carrying out the invention known to the applicant.

2.35 Whether or not there is an examination as to substance, some jurisdictions provide for an opposition procedure which may be instituted either before or after the grant of a patent. An opposition procedure is designed to allow third parties to present objections to the grant of a patent.

2.36 So that oppositions may be filed, the public must be informed of the content of the application, and this is done by the Patent Office by publication of a notice in an official journal or gazette to the effect that:

- the application is open to public inspection; and/or

- the Patent Office will, unless opposition is filed within a prescribed period, grant a patent; or

- a patent has been granted on the application.

2.37 The grounds upon which an opposition may be filed are prescribed by the relevant legislation. Generally speaking, it should be possible for an opposition to be based on non-compliance with any substantive requirement. However, the law in some countries restricts an opposition to certain substantive requirements only. Typically these grounds are lack of novelty, inventive step or industrial applicability, insufficient disclosure of the invention, or the fact that an amendment made to a patent application has gone beyond the original disclosure in the application as filed. Some jurisdictions make it possible to file an opposition on the ground that the applicant has no right to a patent.

Drafting and Filing a Patent Application

Identification of the Invention

2.38 The first task in drafting a patent application is the identification of the invention.

This involves:

- summarizing all the necessary features which in combination solve a particular technical problem; and

- an examination of this combination to determine whether it would, according to one's own judgment, fulfill the requirements for patentability, especially inventive step.

2.39 It is during this process that a full comprehension of the essence of the invention is obtained, and this is important in helping to draft the description and claims.

2.40 Often the invention contains more than one new feature. It is essential to identify the critical feature or features and to have an explanation of why they contribute to an effective solution to the problem. There are two important reasons for this. First, the claims should be as broad as possible; the broadest claim is the one restricted by the least number of features. Second, having identified the critical features and their effect, it is then necessary to ask how else may this effect be achieved, that is, can the specific features be substituted or altered while still achieving the end result. This is important not only in drafting the claims, which must be wide enough to cover these substitutes or alternatives, but also in the description of the invention which must include details of the substitutes or alternatives so that the broad claim can be supported by the description.

Practical Aspects of Drafting Patent Applications

2.41 Drafting practices and requirements differ from country to country. However, there are typically three basic requirements to be complied with in the drafting of a patent application.

2.42 Firstly, there is a requirement that the application should relate to one invention only, or to a group of inventions so linked as to form a single general inventive concept. This requirement, referred to as "unity of invention", is particularly important when claims are being drafted.

2.43 Secondly, the description should disclose the invention in a manner sufficiently clear and complete for the invention to be evaluated, and to be carried out by a person having ordinary skill in the art. This is of fundamental importance, since one of the main functions of the description is to provide new technical information to third parties. An important phrase to note in this requirement is "a person having ordinary skill in the art." This allows for a simplified description since it can be assumed that the reader will be an informed reader having the background knowledge which makes it unnecessary to describe every basic detail of the invention.

2.44 Thirdly, for the application to proceed, it must contain claims which determine the scope of the protection. The claims must be clear and concise and fully supported by the description. This third basic requirement is important since the claims are the basis of interpretation of patent protection. It is from the claims that third parties are able to know what they may do and what they may not do. The claims may not be significantly broader or different from that which has been described.

2.45 The first section of the description typically contains two elements, namely, the title of the invention and a brief statement of the technical field in which the invention lies. Usually this statement is in the form of a short introductory paragraph which commences with the phrase "This invention relates to ....."

2.46 In the second section, the background of the invention is described. In drafting this section, the patent agent usually sets out any existing problems or difficulties which the invention overcomes. Any previous solutions to those problems or difficulties should be described, preferably in a way which clearly sets out the difference between the present and previous solutions. This section may also describe the object of the invention, that is to say, what the invention sets out to achieve. The second section of the description is important to provide a good understanding of the invention and to put it into perspective against the prior art.

2.47 The third section of the description provides a summary of the invention in such terms that it may be readily understood. The patent agent will normally describe the invention first in general terms which correspond to those he intends to use in the main claim. By using this technique, the agent can avoid any disputes that might arise based on differences between the invention described and the invention as defined in the claims. This description of the invention in general terms is usually followed by a series of paragraphs which set out different preferred features of the invention. These paragraphs usually form the basis for dependent claims which follow the broad main claim.

2.48 In the fourth section of the description, two elements are generally found, namely a brief description of the drawings, if drawings are appropriate, and a detailed description of one or more embodiments of the invention. If the invention relates to some form of mechanical object, for example, drawings illustrating plan, elevation and sectional views of that object could be used. Elements of the drawings which are described are numbered in the drawings and these numbers utilized in the description of the embodiment.

2.49 Where the invention is an electrical circuit, drawings can be used effectively to show the connections between the various elements or components of the circuit. Again these elements or components should be numbered for ease of reference. Normally the drawings should contain no textual matter. Exceptions, however, may be made when single descriptive words can be used where they do not interfere with the lines of the drawings. Thus in any drawing illustrating an electrical circuit, for example, standard components may be indicated in the drawings by boxes which may be labeled. Similarly, where the invention relates to a process, drawings may show a block, schematic or flow-sheet diagram, and blocks or boxes contained therein may be labeled as appropriate.

2.50 Where the invention is in the chemical field, the drawing may be the chemical formula of one or more compounds. Where the invention is of a metallurgical nature, the drawing may be a diagram such as a phase diagram of the components.

2.51 It is usual for the description of the embodiment to include a passage which briefly describes the actual operation of the invention. If the device, for example, is a machine or an electrical circuit, the manner in which the machine or electrical circuit operates is extremely helpful in understanding the invention.

2.52 The claims are the center or the heart of any granted patent because they define the protection which is the purpose of the patent, that is to say, they define clearly the scope of the exclusive right provided by the patent. Therefore it is the most important task in the work of the patent agent when preparing the application, to produce a wording of the claims which defines the

invention in terms of the technical features disclosed in the description and which does not contain any reference to commercial advantages.

2.53 The series of claims drafted by the patent agent generally commences with a broad main claim followed by a number of claims of narrower scope. The broad claim is drafted so as to just avoid the prior art known at the time of preparing the application. The patent agent drafts the succeeding claims more narrowly, and hopefully this results in stronger claims which could withstand any anticipation by more relevant prior art which might be produced by a Patent Office during examination, or by third parties during any opposition or invalidation proceeding. It should be emphasized that there must be some element of additional invention in each succeeding claim in order for it to be stronger.

2.54 The narrower claims following the broad main claim usually refer back to one or more of the preceding claims. They are therefore usually called dependent claims. The features introduced in each of the dependent claims must find some basis in the description. There it is usually explained that these are preferred features which produce a better technical form of the invention.

2.55 The last element of a patent is the abstract. The abstract presents a short summary of the description and the claims. It serves the purpose of enabling third parties to obtain quick information about the essential contents of the invention. It must be emphasized that it is not used to interpret the scope of protection.

2.56 The guiding principle is that the abstract should be so drafted that it can efficiently serve as a scanning tool for purposes of searching in the particular art. Thus the abstract has to be as concise as the disclosure permits. Generally speaking, it contains between 50 and 150 words.

Examination of a Patent Application

Examination as to Form, The Filing Date and Priority Date

2.57 It is now useful to follow the progress of an application through the Patent Office. There are three main areas of activity worthy of some comment, namely:

- examination as to form;

- search; and

- examination as to substance.

2.58 In each of these areas of activity, the normal procedure is for a dialogue to be carried out, mainly in writing, between an examiner in the Patent Office, and the applicant. The patent agent acts as a go-between in the sense that he receives communications from the Patent Office, advises the applicant as to the appropriate course of action, takes the applicant's instructions, and responds accordingly to the Patent Office's communications.

2.59 Prior to examination as to form, the application is checked to ensure that all the requirements necessary to accord the application a filing date, have been satisfied. This is a fundamental check since if a filing date is not established, the application will be treated as if it had not been filed, and it proceeds no further. The filing date is important in the general scheme of things since it constitutes the date from which certain actions are calculated, such as the term of

the patent, and, where appropriate, determines the priority date of any subsequent application in another country under the terms of the Paris Convention for the Protection of Industrial Property. The filing date (or priority date) is also relevant to the evaluation of novelty and inventive step.

2.60 The right of priority may be based on a national, regional or international application filed less than twelve months earlier. Its effect is to substitute the date of the earlier filing for the date of the national filing and this is particularly important with respect to the relevant prior art for evaluating novelty and inventive step.

2.61 The right of priority is available in all countries which are party to the Paris Convention or the TRIPS Agreement. It should be noted however, that under some national laws, priority rights are granted on a bilateral basis of reciprocity for countries not parties to the Paris Convention.

2.62 The right of priority offers great practical advantages to an applicant who seeks protection in one or more other countries. The applicant is not required to present all applications in his own country and in foreign countries at the same time, since he has up to twelve months to decide in which foreign countries he desires protection. The applicant can use that period to organize, with due care, the steps to be taken to secure protection in the various countries of interest to him.

2.63 Examination as to form is normally carried out as soon as an application has been accorded a filing date. Basically this covers the following points: the representation by a patent attorney, if any, the contents of the request, the statement concerning the inventor, the physical requirements governing the description, the claims and the drawings, and the inclusion of an abstract. The applicant is given an opportunity to correct any defects identified during examination as to form, and if such defects are not corrected within a specified time, the Patent Office rejects the application.

Search

2.64 Depending on the examination procedure provided in the relevant law, the search will be conducted either separately from and prior to, or at the same time as, the examination as to substance. In either case, the objective of the search is to determine the prior art in the specific field to which the invention relates. In conducting the search the Patent Office checks its documentation collection to ascertain whether any documents exist which describe a solution which is the same as or similar to that described in the application.

2.65 If the search is conducted separately from the examination as to substance, a search report will be forwarded to the applicant setting out:

- a list of the documents located during the search, which disclose subject matter the same as or closely resembling the invention; and

- the claims in the application that should be compared with each of those documents.

2.66 The report may also give an indication of the scope of the search, that is, the type of documents that may have been searched, the time span covered and the specific areas of technology searched.

2.67 The search itself is a documentary search in a collection of patent documents that is primarily arranged for search purposes according to the specific areas of technology. These patent documents may be supplemented by articles from technical journals and other so-called non-patent documents. This total collection of documents is usually referred to as "the search file."

2.68 The Patent Office may conduct the search only in respect of documents in the search file. It may additionally carry out an online computer search of one or more commercial databases, as well as on the Internet. The search does not extend to disclosures other than publications and, in particular, does not seek to determine whether disclosure has taken place by public use. This type of disclosure, if any, will only be taken into account during the examination as to substance if that use has been brought to the attention of the Patent Office by some third party's action.

2.69 The search itself will first cover all directly relevant technical fields, and may then have to be extended to analogous fields, but the need for such extension must be judged by the examiner in each individual case, taking into account the outcome of the search in the directly relevant areas of technology. It must be realized that whilst completeness is the ideal of the search, this ideal may not necessarily be obtained because of such factors as the inevitable imperfections of any classification and information retrieval system, and may not be economically justified if the cost is to be kept within reasonable bounds.

Examination as to Substance

2.70 The aim of the examination as to substance procedure is to ensure that the application satisfies certain conditions of patentability. In essence, this is to prevent the grant of a patent where:

- the invention is excluded from patent protection by specific provisions in the legislation;

- the invention is not new, does not involve an inventive step and/or is not industrially applicable; or

- the invention is not sufficiently disclosed in a clear and complete manner in the documents filed.

2.71 In the same way as with examination as to form, the applicant is given the opportunity to remove any objections raised during the examination as to substance phase, and if he fails to do so within a specified time, the Patent Office will refuse the grant of a patent.

2.72 It is in the interest of both the applicant and the public that there exists the possibility to amend the application. Not only can deficiencies be eliminated and thus a better patent grant secured, but also amendments to clarify the disclosure will result in a better description of the invention and a more precise definition of the scope of protection.

2.73 Not all amendments are permissible. As a general rule, an amendment is not allowable if it goes beyond the original disclosure in the application.

2.74 It should be noted that since the purpose of any patent law is to protect inventions, the Patent Office will only refuse to grant a patent if the results of the examination clearly preclude the grant. In general, any doubt is resolved in the applicant's favor, since final adjudication on the validity or otherwise of a patent is usually possible via the courts.

Grant and Publication

2.75 If and when the examination process has reached a conclusion favorable to the applicant, that is to say all the necessary requirements as to form and substance have been fulfilled, and assuming no opposition has been filed or that any opposition has been unsuccessful, the Patent

Office will grant a patent on the application. This involves certain actions on the part of the Patent Office.

2.76 Firstly, when the patent is granted, the details of the patent are entered into the Patent Register. The Register usually contains bibliographic data such as the patent number, the name and address of the applicant/patentee, the name of the inventor, the original application number, the filing date, certain priority application details and the title of the invention. It does not contain any technical information.

2.77 Additionally in countries where annual fee payments are required in order to maintain the patent in force, the Register will contain details of when such fees have been paid, and may also list any details of licenses or assignments which may have been recorded.

2.78 The Register can thus be very useful to third parties especially competitors of the patentee, because it reveals the actual status of the patent. In some countries the courts accept a certified copy of an extract from the Register as being proof of the correctness of the position recorded in respect of the patent.

2.79 Secondly, the Patent Office publishes in an Official Gazette, a reference to the grant of the patent with the prescribed bibliographic data. The entry in the Official Gazette may also contain the abstract or the main claim and, if there are drawings, the most illustrative drawing.

2.80 Thirdly, a Certificate of Grant is issued to the applicant, which is the legal document establishing his ownership of the patent. A copy of the granted patent is also issued at the same time.

2.81 Lastly, the Patent Office generally publishes the patent document itself in printed form. Recently, certain Patent Offices have decided to publish certain kinds of patent applications, such as applications containing sequence listings or consisting of a high number of pages, in electronic form only. Copies of the patent document are made available by the Patent Office for use by patent libraries, etc., as a source of technical information, and by third parties subject to the payment of a fee. Many Offices also publish the application 18 months after the priority date or filing date.

2.82 As stated above, in order to keep the patent in force, each year, for the term of the patent, a prescribed renewal or maintenance fee, usually has to be paid to the Patent Office. In some countries, where for example a deferred examination system exists, the maintenance fee is payable even before the patent is granted. In some countries the maintenance fee is not required annually but may be paid, for example, say every three to five years. A small number of countries do not require the payment of maintenance fees.

Infringement

Exclusive Right of a Patent Owner

2.83 Generally speaking, a patentee acquires the right, enforceable at law, to decide who shall and who shall not exploit his patented invention. He retains this right for the term of the patent, provided he pays any necessary renewal or maintenance fees.

2.84 The patent owner's legal rights over his invention are usually limited in a number of quite different ways.

2.85 Firstly, the claims which define the monopoly may be subject to amendment or invalidation by the courts in respect of defects which were not detected prior to the grant of the patent.

2.86 Secondly, where the invention is an improvement or development of an earlier subsisting patent, the patent owner may need to obtain a license and pay royalties to the earlier patent owner.

2.87 Thirdly, the patent owner's rights are usually limited by the patent law, quite apart from the question of validity of his patent. In most patent systems, for example, the patent owner is required to work his invention, either on his own behalf, or by licensing others to use it, if he wishes to retain his monopoly. A non-voluntary license may, for instance, be granted to third parties if it can be demonstrated that the patented invention is not worked or is insufficiently worked in the country.

2.88 Finally, a fourth legal limitation on a patent owner's right to exploit his invention is that patented inventions may often be used by Government or by third parties authorized by Government, where the public interest so requires, on terms fixed by agreement or by the courts.

2.89 With the exception of the limitations just referred to, the grant of a patent allows its owner to exclude others from exploiting the patented invention. The right of the owner is called exclusive because it allows the exclusion of others from exploiting the invention and because the owner is the only one allowed to exploit the invention as long as others are not given an authorization, for example, by way of license to do so. This exclusive right of the patent owner has two main applications in practice, namely protection against infringement and the possibility of assigning or licensing the right, in part or in whole. Licensing of the patented invention will be discussed in a later chapter.

2.90 An infringement of the exclusive right of a patent owner involves the unauthorized exploitation of the patented invention by a third party. The making of the invention in particular, and its development for industrial application, usually involve considerable expense for the applicant and for the future owner of the patent for invention. The patent owner thus wishes to recover this expense through exploitation of the patented invention, in particular through the sale of products that incorporate the invention.

Enforcement of Rights

2.91 Initiative for enforcing a patent rests exclusively with the patent owner. It is he who is responsible for detecting infringements and for bringing them to the infringer's attention. In many jurisdictions there is a strict rule that the patent owner may not threaten legal action without the possibility of incurring severe countermeasures, including damages, if the threats prove to be on insufficient grounds. The main purpose of such provisions in the law is to prevent patent owners from threatening the customers of alleged infringers without pursuing the primary infringer. In practice, a polite letter pointing out the existence of the patent carries the implication that the patentee will sue if the infringement continues. Such a letter has proven to be quite effective in suppressing an infringement.

2.92 If the infringer is persistent, the patent owner may consider whether he wishes to offer a license. Many incipient disputes are settled through license negotiations at an early stage, the terms of the license reflecting the bargaining strength of the parties. But if the patent owner is reluctant to license on terms acceptable to the licensee, he may have recourse to legal action by suing for infringement and seeking an injunction to restrain the infringement. The invariable legal response of an infringer who wishes to pursue the contest is to petition for invalidation of the patent.

2.93 The great majority of patent infringement disputes never reach the stage of court action but are settled through negotiation. Of those that do reach the stage at which official legal action is taken, very few go beyond the pre-trial stage, the usual outcome being settlement before any court hearing, possibly with the help of an unofficial arbitrator. Settlements of this nature can take several years, especially in complicated cases, but they do not typically involve large legal costs. Such settlements almost invariably involve a license and possibly damages as well.

Types of Infringement

2.94 There are several ways in which infringement of patent rights might arise. Firstly, there is the situation where a patent is deliberately infringed by a third party without any attempt to avoid the infringement. This will either be straight copying of the invention or else involve minor variations or modifications thereof. This form of infringement may occur because the third party is unscrupulous, or because he has been advised by his patent agent that the patent in question, or one or more claims thereof, is invalid.

2.95 With this form of infringement there is generally no argument as to whether or not there is infringement. If all the features of the patented invention have been copied, then there must be infringement, and the only matter to be resolved is whether the claims of the patent are valid.

2.96 The second situation which arises is where the infringement is deliberate, but some attempt has been made to avoid the appearance of infringement. It frequently happens that once an invention is disclosed either by sale of the product incorporating the invention, or in a published patent document, or in some other publication, third parties are given ideas. The publication generally outlines the problem and shows a way of solving it. Third parties then may endeavor to design an alternative to do the same thing. While third parties may be genuinely trying to design around the patent whilst still making use of the basic idea of the inventor, the result does not always clearly fall outside the scope of the claims of the patent. This is probably the most common form of infringement faced by patent owners and it gives rise to the most litigation.

2.97 The last situation that arises is the case of accidental infringement. As soon as a patent owner comes across something which embodies his idea he naturally feels that his invention is being copied. This is not necessarily so, since there may be many people working to solve a particular problem at the same time. For example, research departments of different large organizations may all be working on a similar problem. Similarly there may be several companies who have been asked to tender for a contract to solve a particular problem or to achieve a certain result, and in so doing may come up with similar ideas to that which may have been involved in the patented invention. Thus, although the patent owner may feel that his invention has been copied, the third party has, in fact, arrived at a similar if not identical solution via a different route.

Elements in Establishment of Infringement

2.98 To establish infringement the patent owner must prove all the following elements:

- the carrying out of a prohibited act;

- the prohibited act must have been done after the publication of the patent application, or the issuance of the patent where no early publication occurs;

- the prohibited act must have been done in the country where the patent has been granted;

- the prohibited act must be in relation to a product or process falling within the scope of a claim of the patent.

Prohibited Acts

2.99 A prohibited act, the most important element in establishing an infringement, is one which involves the making, using, selling or importing the patented product, or the use of the patented process, or the making, using, selling or importing the product directly obtained through the patented process.

2.100 To make the product means that the product described and claimed in the patent is carried out in practice. Such making is also referred to as manufacturing especially when the product is produced on a commercial scale. The method of manufacture and the quantity in which the product is manufactured is irrelevant so far as infringement of a patented product is concerned. There are however, three main exceptions in most laws to infringement of exclusive rights to make a patented product, namely:

- where the patented product is made for the sole purpose of scientific research and experiment;

- where a third party had started making the product before the date when the patent application for an invention incorporated in the product was filed; and

- where the patented product is made under a non-voluntary license or under an authorization granted by the Government on public interest grounds.

2.101 In respect of patented processes, only the making of products directly obtained through the patented process is a prohibited act. "Directly" in this context means "immediately" or "without further transformation or modification."

2.102 One of the difficulties in establishing infringement in respect of products directly obtained through a patented process, is that of proving that the patented process was used to produce the product. Some laws partially solve this by providing for the reversal of the burden of proof in respect of patents for processes by introducing the following presumption: if the product resulting directly from the use of the patented process was new on the filing date or priority date of the patent application, an identical product manufactured by a third party is presumed to have been obtained by the same process. Some other laws go further and eliminate the difficulty by not limiting the resulting product to one which has to be new.

2.103 The use of a patented product does not require that the use be repetitive or continuous. The rule is that use is a prohibited act irrespective of who the user of the patented product is, and for what purpose the patented product is used. The use of the patented product is a prohibited act irrespective of whether the product actually being used was made by the patent owner, with the authorization of that owner, or without the authorization of such owner.

2.104 There are, in most laws, five exceptions to infringement of exclusive rights to use a patented product, namely:

- where the use of the patented product is solely for purposes of scientific research and experiment;

- where the patented product that is used is a product which was put on the market in the country by the owner of the patent for invention, or with his authorization;

- where the use of the patented product occurs in vehicles in transit in the country;

- where the patented product is used by third parties who have the special right to continue to make the product; and

- where the patented product is used under a non-voluntary license or under an authorization granted by the Government on public interest grounds.

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

2.106 Importing a product simply means that an article which constitutes or incorporates the patented product is brought into the country where protection has been conferred. Thus, importation is a physical act of transportation of the product across the border into the territory of the country. It is irrelevant which other country the product is imported from. Furthermore, it does not matter whether the importation takes place for purposes of use or sale, or for the purposes of distribution free of charge. It is also irrelevant whether the imported product enjoys patent protection in the country in which it was made or in the country from which it was imported.

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

After Publication of the Application or Issuance of the Patent

2.108 The second element in establishing an infringement, namely that the prohibited act must have been done after the publication of the invention in either a patent application or in the granted patent, needs little comment. It would be contrary to natural justice if third parties could be charged with committing an offense when details of the invention were not available to the public to see what it is that could not be done.

In the Country where the Patent has been Granted

2.109 The third element in establishing an infringement also requires little comment. Generally speaking, patents do not extend beyond the boundaries of the country which granted the patent. The patent law of a country has no effect in any other country. However, in a small number of countries, particularly U.K. Dependent Territories, it is possible to extend the coverage of a United Kingdom patent to those countries by the owner of the U.K. patent applying, generally within a period of three years from the date of grant thereof, to register such patent in the country concerned.

Within the Scope of a Claim of the Patent

2.110 The fourth element in establishing an infringement is one which is normally the decisive point in any patent litigation. The scope of protection of the patent is determined in all countries by the claims. The meaning of the claims is ultimately interpreted by the courts. The manner in which the courts will interpret a claim in turn depends upon the domestic law and to a certain extent the

rules or regulations. Therefore, what a claim means will depend upon the jurisdiction in which it is being interpreted.

2.111 The courts, particularly in common law systems, attempt to determine what structure the language of the claims defines, and whether or not the alleged infringing structure corresponds to the structure defined in the language of the claims.

2.112 In attempting to answer the question as to whether a particular structure infringes a particular claim of a patent for invention, the claim should be broken down into its individual elements, and these compared with the elements of the alleged infringement to see whether they fit. If the claim can, in fact, be made to correspond to the alleged infringement without stretching the words of the claim too far, then there may indeed be infringement. If, on the other hand, the claim contains a limitation to something which is not found at all in the alleged infringement, there may be no infringement.

2.113 When comparing the individual elements of a claim against the corresponding elements of the alleged infringement, the following questions have to be answered:

- Are all the elements of the claim present in the alleged infringement?

- Do all the elements have the same form?

- Do all the elements perform the same function?

- Do the elements have the same relationship to the other elements?

2.114 If the answer to each of these questions is "yes", then infringement is established, depending of course, on whether the claim in question is valid. An infringing product or process must include each and every element of the invention defined in a claim.

2.115 Of course, the establishment of infringement is not always clear-cut. For example, changes in form will not avoid infringement if there is no change in the result produced. Further changing the order of steps in a process will not avoid infringement if the result is the same. Moreover the presence of additional elements in an alleged infringement does not avoid infringement if all the elements of the patent claim are also present.

2.116 One of the most difficult areas of patent claim interpretation is the determination as to whether or not there has been a substitution of equivalent elements in the alleged infringement. This is the so-called "doctrine of equivalents" which is well known in patent litigation practice in many countries. Briefly stated, the doctrine indicates that an infringer should not be allowed to continue his actions where he basically makes use of the patented invention while merely substituting a variant for an element of the invention which is equivalent technically and functionally to the element as contained in the patent claim, irrespective of whether the variant used by the infringer turns out to be an improvement or otherwise. Equivalence is restricted to those cases where the variant or variants used by the infringer function in substantially the same manner and produce substantially the same result as the element or elements contained in the claim or claims.

Remedies Available to the Patent Owner

2.117 The remedies which may be available to the patent owner where infringement has been established are usually provided for in the national patent law and are generally in two forms, civil sanctions and criminal sanctions.

2.118 Broadly speaking, civil sanctions are available in all cases of infringement while criminal sanctions are available only under particular circumstances, where the infringement was committed intentionally.

2.119 Civil sanctions normally available include the award of damages, the grant of an injunction, or any other remedy provided in the general law such as the seizure and destruction of the infringing products or the tools used for the manufacture of those products.

2.120 If the patent owner establishes in court that infringement has occurred, or is occurring, he is entitled to damages, which the court will assess. Damages will only be awarded against the infringer for infringements committed since the date of publication of the invention by the Patent Office in the patent application or the granted patent. The amount of damages may be calculated in at least two different ways. One way would be to set damages at the amount of the financial loss suffered as a result of the infringement by the patent owner. Under a second method of calculation, damages would be based on an account of profits. This does not mean that the patent owner will necessarily receive all the profits the infringer has made on the infringing articles but, nevertheless, an account of profits can be very near to the actual profits made. Damages may also be assessed by taking into account the royalty being paid by any licensees. In this case a court may decide that damages should be no less than the royalty payments per article and, as they are damages and not royalties, it is likely that damages will be fixed at a higher figure.

2.121 Under some national laws, an infringer will not be liable to damages if he proves that at the date of infringement he was not aware, and had no reasonable ground for supposing, that the patent existed.

2.122 An injunction is a prohibition of the infringing act. In such a case the court will issue an order directing the infringer to stop making further copies or infringements of the patented invention. Where the infringing act has not yet been committed but where preparations have been made by a third party with a view to committing an infringing act ("imminent infringement") the injunction means that infringement may not be started.

2.123 Criminal sanctions depend on the structure of the criminal law and the procedures applicable in the country. The usual forms of criminal sanction are punishment by imprisonment or by a fine, or both.

Exploitation of the Patented Invention

Selling an Invention

2.124 It is not enough to assess the product itself; the inventor should also discover whether there is an adequate market for the product covered by his invention.

2.125 Who will buy the product? How many people make up the potential market? This is a difficult figure to assess but is one of the keys to product survival. Statistics on local populations

and potential market segments published by the relevant government agencies, as well as surveys by private firms, can provide the basis for a study of the proposed market areas by age group, marital status and so on.

2.126 For some of the more sophisticated technology, research establishments, multinational corporations and the like are showing increasing interest in taking up embryo or partially developed technology with the object of completing development and thus gaining from the research effort and securing a significant lead over competitors.

2.127 "Test marketing" is a stage that many larger companies go through before commencing full scale production. They introduce the product in limited quantities to those viewed as a typical segment of their potential market. The small businessman also should consider using this technique before he commits too much time and money launching a product that ultimately may not sell.

2.128 Basically, there are two methods the inventor can use to get his idea into production. He can sell or license his product idea to a company equipped to manufacture it. Alternatively he can become a manufacturer himself, either establishing a factory or contracting out production to a job or machine shop if appropriate.

2.129 Some companies receive new product ideas with coolness. Often, companies are besieged with unsolicited ideas from the public, very few of which are even worth serious consideration. Larger corporations frequently have research and development departments in which substantial sums of money have been invested. Management, naturally, favors in-house developments. Other companies are wary of inventors who may claim that their ideas have been stolen, when in fact the company may have been already working on the same idea.

2.130 Larger corporations often publish their policies and procedures regarding new product ideas from outside sources. Some have "submitted ideas departments." Most companies would prefer that the inventor merely send them a copy of his patent on a new idea. Alternatively, the inventor can submit a copy of his patent application as soon as it has been filed.

2.131 When submitting an idea which is not patentable, the inventor should be aware of the company's policy regarding unsolicited ideas before he sends it. Some companies reserve the right to make arbitrary payment for ideas as they see fit.

2.132 If a patented idea is accepted, the inventor may be able to choose whether he wishes to sell his patent outright for a lump sum, or enter into a licensing agreement with the company.

Compulsory Licenses

2.133 Licenses that are granted by the owner of the patent are considered "voluntary", as distinguished from "compulsory" or "non-voluntary" licenses. The beneficiary of a voluntary license has the right to perform acts covered by the exclusive right under an authorization from the owner of the patent for invention. The authorization in a contract is generally called a license contract concluded between the owner of the patent for invention and the beneficiary of the license. In contrast, the beneficiary of a non-voluntary license has the right to perform acts covered by the exclusive right under an authorization given by a government authority against the will of the owner of the patent for invention.

2.134 In countries where the grant of non-voluntary licenses is provided for, such licenses generally fall into two categories:

In the Event of Abuse of the Patent: Some countries provide for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent. Under Article 5A(2) of the Paris Convention, failure to work is given as an example of such an abuse, and

In the Public Interest: Some countries provide for the grant of a non-voluntary license in the case where a non-voluntary license is deemed necessary for reasons of public welfare, including health, defense, and development of the economy.

The Grant of Non-Voluntary Licenses to Remedy Abuses Resulting from the Exercise of the Patent Right

Non-Working of a Patent

2.135 While the definition of "working" is generally a matter of national law, it usually means at least, in the case of a patent directed to a product, the making of the product and, in the case of a patent having been granted in respect of a process, the use of the process. While the laws of some countries specifically provide that the importation of a product that includes the invention does not constitute working, the current trend is away from this requirement. As a rule, the working requirement may be fulfilled through the working of the patented invention either by the owner of the patent for invention or by another entity or person under a license contract.

2.136 At the outset it should be recalled that a patent must disclose the invention in a manner such that one skilled in the art can carry it out. Thus patents, even apart from their being worked, are considered beneficial to industry, as their publication may inspire other inventions. Moreover, the inventions described in patents fall into the public domain after the expiration of their term. That is, after their expiration, the technology disclosed in a patent can be freely used by anyone without obtaining the patent owner's permission.

2.137 Despite these benefits, it is believed in some countries that, in order to be fully justified the patented invention should be worked in the country where the patent is granted, and not serve only as an exclusive right to prevent others from doing so or to control importation. The principal goal of requiring local working of a patented invention is the transfer of technology, the actual working of patented inventions in a given country being seen as the most efficient way of accomplishing such a transfer to that country.

2.138 The arguments against compulsory working of an invention in a particular country are twofold: first, that such compulsory working of inventions may work against the goal of transferring technology and secondly, that it may not be economically feasible to do so.

2.139 The first argument against non-voluntary licenses is that they are less effective than voluntary licensing in encouraging the transfer of technology, and may, indeed, even be counter-productive to that goal. Stated another way, voluntary licensing clearly offers one means whereby the transfer of technology can be facilitated, whereas non-voluntary licensing should not be viewed as playing such a role but should be limited to correcting abuses which may arise in the exercise of patent rights.

2.140 The transfer of technology is best done in an atmosphere of cooperation between the transferor and the transferee. In the present context, that means between the patent owner and

the potential licensee. That cooperation generally leads to the disclosure of non-patented "know-how" which is necessary to make a commercially viable product, but which was not necessary to satisfy the disclosure requirement to obtain the patent. In the case of a non-voluntary license the atmosphere of cooperation, and hence the disclosure of non-patented know-how, is absent. Thus the grant of a non-voluntary license under a patent results in a bare right to work the patented invention, which is likely to be an insufficient vehicle for the full transfer of technology.

2.141 Moreover, it may not be economically feasible to require a patent owner to manufacture products in accordance with his patent in every country in which patent protection has been obtained. Such a requirement does not allow cognizance to be taken of regional or international integration of markets or of comparative advantages of countries or regions. That is, a patent owner may find that products incorporating a patented invention, or made by a patented process, may be made cheaper if production is consolidated in one facility in one country, with the demand in other countries being satisfied by importation. Indeed, the patent owner may find that individual components of his product, which are themselves protected by patents, may be best manufactured in several countries or regions, with final assembly being conducted in one facility or on a regional or national basis.

2.142 In response to these criticisms of non-voluntary license provisions, two points are often made. First, since in countries with such provisions they are seldom applied for and even less likely to be granted, they are of little practical importance. Secondly, such provisions do serve as a legal possibility which may encourage a patent owner to more readily enter into a voluntary license agreement, even if those provisions are seldom applied. Nonetheless, the environment of cooperation usually found in the case of voluntary licensing is more effective than the environment of coercion in promoting the full and continuing transfer of technology.

2.143 Article 5A(2) of the Paris Convention specifically provides that countries of the Paris Union may provide for the grant of non-voluntary licenses to prevent abuses resulting from the exercise of patent rights, including failure to work. Article 5A(4) provides that compulsory licenses for failure to work or insufficient working of the invention may not be requested before a certain period of time of non-working or insufficient working has elapsed. This time limit expires either four years from the date of filing of the patent application or three years from the date of the grant of the patent for invention. The applicable time is the one which, in the individual case, expires last.

2.144 The time limit of three or four years is a minimum time limit which recognizes that it may take some time for the owner of a patent to begin working the patented invention in each country where he has obtained patent protection. The patent owner must be given a longer time limit, if he can give legitimate reasons for his inaction, for example, that legal, economic or technical obstacles prevent working, or working more intensively, the invention in the country. If that is proven, the request for a compulsory license must be rejected, at least for the time being. The time limit of three or four years is a minimum time limit also in that sense that national law can provide for a longer time limit.

2.145 Article 5A(4) further provides that the compulsory license for non-working or insufficient working must be a non-exclusive license and can only be transferred together with the part of the enterprise benefiting from the compulsory license. The patent owner must retain the right to grant other non-exclusive licenses and to work the invention himself. Moreover, because the compulsory license has been granted to a particular enterprise on the basis of its known capacities, it is bound to that enterprise and cannot be transferred separately from that enterprise. These limitations are intended to prevent a compulsory licensee from obtaining a stronger position on the market than is warranted by the purpose of the compulsory license, namely to ensure sufficient working of the invention in the country.

Procedural Safeguards and Compensation

2.146 The grant of a non-voluntary license results in the use of a very valuable property right of the patent owner. Since the grant of such a license is without the consent of the patent owner, reasonable procedural safeguards, including an effective appeal procedure, should be established to ensure that non-voluntary licenses are properly granted and executed. Safeguards are also provided under Article 31 of the TRIPS Agreement (see below, under *Compulsory Licenses under the TRIPS Agreement*).

2.147 In particular, the granting authority, such as a patent office, should ensure that the conditions for the grant of a non-voluntary license are met, allowing the patent owner to state his position in this regard. Moreover, the granting authority should ensure that adequate payment by the beneficiary of the non-voluntary license is made to the patent owner, and should provide means whereby the non-voluntary license may be cancelled if the grounds for the grant of the non-voluntary license no longer exist or if the obligations under the non-voluntary license are not met by the beneficiary thereof.

2.148 The grant of a non-voluntary license does not mean that the beneficiary (the licensee) need not pay royalties. On the contrary, national laws dealing with this question generally require that the licensee make payments to the patent owner on the basis of the working of the invention.

Forfeiture or Revocation of the Patents in the Event of Abuses

2.149 While it is anticipated that the grant of a compulsory license would, in most instances, be sufficient to correct abuses, Article 5A(3) envisages the forfeiture or revocation of the patent in cases where the grant of such compulsory licenses is not sufficient. That paragraph further provides that "No proceedings for the forfeiture or revocation of a patent may be instituted before the expiration of two years from the grant of the first compulsory license."

The Grant of Non-Voluntary Licenses in the Public Interest

2.150 Some countries provide for a compulsory license when there has been no "abuse" of the patent right but where the grant of a non-voluntary license is deemed necessary to protect the public interest. In general, non-voluntary licenses granted in the public interest can be divided into those that are granted in favor of private parties and those that are granted in favor of the government itself, or in favor of a person acting on behalf of the government.

Non-Voluntary Licenses Granted in the Public Interest in Favor of Private Parties

2.151 One example of a non-voluntary license granted in the public interest, but in favor of private parties, is in the case of the so-called "dependent patents." Such non-voluntary licenses are granted to remedy the situation that arises when it is not possible, without performing acts covered by one patent (the "dominant patent"), to work an invention claimed in another patent (the "dependent patent"). In such a situation, and if the owner of the dependent patent has not been able to conclude a license contract with the owner of the dominant patent on reasonable terms, the owner of the dependent patent may obtain a non-voluntary license under the dominant patent. Without that possibility, the owner of the dominant patent could prevent the working of the invention claimed in the dependent patent by refusing to grant a license. This inability to work a dependent patent is seen, in some countries, as being contrary to the public interest in having the unencumbered working of all patented inventions.

2.152 Some national laws grant such non-voluntary licenses any time a situation of dependency arises. Other national laws require that the dependent patent must serve a different purpose from that of the dominant patent or constitute a real technical advance in relation to the invention claimed in the dominant patent. That latter condition serves the purpose of avoiding abuses which could result from applicants filing patent applications on trifling inventions for the sole purpose of being able, thanks to a compulsory license, to work an important invention.

2.153 In order to introduce a certain balance between the positions of the owners of the two patents for invention, it is often provided in national laws that the owner of the dominant patent may obtain a compulsory license under the dependent patent, if the owner of the dependent patent has obtained a compulsory license under the dominant patent.

2.154 In addition to non-working, some countries provide that the use of a patent in violation of competition (anti-trust) laws is contrary to the public interest, warranting the compulsory licensing of that patent, its unenforceablility or its invalidity, as a consequence of the anti-trust violation.

Non-Voluntary Licenses Granted in the Public Interest in Favor of the Government, or on its Behalf

2.155 A number of countries allow the government to exploit inventions without the consent of the owner of the patent, or to have third parties exploit the invention on its behalf, in the public interest. There are typically three fields in which this may occur: national defense, national economy and public health.

2.156 In most cases of public interest, it should be sufficient for the State to authorize, against the will of the owner of the patent for invention, any entity or person designated by the Government, to perform any of the acts which are covered by the patent for invention. In each specific case, the Government will decide which of those acts may be performed.

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

Procedural Safeguards and Compensation

2.158 Because the grant of non-voluntary licenses confers the right to use a valuable property right of the patent owner, without his consent, procedural safeguards should be established to ensure that the grant of such licenses is only when, and for as long as, the conditions warrant it. Moreover, provisions should be made for the compensation of the patent owner for the use of his property rights. Safeguards are also provided under Article 31 of the TRIPS Agreement (see below).

Compulsory Licenses under the TRIPS Agreement

2.159 Reference is made to the section in Chapter 5 which explains the TRIPS Agreement. Article 31 of the TRIPS Agreement allows Members to authorize third persons to exploit a patented invention, even against the will of the patent owner, provided certain conditions are respected. The Agreement does not prescribe nor limit the grounds on which such authorizations may be granted.

2.160 Where the law of a Member allows for such compulsory licenses, including compulsory licenses by or on behalf of the government, or provides for other uses of the patented invention without the authorization of the patent owner, the following conditions must be complied with:

(a) Authorization of a compulsory license must be considered on its individual merits. This means that applications for compulsory licenses must be considered on a case-by-case basis.

(b) A compulsory license can only be granted if the proposed compulsory licensee has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and if such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the cases of a national emergency or other circumstances of extreme urgency, or in cases of public non-commercial use.

(c) The scope and duration of a compulsory license must be limited to the purpose for which it was authorized. However, in the case of semi-conductor technology a compulsory license may only be granted for public non-commercial use, or to remedy a practice determined to be anti-competitive.

(d) A compulsory license must be non-exclusive.

(e) A compulsory license may not be assigned without that part of the enterprise or goodwill which produces the product under that license.

(f) A compulsory license must be authorized predominantly for the supply of the domestic market of the Member that grants the license.

(g) A compulsory license must be liable to be terminated, subject to adequate protection of the legitimate interests of the compulsory licensee, if the circumstances that justified its grant have ceased to exist and are unlikely to recur.

(h) The patent owner must be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the allowed use.

(i) The legal validity of any decision relating to the grant of a compulsory license must be subject to judicial review or other independent review by a distinct higher authority in the Member that granted the license.

(j) Any decision relating to the remuneration in respect of a compulsory license must be subject to judicial review or other independent review by a distinct higher authority in the Member that granted the license.

(k) A Member is not obliged to apply the conditions set forth in items (b) and (f) above where the compulsory license is granted to remedy a practice determined to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases. The competent authority of the Member must have the power to refuse termination of a compulsory license if the conditions that justified its grant are likely to recur.

(l) In cases of dependency between two patents belonging to different owners, so that the later patent cannot be exploited without infringing the earlier patent, the following additional conditions must be applied:

- the invention claimed in the second patent must involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;

- the owner of the first patent is entitled to a cross-license on reasonable terms to use the invention claimed in the second patent; and

- the use authorized in respect of the first patent may not be assigned except with the assignment of the second patent.

Utility Models

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

Copyright and Related Rights

Introduction

2.162 Copyright law is a branch of that part of the law which deals with the rights of intellectual creators. Copyright law deals with particular forms of creativity, concerned primarily with mass communication. It is concerned also with virtually all forms and methods of public communication, not only printed publications but also such matters as sound and television broadcasting, films for public exhibition in cinemas, etc. and even computerized systems for the storage and retrieval of information.

2.163 Copyright deals with the rights of intellectual creators in their creation. Most works, for example books, paintings or drawings, exist only once they are embodied in a physical object. But some of them exist without embodiment in a physical object. For example music or poems are works even if they are not, or even before they are, written down by a musical notation or words.

2.164 Copyright law, however, protects only the form of expression of ideas, not the ideas themselves. The creativity protected by copyright law is creativity in the choice and arrangement of words, musical notes, colors, shapes and so on. Copyright law protects the owner of rights in artistic works against those who "copy", that is to say those who take and use the form in which the original work was expressed by the author.

Copyright Protection

2.165 Copyright protection is above all one of the means of promoting, enriching and disseminating the national cultural heritage. A country's development depends to a very great extent on the creativity of its people, and encouragement of individual creativity and its dissemination is a *sine qua non* for progress.

2.166 Copyright constitutes an essential element in the development process. Experience has shown that the enrichment of the national cultural heritage depends directly on the level of protection afforded to literary and artistic works. The greater the number of a country's intellectual creations, the higher its renown; the greater the number of productions in literature and the arts, the more numerous their so-called "auxiliaries" (the performers, producers of phonograms and broadcasting organizations) in the book, record and entertainment industries; and indeed, in the final analysis, encouragement of intellectual creation is one of the basic prerequisites of all social, economic and cultural development.

2.167 Legislation could provide for the protection not only of the creators of intellectual works but also of the auxiliaries that help in the dissemination of such works, in respect of their own rights. The protection of these auxiliaries of intellectual creators is also of importance to developing countries since the cultural achievement of some of these countries includes, in no small measure, performance, sound recording and broadcasting of different creations of their folklore as well. While developing countries are often in need of foreign books, especially in the field of science, technology, education and research, they could offer to the world an abundance of their national cultural heritage, which can be protected, within the framework of copyright legislation, through protection of the rights of these auxiliaries or of related (or neighboring) rights as they are called.

2.168 Adoption of the law is the first step. The practical value of the law depends on its effective and efficient application. This can be achieved through setting up of appropriate authors' organizations for collection and distribution of authors' fees. Copyright, if effectively implemented, serves as an incentive to authors and their assignees (the publishers) to create and disseminate knowledge. It is something that society must necessarily accept if it wishes to encourage intellectual creativity, to ensure the progress of the sciences, the arts and of knowledge in general, to promote the industry using authors' works and to render it possible to distribute such works in an organized manner among the widest possible circle of interested persons.

2.169 Copyright protection, from the viewpoint of the creator of works, makes sense only if the creator actually derives benefits from such works, and this cannot happen in the absence of publication and dissemination of his works and the facilitation of such publication and dissemination. This is the essential role of copyright in developing countries.

2.170 There are several factors influencing intellectual creativity in developing countries, apart from the pecuniary condition of most of the authors and intellectual creators themselves, who need to be offered incentives and subsidies. There is the shortage of paper for the production of textbooks for the process of continuing education (both formal and non-formal), and for production of prescribed and recommended books as also general books, which are to be placed within the reach of the common man in these countries.

2.171 The role of governments in this activity could include financial assistance in the creation and production of textbooks and other educational literature, inputs for training and also help for expansion of the library system, the creation of mobile libraries to serve far-flung and remote rural areas, etc. In this whole chain, the various links, namely authorship, publishing, distribution and

fostering of the library movement on a broad base, cannot be underrated, and need to be carefully nurtured and coordinated.

2.172 In the late nineteenth and in the twentieth century considerable socio-economic and political changes on the one hand, and rapid strides in technological development on the other, have brought about substantial changes of outlook in relation to copyright. The freedom and expansion of the press, the gradual disappearance of the feudal order, the growth of adult training and mass education schemes, the raising of standards in higher education, the increase in the number of universities, institutions of higher learning and libraries, the emphasis on the use of national languages, the development of science and technology, the changed map of the world with the birth of a number of newly independent developing nations—all these factors have caused conceptual changes.

2.173 The challenge in this new situation is to maintain a balance between provision of adequate rewards to creators of works and ensuring that such rewards are in harmony with the public interest and the needs of modern society.

Subject Matter of Copyright Protection

2.174 The subject-matter of copyright protection includes every production in the literary, scientific and artistic domain, whatever the mode or form of expression. For a work to enjoy copyright protection, however, it must be an original creation. The ideas in the work do not need to be new but the form, be it literary or artistic, in which they are expressed must be an original creation of the author. And, finally, protection is independent of the quality or the value attaching to the work—it will be protected whether it be considered, according to taste, a good or a bad literary or musical work—and even of the purpose for which it is intended, because the use to which a work may be put has nothing to do with its protection.

2.175 Works eligible for copyright protection are, as a rule, all original intellectual creations. A non-exhaustive, illustrative enumeration of these is contained in national copyright laws. To be protected by copyright law, an author's works must originate from him; they must have their origin in the labor of the author. But it is not necessary, to qualify for copyright protection, that works should pass a test of imaginativeness, of inventiveness. The work is protected irrespective of the quality thereof and also when it has little in common with literature, art or science, such as purely technical guides or engineering drawings, or even maps. Exceptions to the general rule are made in copyright laws by specific enumeration; thus laws and official decisions or mere news of the day are generally excluded from copyright protection.

2.176 Practically all national copyright laws provide for the protection of the following types of work:

literary works: novels, short stories, poems, dramatic works and any other writings, irrespective of their content (fiction or non-fiction), length, purpose (amusement, education, information, advertisement, propaganda, etc.), form (handwritten, typed, printed; book, pamphlet, single sheet, newspaper, magazine); whether published or unpublished; in most countries "oral works," that is, works not reduced to writing, are also protected by the copyright law;

musical works: whether serious or light; songs, choruses, operas, musicals, operettas; if for instructions, whether for one instrument (solos), a few instruments (sonatas, chamber music, etc.), or many (bands, orchestras);

artistic works: whether two-dimensional (drawings, paintings, etchings, lithographs, etc.) or three-dimensional (sculptures, architectural works), irrespective of content (representational or abstract) and destination ("pure" art, for advertisement, etc.);

maps and technical drawings;

photographic works: irrespective of the subject matter (portraits, landscapes, current events, etc.) and the purpose for which they are made;

motion pictures ("cinematographic works"): whether silent or with a soundtrack, and irrespective of their purpose (theatrical exhibition, television broadcasting, etc.), their genre (film dramas, documentaries, newsreels, etc.), length, method employed (filming "live," cartoons, etc.), or technical process used (pictures on transparent film, videotapes, DVDs, etc.).

computer programs (either as a literary work or independently).

2.177 Many copyright laws protect also "works of applied art" (artistic jewelry, lamps, wallpaper, furniture, etc.) and choreographic works. Some regard phonograph records, tapes and broadcasts also as works.

Rights Comprised in Copyright

2.178 The owner of copyright in a protected work may use the work as he wishes—but not without regard to the legally recognized rights and interests of others—and may exclude others from using it without his authorization.

2.179 Therefore, the rights bestowed by law on the owner of copyright in a protected work are frequently described as "exclusive rights" to authorize others to use the protected work.

2.180 The original authors of works protected by copyright also have "moral rights", in addition to their exclusive rights of an economic character.

2.181 What is meant by "using" a work protected by copyright? Most copyright laws define the acts in relation to a work which cannot be performed by persons other than the copyright owner without the authorization of the copyright owner.

2.182 Such acts, requiring the authorization of the copyright owner, normally are the following: copying or reproducing the work; performing the work in public; making a sound recording of the work; making a motion picture of the work; broadcasting the work; translating the work; adapting the work.

Right of Reproduction and Related Rights

2.183 The right of the owner of copyright to prevent others from making copies of his works is the most basic right under copyright. For example, the making of copies of a protected work is the act performed by a publisher who wishes to distribute copies of a text-based work to the public, whether in the form of printed copies or digital media such as CD-ROMs. Likewise, the right of a phonogram producer to manufacture and distribute compact discs (CDs) containing recorded performances of musical works is based, in part, on the authorization given by the composers of

such works to reproduce their compositions in the recording. Therefore, the right to control the act of reproduction is the legal basis for many forms of exploitation of protected works.

2.184 Other rights are recognized in national laws in order to ensure that the basic right of reproduction is respected. For example, some laws include a right to authorize distribution of copies of works. The right of distribution is usually subject to exhaustion upon first sale or other transfer of ownership of a particular copy, which means that, after the copyright owner has sold or otherwise transferred ownership of a particular copy of a work, the owner of that copy may dispose of it without the copyright owner's further permission, for example, by giving it away or even by reselling it. Another right which is achieving wider and wider recognition, including in the TRIPS Agreement (see chapter 5, paragraph 5.241), is the right to authorize rental of copies of certain categories of works, such as musical works included in phonograms, audiovisual works, and computer programs. The right of rental is justified because technological advances have made it very easy to copy these types of works; experience in some countries has shown that copies were made by customers of rental shops, and therefore, that the right to control rental practices was necessary in order to prevent abuse of the copyright owner's right of reproduction. Finally, some copyright laws include a right to control importation of copies as a means of preventing erosion of the principle of territoriality of copyright; that is, the legitimate economic interests of the copyright owner would be endangered if he could not exercise the rights of reproduction and distribution on a territorial basis.

Performing Rights

2.185 Another act requiring authorization is the act of public performance—for example, public readings, dramatic and musical performances before an audience. The right to control this act of public performance is of interest not only to the owners of copyright in works originally designed for public performance, but also to the owners of copyright, and to persons authorized by them, when others may wish to arrange the public performance of works originally intended to be used by being reproduced and published. For example, a work written originally in a particular way in order to be read at home or in a library may be transformed ("adapted") into a drama designed to be performed in public on the stage of a theater.

Recording Rights

2.186 The third act to be examined is the act of making a sound recording of a work protected by copyright. So far as music is concerned, sound recording is the most favored means of communicating a work to a wide public. This serves much the same purpose for musical works as books serve for literary works.

2.187 Sound recordings can incorporate music alone, words alone or both music and words. The right to authorize the making of a sound recording belongs to the owner of the copyright in the music and also to the owner of the copyright in the words. If the two owners are different, then, in the case of a sound recording incorporating both music and words, the maker of the sound recording must obtain the authorization of both owners.

2.188 Under the laws of some countries, the maker of a sound recording must also obtain the authorization of the performers who play the music and who sing or recite the words. This is another example of the fact that the owner of copyright in a work cannot use it or authorize the use of it in a way which is contrary to the legal rights of others.

Motion Picture Rights

2.189 A "motion picture" is a visual recording, giving to viewers an impression of motion. In the technical language of copyright law it is often called a "cinematographic work" or an "audiovisual work." In some countries the word "film" is used instead of the expression "motion picture." The expression "motion picture" is perhaps preferable, because such productions are, today, frequently made with technological methods (such as magnetic tape) which do not require the use of photographic film.

2.190 A drama originally written for performance by performers to an immediately present audience ("live performance") can be visually recorded and shown to audiences far larger in numbers than those who can be present at the live performance; such audiences can see the motion picture far away from the place of live performance and at times much later than the live performance.

Broadcasting Rights

2.191 A major category of acts restricted by copyright consists of the acts of broadcasting works and of communicating works to the public by means of wires or cables.

2.192 When a work is broadcast, a wireless signal is emitted into the air which can be received by any person, within range of the signal, who possesses the equipment (radio or television receiver) necessary to convert the signal into sounds or sounds and images.

2.193 When a work is communicated to the public by cable, a signal is diffused which can be received only by persons who possess such equipment linked to the cables used to diffuse the signal.

2.194 In principle, according to the Berne Convention for the Protection of Literary and Artistic Works, owners of copyright have the exclusive right of authorizing both the wireless broadcasting and the diffusion by cable of their works.

2.195 The broadcasting and diffusion by cable of works protected by copyright have given rise to new problems resulting from technological advances which may require a review by governments of their national copyright legislation. The advances include the use of space satellites to extend the range of wireless signals, the increasing possibilities of linking radio and television receivers to signals diffused by cable, and the increasing use of equipment able to record sound and visual images which are broadcast or diffused by cable.

Translation and Adaptation Rights

2.196 The acts of translating or of adapting a work protected by copyright require the authorization of the copyright owner.

2.197 *"Translation"* means the expression of a work in a language other than that of the original version.

2.198 *"Adaptation"* is generally understood as the modification of a work from one type of work to another, for example adapting a novel so as to make a motion picture, or the modification of a work so as to make it suitable for different conditions of exploitation, for example adapting an instructional textbook originally prepared for higher education into an instructional textbook intended for students at a lower level.

2.199 Translations and adaptations are themselves works protected by copyright. Therefore, in order, for example, to reproduce and publish a translation or adaptation, the publisher must have the authorization both of the owner of the copyright in the original work and of the owner of copyright in the translation or adaptation.

Moral Rights

2.200 The Berne Convention requires member countries to grant to authors:

- the right to claim authorship of the work;

- the right to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the work which would be prejudicial to the author's honor or reputation.

2.201 These rights, which are generally known as the moral rights of authors, are required to be independent of the usual economic rights and to remain with the author even after he has transferred his economic rights.

Related Rights

2.202 There exist rights related to, or "neighboring on", copyright. These rights are generally referred to as "related rights" (or "neighboring rights,") in an abbreviated expression.

2.203 It is generally understood that there are three kinds of related rights: the rights of performing artists in their performances, the rights of producers of phonograms in their phonograms, and the rights of broadcasting organizations in their radio and television programs. Protection of those who assist intellectual creators to communicate their message and to disseminate their works to the public at large, is attempted by means of related rights.

2.204 Works of the mind are created in order to be disseminated among as many people as possible. This cannot be done generally by the author himself, for it requires intermediaries whose professional capability gives to the works those forms of presentation that are appropriate to make them accessible to a wide public. A play needs to be presented on the stage, a song needs to be performed by artists, reproduced in the form of records or broadcast by means of radio facilities. All persons who make use of literary, artistic or scientific works in order to make them publicly accessible to others require their own protection against the illegal use of their contributions in the process of communicating the work to the public.

2.205 Let us examine why such protection of those that thus assist intellectual creators was found necessary and how it developed. The protection of authors' interests does not consist merely in preventing the use of their creations and cannot be limited to prohibiting infringements of the rights that laws afford to the authors. Their works are intended to be made available to the public at large. Various categories of works are made accessible to the public in various ways. A publisher reproduces a manuscript in its final form without adding to the expression of the work as created by the author. The interests of book publishers are protected by means of copyright itself and laws do recognize that copyright is essential as a stimulus to creative writing, as also to support the economies of publishing.

2.206 The position is slightly different with regard to dramatic and musical works, pantomimes, or other types of creative works intended for either auditive or visual reception. Where some of such works are communicated to the public, they are produced or performed or recited with the aid of performers. In such cases, there arises the interest of the performers themselves in relation to the use of their individual interpretation in the performed work.

2.207 The problem in regard to this category of intermediaries has become more acute with rapid technological developments. Where, at the very beginning of the 20th century, the performance of dramatists, actors, or musicians ended with the play or concert in which they performed, it is no longer so with the advent of the phonograph, the radio, the motion picture, the television, the videogram and satellites.

2.208 These technological developments made possible the fixing of performances on a variety of material, viz., records, cassettes, tapes, films, etc. What was earlier a localized and immediate phase of a performance in a hall before a limited audience became an increasingly permanent manifestation capable of unlimited and repeated reproduction and use before an equally unlimited audience that went beyond national frontiers. The development of broadcasting and more recently, television, also had similar effects.

2.209 These technological innovations, since they have made it possible to reproduce individual performances by performing artists and to use them without their presence and without the users being obliged to reach an agreement with them, have led to a reduction in the number of live performances. This creates what has come to be known as technological unemployment among professional artists, thus giving a new dimension to the protection of the interests of performers.

2.210 Likewise by the very same token, the increasing technological development of phonograms and cassettes and, more recently, compact discs (CDs), and their rapid proliferation, was pointing to the need of protection of producers of phonograms. The appeal of the phonogram, as also the easy availability in the market of the variety of increasingly sophisticated recording devices, created the growing problem of piracy, which by now has become a worldwide scourge. In addition, there is the increasing use of records and discs by broadcasting organizations; while the use of these by the latter provides publicity for the phonograms and for their producers, these also have, in turn, become an essential ingredient of the daily programs of broadcasting organizations. Consequently, just as the performers were seeking their own protection, the producers of phonograms began to pursue the case of their protection against unauthorized duplication of their phonograms, as also for remuneration for the use of phonograms for purposes of broadcasting or other forms of communication to the public.

2.211 Finally, there were the interests of broadcasting organizations as regards their individually composed programs. The broadcasting organizations required their own protection for these as well as against retransmission of their own programs by other similar organizations.

2.212 Thus the need was felt for special protection for performers, producers of phonograms and broadcasting organizations. The performers through their organizations at the international level sought a study leading to their protection. While a performer would be paid once for recording a performance, and the recording of the performance could be played repeatedly for the benefit of a third party, the performers felt that they would not only not derive any income from such secondary use, but would also be placed in the awkward position of having to compete with their own recordings in respect of their employment potential for live performances in theaters, restaurants, cafés, etc.

2.213 Unlike most international conventions, which follow national legislation and provide a synthesis of existing laws, the Rome Convention was an attempt to establish international regulations in a new field where few national laws existed. This meant that most States would have to draft and enact laws before adhering to the Convention. Since the adoption of the Convention in 196l, a large number of States have legislated in matters related to the Convention, and a number of others are considering such legislation.

2.214 The notion of Related Rights is understood as meaning rights granted in an increasing number of countries to protect the interests of performers, producers of phonograms and broadcasting organizations in relation to their activities in connection with the public use of authors' works, all kinds of artists' presentations or the communication to the public of events, information, and any sounds or images. The most important categories are: the right of performers to prevent fixation and direct broadcasting or communication to the public of their performance without their consent; the right of producers of phonograms to authorize or prohibit reproduction of their phonograms and the import and distribution of unauthorized duplicates thereof; the right of broadcasting organizations to authorize or prohibit rebroadcasting, fixation and reproduction of their broadcasts. An increasing number of countries already protect some or all of these rights by appropriate rules, codified mainly within the framework of their copyright laws. Several countries also grant a sort of moral right to performers to protect them against distortion of their performances and grant them the right to claim the mention of their name in connection with their performances. Some countries also protect the interests of broadcasting organizations by preventing the distribution on or from their territory of any program-carrying signal emitted to or passing through a satellite, by a distributor for whom the signal is not intended. No protection of any related right can, however, be interpreted as limiting or prejudicing the protection secured to authors or beneficiaries of other related rights under a national law or an international convention.

2.215 Protection of performers is provided in order to safeguard the interests of actors, singers, musicians, dancers, or other persons who act, sing, deliver, declaim, play in or otherwise perform literary or artistic works, or expressions of folklore, against certain unlawful uses of their performances. The term "producer of phonograms" denotes a person who, or a legal entity which, first fixes the sounds of a performance or other sounds. A phonogram is any exclusively aural fixation of sounds of a performance or of other sounds. A duplicate of a phonogram is any article containing sounds taken directly or indirectly from a phonogram and which embodies all or a substantial part of the sounds fixed in that phonogram. Gramophone records (discs), magnetophone cassettes and compact discs are duplicates of a phonogram. Broadcasting is usually understood as meaning telecommunication of sounds and/or images by means of radio waves for reception by the public at large. A broadcast is any program transmitted by broadcasting, in other words, transmitted by any wireless means (including satellite transmissions) for public reception of sounds and of images and sounds.

2.216 Communication to the public by wire is generally understood as meaning the transmission of a work, performance, phonogram or broadcast by sounds or images through a cable network to receivers not restricted to specific individuals belonging to a private group.

2.217 By first fixation of sounds is meant the original embodiment of sounds of a live performance, or of any other sounds not taken from another existing fixation, in some enduring material form such as tapes, records or any other appropriate device permitting them to be perceived, reproduced or otherwise repeatedly communicated. First fixation of sounds is not to be confused with first publication of a phonogram.

2.218 Another notion, that of rebroadcasting, is either simultaneous transmission of a broadcast of a program being received from another source, or a new, deferred broadcast of a formerly recorded program transmitted or received earlier.

2.219 Finally, it must be stated that since in the cultural life of countries, including the developing countries, due importance is attached to the artistic heritage, the protection of related rights affords rights to those who contribute to the interpretation and dissemination of that heritage. It is particularly important for some developing countries whose tradition is largely oral and where the author is often the performer as well. In this context, the place occupied by works of folklore must be borne in mind, and the interests of the artists performing and thus perpetuating them must be safeguarded when use is made of their performances. By also protecting the producers of phonograms, particularly in developing countries, the basis for setting up an industry in the tertiary sector of the economy is ensured. Such an industry, while guaranteeing the dissemination of national culture, both within the country and throughout the world, can additionally constitute a substantial source of revenue for the country's economy and, in those cases where its activities extend beyond the country's frontiers, can represent an inflow of foreign currency. The part played by the broadcasting organizations in developing countries should also not be forgotten, nor that such organizations have a natural interest in the protection of their programs against rebroadcasting, reproduction and communication to the public.

Ownership of Copyright

2.220 The owner of copyright in a work is generally, at least in the first instance, the person who created the work, that is to say, the author of the work.

2.221 There can be exceptions to this general principle. Such exceptions are regulated by the national law. For example, the national law may provide that, when a work is created by an author who is employed for the purpose of creating that work, then the employer, not the author, is the owner of the copyright in the work.

2.222 It is to be noted, however, that the "moral rights" always belong to the author of the work, whoever may be the owner of the copyright.

2.223 In many countries, copyright (with the exception of moral rights) may be assigned. This means that the owner of the copyright transfers it to another person or entity, who becomes the owner of the copyright.

2.224 In some other countries, an assignment of copyright is not legally possible. However, very nearly the same practical effect as the effect of assignment can be achieved by licensing. Licensing means that the owner of the copyright remains the owner but authorizes someone else to exercise all or some of his rights subject to possible limitations. When such authorization or license extends to the full period of copyright and when such authorization or license extends to all the rights (except, of course, the moral rights) protected by copyright, the licensee is, vis-à-vis third parties and for all practical purposes, in the same position as an owner of copyright.

Limitations on Copyright Protection

Temporal

2.225 Copyright does not continue indefinitely. The law provides for a period of time, a duration, during which the rights of the copyright owner exist.

2.226 The period or duration of copyright begins with the creation of the work. The period or duration continues until some time after the death of the author. The purpose of this provision in the law is to enable the author's successors to have economic benefits after the author's death. It also safeguards the investments made in the production and dissemination of works.

2.227 In countries which are party to the Berne Convention, and in many other countries, the duration of copyright provided for by national law is the life of the author and not less than fifty years after the death of the author. In recent years, a tendency has emerged towards lengthening the term of protection.

Geographic

2.228 The second limitation or exception to be examined is a geographical limitation. The owner of the copyright in a work is protected by the law of a country against acts restricted by copyright which are done in that country. For protection against such acts done in another country, he must refer to the law of that other country. If both countries are members of one of the international conventions on copyright, the practical problems arising from this geographical limitation are very much eased.

Permitted Use

2.229 Certain acts normally restricted by copyright may, in circumstances specified in the law, be done without the authorization of the copyright owner. Some examples of such exceptions are described as "fair use." Such examples include reproduction of a work exclusively for the personal and private use of the person who makes the reproduction; another example is the making of quotations from a protected work, provided that the source of the quotation, including the name of the author, is mentioned and that the extent of the quotation is compatible with fair practice.

Non-Material Works

2.230 In some countries, works are excluded from protection if they are not fixed in some material form. In some countries, the texts of laws and of decisions of courts and administrative bodies are excluded from copyright protection. It is to be noted that in some other countries such official texts are not excluded from copyright protection; the government is the owner of copyright in such works, and exercises those rights in accordance with the public interest.

Miscellaneous

2.231 In addition to exceptions based on the principle of "fair use" other exceptions are to be found in national laws and in the Berne Convention. For example, when the broadcasting of a work has been authorized, many national laws permit the broadcasting organization to make a temporary recording of the work for the purposes of broadcasting, even if no specific authorization of the act of recording has been given. The laws of some countries permit the broadcasting of protected works without authorization, provided that fair remuneration is paid to the owner of

copyright. This system, under which a right to remuneration can be substituted for the exclusive right to authorize a particular act, is frequently called a system of "compulsory licenses." Such licenses are called "compulsory" because they result from the operation of law and not from the exercise of the exclusive right of the copyright owner to authorize particular acts.

Piracy and Infringement

2.232 The rights of an owner of copyright are infringed when one of the acts requiring authorization of the owner is done by someone else without his consent. The unauthorized copying of copyright materials for commercial purposes and the unauthorized commercial dealing in copied materials is known as "piracy."

Incidence of Piracy

2.233 An essential part of piracy is that the unauthorized activity is carried on for commercial gain. This element of commercial gain implies that piracy will often be carried out on an organized basis, since not only is the unauthorized reproduction of a work involved, but also the subsequent sale or distribution of the illegally reproduced work, which will require some form of organized distribution network or contact with potential purchasers. To the consumer, often only the end of the chain of such a distribution network will be visible in the form of one sales outlet selling a pirated product. It is important to bear in mind, however, particularly when addressing the question of the means of dealing effectively with piracy, that behind one such outlet will often lie a systematically organized illicit enterprise, which illegally reproduces a copyrighted work and distributes it to the public via a number of such sales outlets.

2.234 While piracy is not a recent phenomenon, two developments have occurred which have caused it to assume alarming proportions, and to threaten the basis of the copyright system.

2.235 The first has been the advances in the means by which intellectual works may be communicated. The medium of the printed word has been supplemented progressively by media for communicating audio and visual recordings in the form of phonograms, music cassettes, films and videograms. Similarly, widespread commercialization of the computer has added a further means of recording and communicating information. Most recently, the advent of digital technology has had a tremendous impact on the creation, dissemination and use of works.

2.236 The copyright system has responded to these developments by progressively enlarging the subjects over which the creators of intellectual works are granted rights. These advances, however, have increased the scope for pirates to interfere in the control which an author exercises over the dissemination and use of his works by the public.

2.237 Simultaneously with the advances in the means of communicating intellectual works have been significant advances in the means of reproducing tangible records of those works. Foremost amongst the latter developments have been:

- the development of the offset technique of printing and of duplicating and photocopying machines;

- the invention of the magnetic tape, the advent of the compact disc, and the development of higher quality and cheaper cassette recorders which enable not only the playing of

pre-recorded cassettes, but also the recording of music from live performances, radio or gramophone records; and

- the invention of the video recorder, which has extensively enlarged the means by which films and other, principally visual, works may be received.

2.238 One consequence of these advances is the difference in cost between, on the one hand, the making of the original recording by an author and his business partners and, on the other hand, the reproduction of such a recording by others. In the case of a film, a producer must, through his own and his partners investment, finance the script writer and any other literary author involved, the musical composer, the actors, the support cast, the cost of location and site facilities, and the use of sophisticated visual and sound recording equipment. Once a tangible record has been made of the film, however, particularly if the record is contained in a videogram recording, further records of the work can be reproduced with considerable ease and at little cost. Thus, advances in recording technology have produced the means whereby pirates can easily produce illegal versions of the original work. Since the pirate has not made, and therefore does not need to recover the cost of, any investment in the production of the original work, the pirated copies are usually sold at reduced prices, thereby undermining the original author's, performer's, investor's and distributor's possibility of obtaining a just moral and economic reward for their work and investment.

Effects of Piracy on Consumers, on Creators and their Promoters, and on Governmental Authorities

2.239 While consumers may sometimes see short-term benefits in the availability of cheaper works as a result of piracy, the quality of reproductions made by pirates is often very inferior. Consumers are also disadvantaged in the long term by piracy as a result of the absence of remuneration given to authors and performers by pirates, and of the misappropriation of the economic returns to publishers and producers. This diversion of economic rewards from authors and their business partners to pirates removes the incentive to the investment of time, effort, skill and resources in the creation of new works.

2.240 Since piracy is a clandestine activity, the profits derived by pirates are not subject to tax collection. Amongst the adverse consequences of this diminution in governmental revenue may be a reduction in the amount of government sponsorship available for the arts, as the level of such sponsorship may in part be determined by reference to the contribution which is made to the government budget by taxation derived from the distribution or sale of works subject to copyright protection.

2.241 Piracy can be seen to have detrimental effects, therefore, on each of the elements that make up the copyright system. In consequence, piracy threatens to stultify the evolution and development of national cultural identity which the copyright system is designed to promote.

Remedies

Introduction

2.242 Remedies for infringement of copyright or for violation of related rights consist of civil redress, as where infringers are obliged by court to cease the infringement and to undertake reparatory action by any appropriate means, for example, rectification in the press or liability for damages. Some laws also provide for penal remedies in the form of fines and/or imprisonment.

Infringing copies, receipts resulting from infringement and any implement used for the same are usually subject to seizure.

2.243 The main remedies which are available to a copyright owner in respect of infringement in common-law jurisdictions are an injunction to restrain the continuation of the infringement, and damages to compensate the copyright owner for the depreciation caused by the infringement to the value of his copyright. In the context of piracy, because it is often carried out as an organized activity, the effectiveness of these remedies may be jeopardized for a number of reasons.

2.244 In the first place, the organizer of the making and distribution of illegal reproductions may be using a large number of sales outlets of an impermanent nature. The copyright owner may be confronted with a situation in which it is possible to locate only a small proportion of these outlets, without being able to prove any linkage between the outlets, or any common source of supply for the outlets. Furthermore, the service of a writ commencing an action for infringement, by giving notice to the pirate or to those distributing the works which he has illegally reproduced, may precipitate the destruction of vital evidence required to indicate the source of supply and the extent of sales which have taken place. In addition, since piracy often involves an international dimension, there is a risk that the financial resources and other assets of a pirate may be removed from the jurisdiction in which legal proceedings are commenced against him, thereby depriving the copyright owner of the possibility of recovering damages.

2.245 These difficulties have accentuated the need for preliminary remedies which may be obtained speedily, which will assist in the collection of evidence against a pirate, and which will prevent the destruction of evidence and the removal of financial resources against which damages may be claimed. In many common-law jurisdictions a number of developments have occurred in recent years in response to this need.

Anton Piller Orders

2.246 Foremost among the new developments which have occurred in preliminary remedies has been the so-called Anton Piller order. The Anton Piller order, named after the case in which the English Court of Appeal sanctioned its use (Anton Piller K.G. v Manufacturing Processes Ltd. [1976] RPC 719), is an order granted by the court permitting the inspection of premises on which it is believed some activity is being carried on which infringes the copyright of the plaintiff. The order has a number of features which make it a particularly appropriate remedy in the context of piracy:

- First, the order will be granted *ex parte*, that is, on the application and in the presence alone of the copyright owner, without prior warning being given to the defendant. The essence of the order is thus that it takes the defendant by surprise, and precludes the defendant from destroying or removing vital evidence.

- Secondly, the terms on which the order is granted enable the copyright owner to inspect the premises of the defendant, and all documents (including business information, such as bills, invoices, sources of supply and customer lists) relating to the alleged infringement. By virtue of these terms, the copyright owner is given the means whereby he may be able to establish the source of supply of pirated works, and the extent of sales which have taken place, which will assist in turn in establishing the amount of damages to which he may be entitled.

- Thirdly, the order for inspection will often be accompanied by an injunction restraining the defendant from altering or removing in any way articles or documents referred to in the order for inspection.

2.247 The Anton Piller order can undoubtedly constitute an important weapon in the armory against piracy. Since it is granted on an *ex parte* basis, however, care needs to be exercised to ensure that the rights of persons against whom it is granted, and whose actions have not yet been judged, are adequately protected. Two safeguards, in particular, which have been required by courts in jurisdictions where it is available, should be noted. First, it will only be granted where it is essential that the plaintiff should have inspection so that justice can be done between the parties. In order to meet this criterion, usually a copyright owner will have to prove that there is clear evidence that the defendants have in their possession incriminating documents or material; that the circumstances are such that there is a real possibility or grave danger that the incriminating materials will be destroyed or hidden if the defendant is forewarned; and that the potential or actual damage to the plaintiff as a result of the defendant's alleged wrongdoings is very serious.

2.248 The second safeguard which is often required is proper respect for the defendant's rights in the execution of the order. In this respect, it may be required that, in executing the order, a copyright owner be attended by his lawyer, give the defendant adequate opportunity of considering the order, and not force entry into the defendant's premises against his will. Of course, if a defendant were to refuse entry into his premises, this would cause extremely adverse inferences to be drawn against him at the subsequent trial.

2.249 In relation to Anton Piller orders, it may finally be noted that the effectiveness of the orders was brought into question in one case when a defendant, pleading the privilege against self-incrimination, successfully applied to discharge orders on the ground that they would expose him to a real risk of prosecution for a criminal offense (Rank Film Distributors Ltd. v Video Information Center [1981] 2 All E.R. 76). In order to overcome the effects of this decision, it may be necessary to pass legislation revoking the privilege against self-incrimination as a basis for refusing to comply with an Anton Piller order, as was done in the Supreme Court Act of 1981 in the United Kingdom.

Discovery Against Third Parties

2.250 In certain common-law jurisdictions it has been decided that an innocent third party, who becomes caught up in the wrongdoings of another, is liable to furnish a plaintiff with evidence in his possession relevant to the prosecution of an action by the plaintiff against the wrongdoer. This decision arose in the English case of Norwich Pharmacal Co. v. Commissioners of Customs and Excise ([1972] RPC 743, [1974] AC 133) where the plaintiffs, the proprietors of a patent covering a chemical compound, discovered that various persons were importing the compound into the country in contravention of their patent, but were unable to establish the identity of these persons. This information was in the possession of the Commissioners of Customs and Excise, since the importers were required under the customs regulations to fill in a form of entry specifying the name of the importer and a description of the goods. The customs authorities refused to disclose the identity of the importers on the ground that the information had been given to them in confidence. Nevertheless, it was decided that an innocent third party, such as the customs authorities, who inadvertently becomes involved in the wrongdoing of another, will be liable to furnish information concerning the wrongdoer to a plaintiff. While this case was concerned with patents, it also has an application to copyright and could be of particular use to copyright owners who are unable to establish the identity of persons importing pirated works into a country.

2.251 A related but more effective procedure is to be found in Section 53 of the Indian Copyright Act 1957. This provision enables the Registrar of Copyrights to order that copies made out of India of a work which, if made in India, would infringe copyright, shall not be imported. The section also authorizes the Registrar to enter any ship, dock or premises for the purpose of examining allegedly infringing works. The use of the section in a case involving the transportation of pirated audio

cassettes over Indian territory was approved by the Indian Supreme Court in Gramophone Company of India Ltd. v. Panday ([1984] 2 SCC 534).

Interlocutory Injunctions

2.252 In order to minimize the damage being inflicted by piracy, it will be important for a copyright owner to take swift action in seeking to prevent its continuation. For as long as piracy continues, he will be deprived of a portion of his potential market, and thus of the capacity to recover the economic reward for his creativity or investment. The aim of the interlocutory injunction is to meet this need by granting speedy and temporary relief during the period before a full trial of an infringement action takes place, thus preventing irreparable damage from occurring to the plaintiff's rights.

2.253 One of the difficulties which has been experienced with interlocutory proceedings is that they have tended to become themselves lengthy inquiries involving rather full consideration of the facts of the case, with the result that their effectiveness as a means of obtaining temporary relief is prejudiced. In many common-law jurisdictions, this has caused a reassessment of the principles on which interlocutory relief is granted and, in particular, of the standard of proof which a plaintiff is required to establish in order to obtain interlocutory relief.

2.254 Previously, a plaintiff was required to establish a *prima facie* case that his copyright was being infringed, that is, to establish on the balance of probabilities that his case for infringement could be defended. In order to overcome the delays and the lengthy proceedings which this standard of proof involved, many jurisdictions have now required that a plaintiff establish only that there is a "serious question" to be tried. In other words, the merits of the legal issues involved in the case need only be considered at the interlocutory stage to the point where the court is satisfied that the plaintiff's claim for infringement is not frivolous. Thereafter, the decision as to whether an injunction should be granted is taken on the basis of the factual circumstances of the case, and whether, in particular, each party could be adequately compensated in damages for the temporary impairment of his right were he to be unsuccessful at the interlocutory stage, and later prove to be successful at the trial.

2.255 The adoption of this approach to interlocutory proceedings assists in avoiding excessive delays in obtaining relief during the period which is most important for the copyright owner, namely, the period immediately following the initial publication and marketing of his work.

Final Remedies

2.256 The two usual remedies which are available for copyright owners in common-law jurisdictions following the final trial of an infringement action are a perpetual injunction and damages. The perpetual injunction is granted in order to prevent any further repetition of the infringing action. In order to make the injunction effective, it is often coupled with an order for the delivery by the infringer of all infringing copies of the copyright work, which are then subject to destruction so as to ensure that they cannot be re-used or sold.

2.257 The object of an award of damages to a copyright owner is to restore the copyright owner to the position he would have been in had his copyright not been infringed. A difficulty often encountered in obtaining a satisfactory judgment in damages is the production of evidence as to the extent of sales which have taken place and thus as to the extent of damage which has been caused to the plaintiff's copyright. It is for this reason that the recent developments in preliminary remedies, such as the Anton Piller order, which are aimed at enabling a plaintiff to acquire evidence of infringement, are particularly important.

2.258 Of particular relevance to piracy, is the provision in some jurisdictions for additional damages in the case of a flagrant infringement of copyright. Before an award of additional damages can be made in such jurisdictions, however, it is necessary to establish that the infringer's conduct has been deliberate and calculated, and that he has obtained a pecuniary advantage in excess of the damages that he would otherwise have to pay.

Intellectual Property and Traditional Cultural Expressions

Introduction

2.259 The cultural heritage of a community or nation lies at the heart of its identity and links its past with its present and future. Cultural heritage is also "living" – it is constantly recreated as traditional artists and practitioners bring fresh perspectives and experiences to their work.

2.260 So, while it may be considered that tradition is only about imitation and reproduction, it is also about innovation and creation within the traditional framework. Tradition can be an important source of creativity and innovation for indigenous, local and other cultural communities. The mere re-creation and replication of past traditions is not necessarily the best way of preserving identity and improving the economic situation of indigenous, local and other cultural communities. Handicrafts, for instance, exemplify the ability of many tradition-bearing communities to combine tradition with the influences and cultural exchanges characteristic of modernity for the purpose of maintaining their identity and improving their social and economic circumstances.

2.261 Cultural heritage is also a source of inspiration and creativity for parties outside the traditional or customary context, such as the entertainment, fashion, publishing, design and other cultural industries. Many businesses today, small, medium and large, create wealth using the forms and materials of traditional cultures – local cooperatives that produce and market handmade crafts, industrial textile manufacturers that employ traditional designs, producers of audio recordings of traditional music, pharmaceutical manufacturers who use indigenous knowledge of healing plants, promoters of tourism, and entertainment conglomerates that employ various forms of traditional representations for motion pictures, amusement theme parks and children's toys.

2.262 The relationship between tradition, modernity and the marketplace may not, however, always be a happy one. Indigenous and traditional communities express concerns that the distinct and diverse qualities of the world's multiple cultural communities are threatened in the face of uniformity brought on by new technologies and the globalization of culture and commerce.

2.263 It is also argued by some that expressions of traditional cultures and traditional forms of creativity and innovation are not adequately protected by or in relation to existing intellectual property laws. In particular, Indigenous and traditional communities refer *inter alia* to the:

- unauthorized adaptation, reproduction and subsequent commercialization of traditional cultural expressions, with no sharing of economic benefits;

- use of traditional cultural expressions in ways that are insulting, degrading and/or culturally offensive;

- appropriation of the reputation or distinctive character of traditional cultural expressions in ways that evoke an authentic traditional product, by use of misleading or false indications as to authenticity or origin, or adoption of their methods of manufacture and "style"; and,

- failure to acknowledge the source of a tradition-based creation or innovation.

2.264 It can be seen from these examples that the protection of expressions of traditional cultures may refer to protection of:

- the expressions themselves; and/or,

- the reputation or distinctive character associated with them; and/or,

- their method of manufacture (in the case of a handicraft, for example).

2.265 All branches and forms of intellectual property are therefore relevant, whether copyright, related rights, trademarks, industrial designs, patents or unfair competition, for the protection of traditional cultural expressions. This section will, however, focus more on copyright and related rights, although other intellectual property rights will also be briefly referred to where relevant.

2.266 The protection of traditional cultural expressions is complex and raises fundamental policy and legal questions. To whom, if anyone, does a nation's cultural heritage "belong" – by whom and in which circumstances may it be used as a source of creativity (the results of which, such as a new musical work or design, may be protected by intellectual property rights)? What is the relationship between intellectual property "protection" and "preservation"/"safeguarding" in the cultural heritage sense? Which intellectual property policies best serve cultural diversity and cultural pluralism, a particular challenge for societies with both Indigenous and immigrant communities? How best can the needs and expectations of Indigenous and traditional communities be met? And, which intellectual property policies and mechanisms best foster creativity, including tradition-based creativity, as a component of sustainable development? This last question is perhaps the key – how best can intellectual property be used as a tool for tradition-based creation and innovation and, therefore, economic development?

2.267 This section will explore these questions in greater detail with reference to:

- a working description of "traditional cultural expressions";

- previous and current activities of the World Intellectual Property Organization;

- the intellectual property-related needs and strategies of Indigenous peoples and local communities;

- trends and experiences in the protection of traditional cultural expressions;

- conceptual and policy questions, and,

- possible future directions of WIPO's work in this area.

Describing "traditional cultural expressions"

2.268 The meaning and scope of terms such as "traditional cultural expressions," otherwise known as "expressions of folklore," "indigenous culture and intellectual property" and "intangible

and tangible cultural heritage" (which is perhaps the most comprehensive term) have been discussed at local, national and international levels. They potentially cover an enormous variety of customs, traditions, forms of artistic expression, knowledge, beliefs, products, processes of production and spaces that originate in many communities throughout the world. There are no widely-accepted definitions of these terms, since what is considered "cultural heritage" or "traditional cultural expressions" depends upon the context and the purpose for which the definition is developed.

2.269 The terms "traditional cultural expressions" and "expressions of folklore" are used synonymously in international policy discussions concerning this area of intellectual property. "Traditional cultural expressions" (or TCEs) is used as a neutral working term in this section because some communities have expressed reservations about the negative connotations of the word "folklore." TCEs/expressions of folklore may often be associated with traditional knowledge and know-how of a technical nature (such as ecological or medical knowledge), but traditional knowledge in this narrower sense is conceptually separate and its protection raises distinct policy questions. The present chapter does not directly address the protection of technical traditional knowledge.

Tangible and Intangible Expressions of Culture

2.270 "Expressions of" traditional culture (or "expressions of" folklore) may be either intangible, tangible or, most usually, a combination of the two. Examples from North America of TCEs that combine tangible and intangible elements include African-American quilts depicting Bible stories in appliquéd designs, the practice of "mummering" in Newfoundland during the Christmas season when villagers act out elaborate charades, play music, eat, drink, dance and make disguising costumes, and the Mardi Gras "Indians" of New Orleans who exhibit a true example of tangible (costumes, instruments, floats) and intangible (music, song, dance, chant) elements of folklore that cannot be separated.

Use of the Term "Traditional"

2.271 Culture is in a permanent process of production; it is cumulative and innovative, as noted above. Thus, the term "traditional" does not mean "old" but rather that the cultural expressions derive from or are based upon tradition, identify or are associated with an indigenous or traditional people and may be made or practised in traditional ways.

2.272 This is relevant from an intellectual property perspective because, unlike the pre-existing, underlying traditional culture of a community (which may be referred to as traditional culture or folklore *stricto sensu*), literary and artistic productions created by current generations of society and based upon or derived from pre-existing traditional culture or folklore are more easily protected as intellectual property.

2.273 Pre-existing traditional culture is generally trans-generational (that is, old), collectively "owned" by one or more groups or communities and is likely to be of anonymous origin, to the extent that the notion of authorship is relevant at all. Pre-existing traditional culture as such and particular expressions thereof are generally not protected by current copyright laws and are treated, from the perspective of the intellectual property system, as part of the "public domain." This is the approach followed in the national laws of States such as Australia, Belgium, Canada, Colombia, the Czech Republic, Honduras, Italy, the Netherlands, Japan, Kyrgyzstan, the Republic of Korea, the Russian Federation and Viet Nam.

2.274 On the other hand, a contemporary literary and artistic production based upon, derived from or inspired by traditional culture that incorporates new elements or expression is a "new" work in respect of which there is generally a living and identifiable creator or creators. Such a contemporary production may include a new interpretation, arrangement, adaptation or collection of pre-existing cultural heritage and expressions in the public domain, or even their "re-packaging" in the form of digital enhancement, colorization and the like. Contemporary, tradition-based expressions and representations of traditional cultures are generally protected by existing copyright for which they are sufficiently "original." The law makes no distinction based on "authenticity" or the identity of the author – that is, the originality requirement of copyright could be met by an author who is not a member of the relevant cultural community in which the tradition originated.

2.275 Several national copyright laws, such as those of Hungary and Tunisia, recognize this distinction and explicitly provide copyright protection for folklore-based literary and artistic works. The Tunis Model Law of 1976 similarly protects, as original copyright works, derivative works which include "works derived from national folklore," whereas folklore itself, described as "works of national folklore," is accorded a *sui generis* (meaning "special" or "of its own kind") type of copyright protection. This distinction is also implicit in the 1982 Model Provisions (see below).

A Working Description of Traditional Cultural Expressions

2.276 Cultural expressions include music, musical instruments, stories, art, handicrafts, words, names and insignia, performances, textile, carpet and jewelry designs and forms of architecture, to name only a few examples. The description of "expressions of folklore" in the Model Provisions of 1982 is a useful starting point for the following:

"'traditional cultural expressions' means productions consisting of characteristic elements of the traditional artistic heritage developed and maintained by a community of [name of country] or by individuals reflecting the traditional artistic expectations of such a community, in particular:

(a) verbal expressions, such as folk tales, folk poetry and riddles, signs, symbols and indications;

(b) musical expressions, such as folk songs and instrumental music;

(c) expressions by actions, such as folk dances, plays and artistic forms or rituals; whether or not reduced to a material form; and

(d) tangible expressions, such as:

(i) productions of folk art, in particular, drawings, paintings, carvings, sculptures, pottery, terracotta, mosaic, woodwork, metalware, jewelry, basket weaving, needlework, textiles, carpets, costumes;

(ii) crafts;

(iii) musical instruments;

(iv) architectural forms."

Previous and Current Activities of WIPO

2.277 Previous activities of WIPO in the field of intellectual property and TCEs, several of which were undertaken in cooperation with the United Nations Educational, Scientific and Cultural Organization (Unesco), have over a period of more than 30 years identified and sought to address legal, conceptual, operational and administrative needs and issues.

Provision of International Protection for "unpublished works" in the Berne Convention

2.278 The 1967 Stockholm Diplomatic Conference for Revision of the Berne Convention for the Protection of Literary and Artistic Works made an attempt to introduce copyright protection for folklore at the international level. As a result, Article 15(4) of the Stockholm (1967) and Paris (1971) Acts of the Berne Convention contains the following provision:

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

2.279 This Article, according to the intentions of the revision Conference, implies the possibility of granting protection for TCEs. Its inclusion in the Berne Convention responds to calls made at that time for specific international protection of TCEs. Only one country, India, has made the designation referred to.

The Tunis Model Law on Copyright for Developing Countries

2.280 To cater for the specific needs of developing countries and to facilitate the access of those countries to foreign works protected by copyright while ensuring appropriate international protection of their own works, the Berne Convention was revised in 1971. It was deemed appropriate to provide States with a text of a model law to assist States in conforming to the Convention's rules in their national laws.

2.281 Thus, in 1976, the Tunis Model Law on Copyright for Developing Countries was adopted by the Committee of Governmental Experts convened by the Tunisian Government in Tunis, with the assistance of WIPO and Unesco. The Tunis Model Law provides specific protection for works of national folklore. Such works need not be fixed in material form in order to receive protection, which is without limitation in time.

The Model Provisions

2.282 Model Provisions for National Laws on the Protection of Expressions of Folklore Against Illicit Exploitation and Other Prejudicial Actions were adopted in 1982 under the auspices of WIPO and Unesco, in a Committee of Governmental Experts.

2.283 It had been agreed beforehand by a Working Group convened by WIPO and Unesco that adequate legal protection of folklore was desirable and could be promoted at the national level by

model provisions for legislation. Such model provisions were to be elaborated so as to be applicable both in countries where no relevant legislation was in force and in those where existing legislation could be further developed. They were also to allow for protection by means of copyright and neighboring rights where possible. These provisions for national laws were to pave the way for sub-regional, regional and international protection of creations of folklore.

2.284 The Model Provisions were drafted in response to concerns that expressions of folklore were susceptible to various forms of illicit exploitation and prejudicial actions. More specifically, as stated in the Preamble to the Model Provisions, the Expert Committee believed that the dissemination of folklore might lead to improper exploitation of the cultural heritage of a nation, that any abuse of a commercial or other nature or any distortion of expressions of folklore was prejudicial to the cultural and economic interests of a nation, that expressions of folklore constituting manifestations of intellectual creativity deserved to be protected in a manner inspired by the protection provided for intellectual productions, and that the protection of folklore had become indispensable as a means of promoting its further development, maintenance and dissemination.

2.285 Several countries have used the Model Provisions as a basis for national legal regimes for the protection of folklore. However, some have expressed the need for their improvement and updating.

Attempts to Establish an International Treaty

2.286 A number of participants stressed, at the meeting which adopted the Model Provisions, that international measures would be indispensable for extending the protection of expressions of folklore of a given country beyond the borders of the country concerned. WIPO and Unesco acted accordingly when they jointly convened a Group of Experts on the International Protection of Expressions of Folklore by Intellectual Property, which met in December 1984. While there was a general recognition of the need for international protection of expressions of folklore, the great majority of the participants considered it premature to establish an international treaty in view of insufficient national experience, particularly in the implementation of the Model Provisions. Two main problems were identified by the Group of Experts: these were the lack of appropriate sources for the identification of the expressions of folklore to be protected, and the lack of workable mechanisms for settling the questions of expressions of folklore that can be found not only in one country, but in several countries of a region. The Executive Committee of the Berne Convention and the Intergovernmental Committee of the Universal Copyright Convention, at their joint sessions in Paris in June 1985, agreed with the Group's findings, considering that only a recommendation, rather than an international treaty, would be realistic at that stage.

The Adoption of the WIPO Performances and Phonograms Treaty (the WPPT)

2.287 The WIPO Performances and Phonograms Treaty (the WPPT), which was adopted in December 1996 and came into force on May 20, 2002 (see below, Chapter 5), provides that the definition of "performer" for the purposes of the Treaty includes the performer of an expression of folklore. This addressed a problem in respect of the key notion of "performers" (and the notion of "performances" following indirectly from the notion of "performers") as determined in the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, 1961 (the Rome Convention). Under Article 3(a) of the Rome Convention, "'performers' means actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, or otherwise *perform literary or artistic works*" (emphasis added). Since expressions of folklore do not correspond to the concept of literary and artistic works proper, the WPPT has widened the definition.

2.288 In the Diplomatic Conference at which the WPPT, as well as the WIPO Copyright Treaty (the WCT) were adopted in December 1996, the WIPO Committee of Experts on a Possible Protocol to the Berne Convention and the Committee of Experts on a Possible Instrument for the Protection of the Rights of Performers and Producers of Phonograms recommended that "provision should be made for the organization of an international forum in order to explore issues concerning the preservation and protection of expressions of folklore, intellectual property aspects of folklore, and the harmonization of the different regional interests."

WIPO-Unesco World Forum on the Protection of Folklore

2.289 Pursuant to the recommendation made during the 1996 Diplomatic Conference, the WIPO-Unesco World Forum on the Protection of Folklore was held in Phuket, Thailand, in April 1997. The Forum adopted a "Plan of Action" which identified *inter alia* certain needs and issues: these were the need for a new international standard for the legal protection of folklore, and the importance of striking a balance between the community owning the folklore and the users of expressions of folklore.

2.290 The Plan of Action also suggested that "regional consultative fora should take place…." in order to make progress towards addressing these needs and issues.

WIPO Fact-finding Missions

2.291 During 1998 and 1999, WIPO conducted fact-finding missions ("FFMs") in 28 countries to identify the needs and expectations of traditional knowledge holders relating to intellectual property. Indigenous and local communities, non-governmental organizations, governmental representatives, academics, researchers and private sector representatives were among the groups of persons consulted on these missions. For the purpose of these missions, "traditional knowledge" included TCEs as a specific form. Much of the information obtained related either directly or indirectly to TCEs.

2.292 The results of the missions have been published by WIPO in a report entitled "Intellectual Property Needs and Expectations of Traditional Knowledge Holders: WIPO Report on Fact-finding Missions (1998-1999)" (the "FFM Report").

WIPO-Unesco Regional Consultations on the Protection of Expressions of Folklore

2.293 Pursuant to the suggestion included in the Plan of Action adopted at the WIPO-Unesco World Forum on the Protection of Folklore, 1997, WIPO and Unesco organized four Regional Consultations on the Protection of Expressions of Folklore in 1999. Each of the regional consultations adopted resolutions or recommendations which identify intellectual property needs and issues, as well as proposals for future work, related to expressions of folklore. Three of the four regional consultations recommended the establishment within WIPO of a separate committee on folklore and traditional knowledge to facilitate future work in these areas.

The WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore

2.294 Accordingly, and following certain other developments in the area of genetic resources, in late 2000, the Member States of WIPO established an Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore.

2.295 The Committee is making significant progress in articulating in intellectual property terms the needs and expectations of Indigenous peoples and traditional communities in relation to their TCEs, marking out a conceptual framework within which to view those needs and expectations, and methodically developing policy options and practical tools in response to them.

2.296 The Committee has considered detailed Secretariat analysis of the use of existing intellectual property and *sui generis* approaches for the legal protection of TCEs. This analysis was based on the national experiences of 64 Member States, surveyed through a questionnaire issued by WIPO in 2001, and presentations made during Committee sessions, and a set of case studies. One of these, entitled "Minding Culture – Case Studies on Intellectual Property and Traditional Cultural Expressions," comprises practical studies of actual cases in which Indigenous Australians have sought to use intellectual property to protect their TCEs. In addition, WIPO has also published a study of practical experiences in India, Indonesia, and the Philippines. The Committee has received detailed briefings by New Zealand, Nigeria, Panama, the Russian Federation, Tunisia, the United States of America and the Secretariat of the Pacific Community on their recent legislative experiences with the legal protection of TCEs.

Intellectual Property Needs and Expectations of Indigenous and Traditional Communities

2.297 In the course of the extensive fact-finding and consultations undertaken by WIPO, Indigenous peoples and traditional communities have expressed various needs related to intellectual property, such as:

- intellectual property protection to support economic development*:* some communities wish to claim and exercise intellectual property in their tradition-based creations and innovations to enable them to exploit their creations and innovations commercially as a contribution to their economic development;

- intellectual property protection to prevent unwanted use by others*:* some communities may wish to claim intellectual property in order to be able to actively exercise intellectual property rights that prevent the use and commercialization of their cultural heritage and TCEs by others, including culturally offensive or demeaning use; uses which may need to be prevented could include, for example, uses that falsely suggest a connection with a community, derogatory, libellous, defamatory or fallacious uses, and uses of sacred and secret TCEs;

- prevention of others acquiring intellectual property rights over TCEs*:* communities are also concerned to prevent others from gaining or maintaining intellectual property over derivations and adaptations of TCEs and representations, which entails the use of defensive mechanisms to block or pre-empt third parties' intellectual property rights that are considered prejudicial to the community's interests, and to the integrity of their cultural heritage and cultural expressions.

This latter kind of strategy is distinct from positive intellectual property protection, in which a community actively obtains and exercises intellectual property rights (the two first cases given above). Both defensive and positive protection strategies may be used in parallel by the one community, depending on their assessment of their overall objectives and interests. Specific defensive protection mechanisms may also be built into national or regional intellectual property laws: for instance, specific measures to prevent the acquisition of trademark rights over Indigenous or traditional symbols have been already adopted by New Zealand, the United States of America and the Andean Community.

2.298 The work of the WIPO Intergovernmental Committee has highlighted the need to clarify and articulate the distinct notions of "intellectual property protection" and "preservation/safeguarding" when applied to cultural heritage. The term "protection" is widely used, but this can mask a wide range of potential objectives. It is important to be clear to what extent and in which cases intellectual property protection is relevant to meeting the needs of Indigenous and traditional communities, as some of them are perhaps more concerned with preservation and safeguarding than intellectual property protection. Unfair competition law and marketing, labelling and other consumer protection laws may be particularly relevant and valuable, especially since concerns about commercial misuse of TCEs often arise from the perception that they are being used to create a misleading impression that a product is "authentic" or produced or endorsed by a traditional community.

2.299 Generally speaking, one single form of protection for TCEs is unlikely to meet all the needs of a traditional community: it may need to use a range of positive and defensive legal tools to achieve its chosen objectives in protecting and preserving its traditional culture.

Trends and Experiences in the Protection of TCEs

2.300 Several States already provide specific legal protection for TCEs as intellectual property in their national laws or regulations, largely within their national copyright legislation, although the modalities of protection may differ.

2.301 In some cases, TCEs are simply referred to as a form of copyright work, and most of the usual rules of copyright apply to them. Examples of these countries would include Barbados, Côte d'Ivoire, Indonesia and the Islamic Republic of Iran. Another group of States have included within their copyright legislation provisions specifically designed for expressions of folklore. Examples would include Burkina Faso, Ghana, Kenya, Mexico, Mozambique, Namibia, Nigeria, Senegal, Sri Lanka, Togo, the United Republic of Tanzania, and Viet Nam. In most of these cases, the provisions are based upon the Tunis Model Law of 1976 or the 1982 Model Provisions.

2.302 A third category comprises States that provide protection for expressions of folklore in distinct *sui generis* legislation, such as Panama and the Philippines. Panama's Law of 2000 provides perpetual and collective protection of the intellectual property type, based upon a registration requirement, for the handicrafts and other creations of its Indigenous peoples. The Bangui Agreement of the African Intellectual Property Organization (OAPI), as revised in 1999, establishes *sui generis* protection for TCEs. More recently, the Secretariat of the Pacific Community has developed a *sui generis* model law for the Pacific Island countries.

2.303 However, when it comes to implementation, even in those countries which provide specific legal protection for TCEs, it appears from the results of the WIPO questionnaire that there are few countries in which such provisions are actively utilized or effective in practice. There appears to be little practical experience with the implementation of existing systems and measures which countries have established in law. States have cited a variety of legal, conceptual, infrastructural and other operational difficulties they experience in implementing workable and effective legislative provisions at the national level. States have requested enhanced legal-technical cooperation in this respect. Some have argued that it is necessary to provide States and regional organizations with updated and improved guidelines or model provisions for national laws, taking into account the 1982 Model Provisions as a starting point.

2.304 Many States argue, however, that existing and conventional intellectual property systems are adequate for the protection of TCEs, if their full potential is explored, and that no special systems are needed. There are many examples of traditional communities successfully protecting songs, graphic works and other literary and artistic works through copyright and performers' rights, for example. The current balance of interests in the intellectual property system means that members of cultural communities as well as others are free to create and innovate on the basis of their cultural traditions, and acquire and benefit from any intellectual property that may subsist in the creations and innovations. This contributes to their economic development, as well as meeting certain objectives of cultural heritage and cultural exchange policies. Intellectual property protection provides incentives for the creation and dissemination of new intellectual creations, including tradition-based creations. Indeed, as mentioned earlier, current copyright law appears able to protect contemporary tradition-based forms of creativity, at least those that are fixed in jurisdictions requiring fixation. On the other hand, pre-existing cultural heritage remains, from a strictly intellectual property perspective, in the "public domain."

2.305 For example, the Australian case *Milpurrurru v Indofurn Pty Ltd (1995) 30 IPR 209* involved the importation into Australia of carpets manufactured in Viet Nam which reproduced (without permission) either all or parts of well-known works, based on creation stories, created by Indigenous artists. The artists successfully claimed infringement of copyright as well as unfair trade practices, for the labels attached to the carpets claimed that the carpets had been designed by Aboriginal artists and that royalties were paid to the artists on every carpet sold. In awarding damages to the plaintiffs, the judgement recognized the concept of "cultural harm" and awarded collective damages to all the artists to distribute according to their cultural practices.

2.306 Apart from copyright and related rights, other forms of intellectual property are relevant too, such as trademarks, geographical indications and unfair competition. For example, Australia, Canada, New Zealand and Portugal have provided examples of the use of trademarks, particularly certification marks, to ensure the authenticity and quality of Indigenous arts and crafts. In Kazakhstan, the external appearance of national outer clothes, head-dresses, carpets, decorations of saddles, national dwellings and their structural elements, as well as women's apparel accessories, like bracelets, national children's cots, crib-cradles and table wares, are protected as industrial designs. The designations containing elements of Kazakh ornament are registered and protected as trademarks. In China, a traditional craftsman has received industrial design protection for his tradition-based silver tea-sets.

2.307 Some of these States consider that some adaptations to existing rights and/or some specific measures within the intellectual property system may be necessary and desirable to meet particular needs – for instance, copyright protection for collective works or works that have not been fixed (for example, works that have been passed on only in oral form) and special remedies for copyright infringement that is also culturally offensive. In the trademark area, as noted above, the United States of America has, for example, established a database that may be searched and thus prevent the registration of a mark confusingly similar to an official insignia of a Federally and state-recognized Native American tribe. In New Zealand a recent amendment to the Trade Marks Act allows the Commissioner of Trade Marks to refuse to register a trademark where its use or registration would be likely to offend a significant section of the community, including Maori.

2.308 WIPO's fact-finding, other consultations and the 2001 questionnaire also evidenced a strong demand from among many countries for the effective international protection of TCEs. Similar calls have been made within the context of the WIPO Intergovernmental Committee, and it may be that eventually, on the basis of successful national and regional experiences and a consolidation of approaches, it will be possible to develop a suitable framework for international protection.

Conceptual and Policy Questions

2.309 National and regional experiences appear to reflect two broad approaches to the protection of TCEs: on the one hand, existing and conventional intellectual property systems are adequate because they protect contemporary, tradition-based cultural expressions, and no intellectual property-type property rights over the "public domain" are warranted or necessary. Some adaptations or enhancements of existing intellectual property systems may be necessary to meet particular needs; and, on the other hand, property rights over the "public domain" are appropriate and, as conventional intellectual property systems are inadequate, *sui generis* measures and systems are required. While there is a tendency to characterize these as opposing viewpoints, they are not necessarily mutually exclusive, and a comprehensive solution may draw on both points of view.

2.310 A key policy question is whether limiting intellectual property protection to contemporary, tradition-based cultural expressions adequately meets the identified cultural and intellectual property policy objectives. Does it offer the greatest opportunities for creativity and economic development? Does it best serve cultural diversity and cultural preservation? Does it address the concerns of the custodians of traditional cultures? These questions turn on whether intellectual property protection should be available for TCEs that are now in the so-called "public domain" — in other words, those TCEs which would not qualify for protection by current intellectual property. An integral part of developing an appropriate policy framework within which to view intellectual property protection of TCEs is a clearer understanding of the role, contours and boundaries of the public domain.

2.311 For example, as the European Community and its Member States have stated: "the fact that folklore for the most part is in the public domain does not hamper its development - to the contrary, it allows for new creations derived from or inspired by it at the hands of contemporary artists." Canada has expressed the similar view that "copyright encourages members of a community to keep alive 'pre-existing cultural heritage' by providing individuals of the community with copyright protection when they use various expressions of 'pre-existing cultural heritage' in their present-day creations or works." According to these views, neither members of the relevant cultural communities nor the cultural industries would be able to create and innovate based on cultural heritage if private property rights were to be established over it. A robust public domain allows too for the kind of cultural flows and exchanges that have forever marked music and other cultural forms. Musical traditions such as jazz emerged in the early twentieth century in cultural crossroads such as New Orleans, combining elements of African-American, Afro-Caribbean and European cultures. Rock music evolved from blues, valuing or rewarding imitation, revision and improvisation. So too, cultural expressions and practices from "dominant cultures" continue to be absorbed and popularized in less dominant cultures. Is it intended to control or require compensation for all these kinds of flows and exchanges?

2.312 On the other hand, TCE holders and practitioners challenge the "public domain" status of traditional cultures under intellectual property law. They argue that the "public domain" is purely a construct of intellectual property systems and that it does not take into account private domains established by Indigenous and customary legal systems. Their TCEs were never protected and are thus not part of a "public domain." Furthermore, they question whether the "public domain" status of cultural heritage offers the greatest opportunities for creation and development. Should all historic materials be in the public domain and be denied protection simply because they are not recent enough? Merely providing intellectual property protection for contemporary, tradition-based cultural expressions is an inappropriate "survival of the fittest" approach that does not best serve cultural diversity and cultural preservation, it is argued. Almost everything created has cultural and

historic antecedents, and systems should be established that yield benefits to cultural communities from all creations and innovations that draw upon tradition.

Recent and Possible Future Developments

2.313 Based on the results of the 2001 questionnaire, and as mandated by the WIPO Intergovernmental Committee, the WIPO Secretariat provides legal-technical cooperation for the establishment, strengthening and effective implementation of existing systems and measures for the legal protection of TCEs at the national and regional levels, and as a component of this program, is developing a "Practical Guide" for national lawmakers, policy makers, communities and other stakeholders on the effective protection of TCEs. The Secretariat is also undertaking case studies on the relationship between customary laws and protocols and conventional intellectual property systems in so far as TCE protection is concerned. In addition, the development of model contracts, codes of conduct and guidelines for use by cultural heritage archives, museums and other institutions, to assist them in managing the intellectual property aspects of their cultural heritage collections, is being explored.

2.314 At a policy level, the wealth of the legal analyses, national and regional submissions, reports and other materials considered by the WIPO Intergovernmental Committee makes it possible to begin to distill and annotate the various policy and legislative options available to States and regional organizations wishing to offer enhanced protection of TCEs under adapted or expanded conventional intellectual property systems and/or under stand-alone *sui generis* systems. These options, based on actual national and regional experiences, could, should Member States so wish, form the basis for the development of recommendations, guidelines or model provisions for national and regional laws, and, eventually, for the development of frameworks for the regional and international protection of TCEs.

Trademarks

Introduction

2.315 Trademarks already existed in the ancient world. Even at times when people either prepared what they needed themselves or, more usually, acquired it from local craftsmen, there were already creative entrepreneurs who marketed their goods beyond their localities and sometimes over considerable distances. As long as 3,000 years ago, Indian craftsmen used to engrave their signatures on their artistic creations before sending them to Iran. Manufacturers from China sold goods bearing their marks in the Mediterranean area over 2,000 years ago and at one time about a thousand different Roman pottery marks were in use, including the FORTIS brand, which became so famous that it was copied and counterfeited. With the flourishing trade of the Middle Ages, the use of signs to distinguish the goods of merchants and manufacturers likewise expanded several hundred years ago. Their economic importance was still limited, however.

2.316 Trademarks started to play an important role with industrialization, and they have since become a key factor in the modern world of international trade and market-oriented economies. Industrialization and the growth of the system of the market-oriented economy allow competing manufacturers and traders to offer consumers a variety of goods in the same category. Often without any apparent differences for the consumer, they do generally differ in quality, price and

other characteristics. Clearly consumers need to be given the guidance that will allow them to consider the alternatives and make their choice between the competing goods. Consequently, the goods must be named. The medium for naming goods on the market is precisely the trademark.

2.317 By enabling consumers to make their choice between the various goods available on the market, trademarks encourage their owners to maintain and improve the quality of the products sold under the trademark, in order to meet consumer expectations. Thus trademarks reward the manufacturer who constantly produces high-quality goods, and as a result they stimulate economic progress.

Definitions

Trademarks

2.318 "A trademark is any sign that individualizes the goods of a given enterprise and distinguishes them from the goods of its competitors." This definition comprises two aspects, which are sometimes referred to as the different functions of the trademark, but which are, however, interdependent and for all practical purposes should always be looked at together.

2.319 In order to individualize a product for the consumer, the trademark must indicate its source. This does not mean that it must inform the consumer of the actual person who has manufactured the product or even the one who is trading in it. It is sufficient that the consumer can trust in a given enterprise, not necessarily known to him, being responsible for the product sold under the trademark.

2.320 The function of indicating the source as described above presupposes that the trademark distinguishes the goods of a given enterprise from those of other enterprises; only if it allows the consumer to distinguish a product sold under it from the goods of other enterprises offered on the market can the trademark fulfill this function. This shows that the distinguishing function and the function of indicating the source cannot really be separated. For practical purposes one can even simply rely on the distinguishing function of the trademark, and define it as "any visible sign capable of distinguishing the goods or services of an enterprise from those of other enterprises."

2.321 This is the approach chosen by Section 22(1) of WIPO's Draft Industrial Property Act (the Draft Law).

Service Marks

2.322 In modern trade consumers are confronted not only with a vast choice of goods of all kinds, but also with an increasing variety of services which tend more and more to be offered on a national and even international scale. There is therefore also a need for signs that enable the consumers to distinguish between the different services such as insurance companies, car rental firms, airlines, etc. These signs are called service marks, and fulfill essentially the same origin-indicating and distinguishing function for services as trademarks do for goods.

2.323 Since service marks are signs that are very similar in nature to trademarks, basically the same criteria can be applied, so service mark protection has sometimes been introduced by a very short amendment to the existing trademark law, simply providing for the application to service marks, *mutatis mutandis*, of the provisions on the protection of trademarks.

2.324 It follows from the above principle that service marks can be registered, renewed and canceled in the same way as trademarks; they can moreover be assigned and licensed under the same conditions. Rules devised for trademarks therefore apply equally, in principle, to service marks.

Collective Marks and Certification Marks

2.325 Trademarks typically identify individual enterprises as the origin of marked goods or services. Some countries provide for the registration of collective and certification marks, which are used to indicate the affiliation of enterprises using the mark or which refer to identifiable standards met by the products for which a mark is used.

2.326 The following are the common features in the relevant provisions of national law on this topic.

Collective Marks

2.327 A collective mark may be owned by an association which itself does not use the collective mark but whose members may use the collective mark; the members may use the collective mark if they comply with the requirements fixed in the regulations concerning the use of the collective mark. An enterprise entitled to use the collective mark may in addition also use its own trademark.

2.328 The regulations concerning the use of the collective mark normally have to be included in an application for the registration of the collective mark and any modifications to the regulations have to be notified to the Trademark Office. In several countries (for example, the Federal Republic of Germany, Finland, Norway, Sweden and Switzerland), the registration of a collective mark may be canceled if that mark is used contrary to the provisions of the regulations or in a manner which misleads the public. Collective marks, therefore, play an important role in the protection of consumers against misleading practices.

2.329 The Paris Convention contains provisions on collective marks in its Article 7*bis*. Those provisions, in particular, ensure that collective marks are to be admitted for registration and protection in countries other than the country where the association owning the collective mark has been established. This means that the fact that the said association has not been established in accordance with the law of the country where protection is sought is no reason for refusing such protection. On the other hand, the Convention expressly states the right of each member State to apply its own conditions of protection and to refuse protection if the collective mark is contrary to the public interest.

Certification Marks

2.330 The certification mark may only be used in accordance with the defined standards. The main difference between collective marks and certification marks is that the former may be used only by particular enterprises, for example, members of the association which owns the collective mark, while the latter may be used by anybody who complies with the defined standards. Thus, the users of a collective mark form a "club" while, in respect of certification marks, the "open shop" principle applies.

2.331 An important requirement for the registration of a certification mark is that the entity which applies for registration is "competent to certify" the products concerned. Thus, the owner of a certification mark must be the representative for the products to which the certification mark applies. This is an important safeguard for the protection of the public against misleading practices.

2.332 The definition of "certification mark" is not the same in all countries. In the United States of America, for instance, a certification mark may not be used by anybody who complies with the defined standards, but only by enterprises which have been authorized by the owner of the certification mark to use that mark. Thus, in the United States of America, the difference between a certification mark and a collective mark is smaller than in other countries; it only relates to the purpose of those two kinds of marks: the certification mark refers to certain standards of products or services, while the collective mark refers to the membership of its users in a particular organization.

Signs which May Serve as Trademarks

2.333 It follows from the purpose of the trademark that virtually any sign that can serve to distinguish goods from other goods is capable of constituting a trademark. Trademark laws should not therefore attempt to draw up an exhaustive list of signs admitted for registration. If examples are given, they should be a practical illustration of what can be registered, without being exhaustive. If there are to be limitations, they should be based on practical considerations only, such as the need for a workable register and the need for publication of the registered trademark.

2.334 If we adhere strictly to the principle that the sign must serve to distinguish the goods of a given enterprise from those of others, the following types and categories of signs can be imagined:

- *Words:* This category includes company names, surnames, forenames, geographical names and any other words or sets of words, whether invented or not, and slogans.

- *Letters and Numerals:* Examples are one or more letters, one or more numerals or any combination thereof.

- *Devices:* This category includes fancy devices, drawings and symbols and also two-dimensional representations of goods or containers.

- Combinations of any of those listed above, including logotypes and labels.

- *Colored Marks:* This category includes words, devices and any combinations thereof in color, as well as color combinations and color as such.

- *Three-Dimensional Signs:* A typical category of three-dimensional signs is the shape of the goods or their packaging. However, other three-dimensional signs such as the three-pointed Mercedes star can serve as a trademark.

- *Audible Signs (Sound Marks):* Two typical categories of sound marks can be distinguished, namely those that can be transcribed in musical notes or other symbols and others (e.g. the cry of an animal).

- *Olfactory Marks (Smell Marks):* Imagine that a company sells its goods (e.g. writing paper) with a certain fragrance and the consumer becomes accustomed to recognizing the goods by their smell.

- *Other (Invisible) Signs:* Examples of these are signs recognized by touch.

2.335 As mentioned before, countries may set limits on registrability for practical purposes. The majority of countries allow the registration only of signs that can be represented graphically, since only they can be physically registered and published in a trademark journal to inform the public of the registration of the trademark.

2.336 A number of countries allow the registration of three-dimensional trademarks, obliging the applicant either to submit a two-dimensional representation of the three-dimensional sign (drawing, picture or any other representation which can be printed) or a description, or both. In practice, however, it is not always clear what is protected by the registration of a three-dimensional sign.

2.337 A similar problem exists for audible signs. A sequence of notes can of course be registered as a device mark, but that registration does not normally give protection to the actual musical phrases so expressed. What is protected is the sequence of notes, as registered, against the use of similar devices. Sound marks clearly can serve as trademarks, however, and the United States of America, for example, allows the registration of sound marks. In practical terms, this means that the sound must be recorded and the cassette submitted to the U.S. Patent and Trademark Office for registration.

2.338 The United States of America is the first country to have recognized the registrability of a smell mark—fresh floral fragrance reminiscent of Plumeria blossoms for sewing thread and embroidery yarn—TTAB(1990). In a decision on 11 February 1999, the Board of Appeal of the Office for Harmonization in the Internal Market (Trademarks and Designs) of the European Community supported the registrability of the smell mark "the smell of fresh cut grass" for tennis balls (R 156/1998-2).

Criteria of Protectability

2.339 The requirements which a sign must fulfill in order to serve as a trademark are reasonably standard throughout the world. Generally speaking, two different kinds of requirement are to be distinguished.

2.340 The first kind of requirement relates to the basic function of a trademark, namely, its function to distinguish the products or services of one enterprise from the products or services of other enterprises. From that function it follows that a trademark must be distinguishable among different products.

2.341 The second kind of requirement relates to the possible harmful effects of a trademark if it has a misleading character or if it violates public order or morality.

2.342 These two kinds of requirement exist in practically all national trademark laws. They also appear in Article 6*quinquies* B of the Paris Convention where it is stated that trademarks enjoying protection under Article 6*quinquies* A may be denied registration only if "they are devoid of any distinctive character" or if "they are contrary to morality or public order and, in particular, of such a nature as to deceive the public."

Requirement of Distinctiveness

2.343 A trademark, in order to function, must be distinctive. A sign that is not distinctive cannot help the consumer to identify the goods of his choice. The word "apple" or an apple device cannot

be registered for apples, but it is highly distinctive for computers. This shows that distinctive character must be evaluated in relation to the goods to which the trademark is applied.

2.344 The test of whether a trademark is distinctive is bound to depend on the understanding of the consumers, or at least the persons to whom the sign is addressed. A sign is distinctive for the goods to which it is to be applied when it is recognized by those to whom it is addressed as identifying goods from a particular trade source, or is capable of being so recognized.

2.345 The distinctiveness of a sign is not an absolute and unchangeable factor. Depending on the steps taken by the user of the sign or third parties, it can be acquired or increased or even lost. Circumstances such as (possibly long and intensive) use of the sign have to be taken into account when the registrar is of the opinion that the sign lacks the necessary distinctiveness, that is, if it is regarded as being not in itself distinct enough for the purpose of distinguishing between goods and services.

2.346 There are, of course, different degrees of distinctiveness, and the question is how distinctive a sign must be in order to be registrable. In that connection a distinction is generally made between certain typical categories of marks—fanciful or coined trademarks which are meaningless and the others. A famous example of the first category is the KODAK trademark.

2.347 These trademarks may not be the favorites of the marketing people, since they require heavy advertising investment to become known to consumers. They inherently enjoy very strong legal protection, however.

2.348 Common words from everyday language can also be highly distinctive if they communicate a meaning that is arbitrary in relation to the products on which they are used. The same is true of the corresponding devices. Examples are the famous CAMEL trademark for cigarettes (and the equally famous device mark) and the previously-mentioned APPLE mark (both the word and the device) for computers.

2.349 Marketing people are generally fond of brand names that generate a positive association with the product in the mind of the consumer. They tend therefore to choose more or less descriptive terms. If the sign is exclusively descriptive, it lacks distinctiveness and cannot be registered as such as a trademark. However, not all signs that are neither meaningless nor arbitrarily used necessarily lack distinctiveness: there is an intermediate category of signs that are suggestive, by association, of the goods for which they are to be used, and of the nature, quality, origin or any other characteristic, of those goods, without being actually descriptive. Those signs are registrable. The crucial question in practice is whether a trademark is suggestive or descriptive of the goods applied for. This question has to be judged according to the local law and jurisprudence of the country and all the circumstances of the specific case. As a general rule, it can be said that a descriptive term is distinctive for the goods concerned if it has acquired a secondary meaning, that is, if those to whom it is addressed have come to recognize it as indicating that the goods for which it is used are from a particular trade source.

2.350 In case of doubt as to whether a term is descriptive or suggestive, the very fact that the mark has been used in the course of trade for a certain period of time may be sufficient for accepting it for registration.

2.351 However, the more descriptive the term is, the more difficult it will be to prove secondary meaning, and a higher percentage of consumer awareness will be necessary.

Lack of Distinctiveness

2.352 If a sign is not distinguishable, it cannot function as a trademark and its registration should be refused. The applicant normally need not prove distinctiveness. It is up to the registrar to prove lack of distinctiveness, and in the case of doubt the trademark should be registered. Some trademark laws put the onus on the applicant to show that his mark ought to be registered. This practice may be considered strict, however, and sometimes prevents the registration of marks that are demonstrably capable of distinguishing their proprietor's goods. And yet the modern trend, as reflected in Article 3 of the EC Harmonization Directive and also in Section 23.2(1) of the Draft Law, is clearly to treat lack of distinctiveness as a ground for refusing an application for registration of a trademark.

2.353 What are the criteria governing the refusal of registration for lack of distinctiveness?

Generic Terms

2.354 A sign is generic when it defines a category or type to which the goods belong. It is essential to the trade and also to consumers that nobody should be allowed to monopolize such a generic term.

2.355 Examples of generic terms are "furniture" (for furniture in general, and also for tables, chairs, etc.) and "chair" (for chairs). Other examples would be "drinks", "coffee" and "instant coffee", which shows that there are larger and narrower categories and groups of goods, all having in common that the broad term consistently used to describe them is generic.

2.356 These signs are totally lacking in distinctiveness, and some jurisdictions hold that, even if they are used intensively and may have acquired a secondary meaning, they cannot be registered since, in view of the absolute need of the trade to be able to use them, they must not be monopolized. For these reasons the High Court of Delhi, India, in 1972 refused registration of the JANTA trademark as in Hindi the word means cheap in price.

Descriptive Signs

2.357 Descriptive signs are those that serve in trade to designate the kind, quality, intended purpose, value, place of origin, time of production or any other characteristic of the goods for which the sign is intended to be used or is being used.

2.358 In line with the definition of the distinctive sign given earlier, the test to be applied must establish whether consumers are likely to regard a sign as a reference to the origin of the product (distinctive sign) or whether they will rather look on it as a reference to the characteristics of the goods or their geographical origin (descriptive sign). The term "consumer" is used here as an abbreviation denoting the relevant circles to be considered in a specific case, namely those to whom the sign is addressed (and in certain cases also those who are otherwise reached by the sign).

2.359 The fact of other traders having a legitimate interest in the fair use of a term can therefore be used as a kind of additional ground when making the decisive test of whether consumers are likely to regard the sign as a reference to origin or as a reference to characteristics of the goods. It should not, however, be used on its own as a basis for a decision to refuse the registration of a term when it is not clear that consumers are also likely to regard the term as descriptive.

Other Signs Lacking Distinctiveness

2.360 Signs may lack distinctiveness for other reasons. This is true of a device which, owing to its simplicity or pure illustrative or ornamental character, may not capture the consumer's attention at all as a sign referring to the origin of the product, but rather as a mere illustrative part of the packaging of the goods offered to him.

2.361 An example (with regard to words) would be a relatively long advertising slogan recommending the goods to the consumer which, even when reproduced on the packaging, would be much too complex to be understood by consumers as a reference to the origin of the product.

2.362 In practice the authorities have to deal with certain other typical categories of cases which in many laws are expressly listed as grounds for refusal, and which are dealt with below.

Reference to Geographical Origin

2.363 References to geographical origin (as opposed to the origin of the goods in the sense of the origin-indicating function) are basically not distinctive. They convey to the consumer an association with the geographical name, indicated either as the place of manufacture of the goods in question or of ingredients used in their production, or—depending on factual circumstances—with certain characteristics of the goods attributable to their origin.

2.364 For such an association to be conveyed to the consumer, the geographical location referred to must of course—at least to a certain extent—be first known to him. Signs referring to practically unknown localities are therefore distinctive. References to areas where nobody would expect the goods concerned to be manufactured are also distinctive.

2.365 Even if a geographical area is known to the consumer, a sign that makes a reference to it can either be or become distinctive if there is no other manufacturer or trader in the same field of activity, and no potential for competitors to settle there in the future.

2.366 A geographical denomination may also, through long and intensive use, be associated with a certain enterprise to such an extent that it becomes distinctive as a trademark for it, even if competitors already exist or establish themselves in the future.

Letters, Numerals and Basic Geometrical Shapes

2.367 These signs are often regarded as being indistinctive and therefore unregistrable. Some trademark laws (such as the former German trademark law) even expressly excluded them from registration or accepted them only if at least three letters and/or numerals are combined, or in the case of letters, if the sequence is pronounceable.

2.368 It is certainly true that consumers will not normally regard letters, numerals or simple geometrical shapes as indications of the origin of the goods. Nevertheless, letters, numerals and their combinations can become distinctive through use and—as said before—the so-called legitimate interest of other traders in making fair use of them should be no reason for refusal. The recent international trend therefore goes towards accepting the registration of such signs more liberally.

2.369 Furthermore, even without any use, letters and numerals can be registrable if they are applied for in a fanciful device.

Foreign Script and Transliterations

2.370 Imagine the use of a Thai script mark in India or Sri Lanka, the use of Chinese characters in Switzerland, Singhala characters in the United States of America or Japanese characters (Katakana, Kandi) anywhere but in Japan. For the great majority of ordinary consumers these marks are purely fanciful devices. Consequently, they are in principle distinctive, except where the sign has no more than an ornamental effect, depending on its graphic presentation.

2.371 Since these marks are distinctive, they are basically registrable. The registrar may, however, ask for a translation (a description of its meaning) in local script.

Colors

2.372 The use of words and/or devices in colors or combined with colors generally increases their distinctiveness. Consequently, applications for such signs claiming the colors shown or described in the application are easier to register. The first trademark registered in the United Kingdom in 1876 (and still on the register) was a triangle (a basic geometrical shape) in red. However, protection is then in principle restricted to the actual colors in which the mark is registered. Signs that might have been regarded as confusingly similar to the registered mark, had it been in black and white, may therefore fall outside the scope of protection in view of the use of different colors. Since signs registered in black and white are protected against the registration and use of confusingly similar signs regardless of color, and since the registered owners of such signs can normally use them in any color they may wish to use, the usual practice is not to register signs in color. However, a given color or combination of colors may be an important element of a trademark, constantly used by its owner, and therefore liable to be imitated by competitors. This shows that a trademark owner may have a real interest in registering his mark in the distinctive colors in which it is used, even where the mark was distinctive enough to be registrable in black and white. In order to eliminate the previously-mentioned risk of restricting the scope of protection of such a mark, its owner may register the mark both in black and white and in the colors actually used.

2.373 Signs consisting exclusively of individual colors or of color combinations can be registrable trademarks. It is a matter for practice in the various countries to determine whether they are considered inherently distinguishable or—more probably—basically descriptive with the possibility of becoming distinctive through use.

Names, Surnames

2.374 Company names and trade names are registrable, except where they are deceptive or not distinctive.

2.375 Common surnames are not registrable in some countries, since they are not distinctive. As for less common surnames, it is, in such countries, important to establish whether another meaning in everyday language will be overwhelmingly recognized by consumers. If there is such a dominant meaning, the sign is registrable on the condition that the meaning in question is not descriptive of the goods for which the mark is to be used.

Exclusions from Registration on other Grounds: Public Interest

Deceptiveness

2.376 Trademarks that are likely to deceive the public as to the nature, quality or any other characteristics of the goods or their geographical origin do not, in the interest of the public, qualify for registration.

2.377 The test here is for intrinsic deception, inherent in the trademark itself when associated with the goods for which it is proposed. This test should be clearly distinguished from the test for the risk of confusing customers by the use of identical or similar trademarks for identical or similar goods.

2.378 It is true that fanciful trademarks or marks with an arbitrary meaning for the goods proposed cannot be deceptive. And yet trademarks that have a descriptive meaning, even if they are only evocative or suggestive and therefore distinctive, may still be deceptive. Such trademarks have therefore to be examined from two angles: first they must be distinctive, and secondly they must not be deceptive.

2.379 As a rule, it can be said that the more descriptive a trademark is, the more easily it will deceive if it is not used for the goods with the characteristics described.

Reference to Geographical Origin

2.380 Signs that are descriptive or indicative of geographical origin are false for products that do not come from the region described or indicated. In such cases the consumer will be deceived if the reference to the geographical origin has the wrong connotations for him.

2.381 This is particularly true if the region or locality has a reputation. Famous examples of such signs are "Champagne" and "Swiss Chocolate."

2.382 In practice, such cases of direct reference to geographical origin are relatively rare. More often indirect references are made, and these cases are more problematic. A reference to a famous Swiss mountain for chocolate would still deceive consumers, as would a device mark consisting of a typical alpine landscape.

2.383 Indeed even the use of foreign words can, under certain circumstances, be deceptive without any reference to a specific geographical origin. The very fact that a word comes obviously from a particular foreign language may give consumers the impression that the product comes from the country where that language is spoken. Consumers will therefore be deceived if the country concerned has a reputation for the goods concerned.

2.384 However, it should be realized that, in addition to being spoken in many different countries all over the world, English is also the modern international marketing language, with the result that many trademarks have an English-language connotation quite independent of the geographical origin of the goods marked with it, and that consumers are generally aware of the fact.

Partial Deceptiveness

2.385 We have seen that the question whether or not a trademark is inherently deceptive must be examined in relation to the goods in respect of which the application is made. Depending on the list of goods, therefore, an application may be distinctive for some, descriptive for others and/or

deceptive for still others. In such cases the examiner has to require a limitation of the list of goods. Should the applicant not agree to such limitation, the examiner refuses the whole application in some countries. In others, he accepts the application only for the goods for which, in his opinion, the mark is not deceptive and refuses it for the others.

Signs Contrary to Morality or Public Policy

2.386 Trademark laws generally deny registration to signs that are contrary to morality or public policy. The Draft Law also lists this ground for refusal under Section 23.2(ii).

Signs Reserved for Use by the State, Public Institutions or International Organizations

2.387 A country generally protects its national flag, its official name and the names of official institutions in its own interest. Furthermore, countries are obliged by Article 6ter of the Paris Convention also to protect the notified signs of other member States and international intergovernmental organizations (such as the United Nations Organization).

Protection of Trademark Rights

2.388 A trademark can be protected on the basis of either use or registration. Both approaches have developed historically, but today trademark protection systems generally combine both elements. The Paris Convention places contracting countries under the obligation to provide for a trademark register. Over one hundred and fifty States have adhered to the Paris Convention. Nearly all countries today provide for a trademark register, and full trademark protection is properly secured only by registration.

2.389 Use does still play an important role, however: first of all, in countries that have traditionally based trademark protection on use, the registration of a trademark merely confirms the trademark right that has been acquired by use. Consequently, the first user has priority in a trademark dispute, not the one who first registered the trademark.

Use Requirements

Need for an Obligation to Use

2.390 Trademark protection is not an end in itself. Even though trademark laws generally do not require use as a condition for the application for trademark registration, or even the actual registration, the ultimate reason for trademark protection is the function of distinguishing the goods on which the trademark is used from others. It makes no economic sense, therefore, to protect trademarks by registration without imposing the obligation to use them. Unused trademarks are an artificial barrier to the registration of new marks. There is an absolute need to provide for a use obligation in trademark law.

2.391 At the same time trademark owners need a grace period after registration before the use obligation comes into effect. This is especially true of the many companies that are active in international trade. In order to avoid loopholes in the protection of their new trademarks of which competitors could take advantage, they must from the very beginning apply for the registration of their new trademarks in all countries of potential future use. Even in their own countries companies

often need several years before they can properly launch a newly-developed product on the market. This is especially true of pharmaceutical companies, which have to make clinical tests and have to apply for approval of their product by the health authorities.

2.392 The grace period granted in trademark laws that provide for a use obligation is sometimes three years, but more often five years.

Consequences of Non-Use

2.393 The principal consequence of unjustified non-use is that the registration is open to cancellation at the request of a person with a legitimate interest. There is moreover a tendency to require of the registered owner that he prove use, since it is very difficult for the interested third party to prove non-use. In the interest of removing "deadwood" from the register, such reversal of the burden of proof is justified.

2.394 The burden of proof should be on the trademark owner not only in cancellation proceedings but also in any other proceedings where the owner is alleged to have taken advantage of his unused trademark right (opposition procedure, infringement action).

2.395 No evidence of use should be required for the renewal of a trademark registration, however. This is an administrative complication which is unnecessary in view of the fact that an interested person can at any time at all take appropriate action against an unused trademark registration.

2.396 Non-use does not always lead to invalidation of the trademark right. Non-use can be justified in the case of *force majeure*, and any other circumstance that is not due to fault or negligence on the part of the proprietor of the mark, such as import restrictions or special legal requirements within the country.

Proper Use of Trademarks

2.397 Non-use can lead to the loss of trademark rights. Improper use can have the same result, however. A mark may become liable for removal from the Register if the registered owner has provoked or tolerated its transformation into a generic name for one or more of the goods or services in respect of which the mark is registered, so that, in trade circles and in the eyes of the appropriate consumers and of the public in general, its significance as a mark has been lost.

2.398 Basically, two things can cause genericness: namely, improper use by the owner, provoking transformation of the mark into a generic term, and improper use by third parties that is tolerated by the owner.

2.399 In order to avoid improper use, everyone in the company owning the trademark, who is involved in advertising or publicizing the brand, must follow some rules.

2.400 The basic rule is that the trademark should not be used as, or instead of, the product designation. By systematically using a product designation in addition to the trademark, the proprietor clearly informs the public that his mark identifies a specific product as one in a certain category. This is especially important if the trademark proprietor has invented a totally new product which at the outset is the only one in the category. Trademarks such as FRIGIDAIRE, CELLOPHANE and LINOLEUM became generic terms because they were the only product in their category, and no additional name was given to the category by its proprietors. When instant coffee, also called soluble coffee, was invented in 1938, the first product marketed by the company that invented it

was called NESCAFÉ. However, from the start the company systematically used a product designation such as "instant coffee" or "soluble coffee" on its labels.

2.401 A second important rule is that trademarks should always be used as true adjectives and never as nouns, in other words the trademark should not be used with an article, and the possessive "s" and the plural form should be avoided. It would be wrong to talk about NESCAFÉ's flavor or about three NESCAFÉs instead of three varieties of NESCAFÉ.

2.402 Furthermore, it is advisable always to highlight the trademark, that is, to make it stand out from its surroundings.

2.403 Finally, a trademark should be identified as such by a trademark notice. Only a few laws provide for such notices, and making their use on goods compulsory is prohibited by Article 5D of the Paris Convention. Trademark law in the United States of America allows the use of a long statement (such as "Registered with the United States Patent and Trademark Office") to be replaced by a short symbol, namely, the circled R, or ®. Over the years this symbol has spread throughout the world and become a widely recognized symbol for a registered trademark. Its use is recommended for registered trademarks as a warning to competitors not to engage in any act that would infringe the mark.

2.404 However, it is not enough just to follow these rules: the trademark owner must also ensure that third parties and the public do not misuse his mark. It is specifically important that the trademark should not be used as or instead of the product description in dictionaries, official publications, journals, etc.

Trademark Registration

Application for Registration

2.405 Applications for registration of a trademark are to be filed with the competent government authority which in most countries is the same as the authority competent for processing patent applications. Usually, it is called "Industrial Property Office" or "Patent and Trademark Office" or "Trademark Office."

2.406 In general, countries provide for an application form, the use of which is mandatory in certain countries. The application form has to be completed with the name and address of the applicant. Foreigners have either to give an address for service in the country or to use an agent holding a power of attorney to be signed by the applicant. Often further formalities are imposed. The Trademark Law Treaty (TLT) contains, in Article 3, an exhaustive list of information which Trademark Offices of Contracting Parties may require for a trademark registration, and expressly prohibits certain formalities, such as authentication or legalization, which are considered unnecessary and particularly burdensome. The TLT also provides Model International Forms which contain all relevant information and which have to be accepted by Offices of Contracting Parties.

2.407 The sign filed for registration must appear in the application form or in an annex to it. If it is intended that the sign should be registered in color, the colors must be claimed and a specimen in color or the description of the color(s) must be submitted.

2.408 If a three-dimensional sign is filed for registration, it is necessary to claim protection of the sign in its three-dimensional form. The sign must moreover be graphically represented in a manner

that allows it to be reproduced for a twofold purpose: it must be possible to register it (regardless of the form in which the register is established, that is, whether the marks are entered in a book, collected in a card index or integrated in a computerized system). Owners of prior rights must be able to take note of the trademark application, which normally is ensured by its publication in a trademark journal.

2.409 The applicant has also to list the goods for which the sign is to be registered. Trademark laws provide generally for a classification of goods for the purposes of registration. In some countries a separate application has to be made for each class, while in others one application is sufficient for several classes.

2.410 An important treaty for international trade is the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, which establishes an international classification of goods and services for the purpose of registration of trademarks. The document in the back flap of this publication shows the Contracting States of this treaty.

2.411 Finally, one or more lots of fees have to be paid for the registration of a trademark. A country may provide for a single, all-embracing fee or several (application fee, class fee, examination fee, registration fee, etc.). Both systems have advantages and disadvantages. On the one hand, it is simpler and more cost-efficient to charge a single fee. On the other hand, this may lead to unjust consequences for applicants who decide to withdraw the application totally or partially during the registration procedure, for example, because of an objection from the owner of a prior right, or because of insurmountable objections from the registrar.

Examination

Examination as to Form

2.412 Countries generally accept an application for registration of a trademark only if the formal requirements are fulfilled.

Examination as to Substance

2.413 Most countries examine trademark applications as to substance in the interest of both the public and competitors.

2.414 One has to make a clear distinction between two types of grounds for refusal.

2.415 Trademarks may be examined for absolute, objective grounds for refusal, that is, whether they are sufficiently distinctive, not deceptive, not immoral, etc. Such an examination is highly desirable in the interest of consumer protection, but for competitors too, and for the trade in general, it is important that nobody should be able to have an exclusive right in a descriptive or even a generic term by a simple administrative act.

2.416 The laws of many countries provide also for examination on relative grounds, that is, whether the rights applied for are identical or similar to prior rights that have been applied for or granted for identical or similar goods. Such examination may either be made *ex officio* and/or on the basis of an opposition procedure.

2.417 In general, three typical approaches can be observed internationally.

2.418 The British system, providing for examination by the office for absolute and relative grounds, and also for an opposition procedure. This system is also applied, in Europe, by countries such as Portugal, Spain and the Northern European countries.

2.419 Under a second approach the office examines only for absolute grounds, the law provides for no opposition procedure and it is left to the owner of the prior rights to bring a cancellation or infringement action against the registration or use of a more recent sign. This system has been used under the old trademark laws of France and Switzerland—both countries introduced opposition procedures in their new laws.

2.420 The third system is the German one, which provides for examination by the office for absolute grounds and also for an administrative opposition procedure, in which the owner of prior rights can oppose the infringing trademark application by means of a simplified and not too costly procedure. This system is a compromise between the more extreme systems mentioned before, and follows a modern trend which is reflected in the European Community Trade Mark system.

2.421 Industry in general prefers the latter system, since it is less time-consuming and much more flexible. In view of the many trademarks on the registers of countries all over the world, it is in any case advisable to carry out a search for prior rights before applying for registration of a trademark, and even more so before beginning to use it. Most applicants do such searches regularly, while companies have at least their more important registered trademarks watched, either by their trademark agents or by one of the international watching services, in order to keep themselves informed of applications for registration of potentially conflicting similar marks.

2.422 The standards to be applied by the registrar when examining whether a trademark application is to be refused because of a prior right are the same, in principle, as those to be applied in an opposition procedure or by a judge in an infringement action, even though in the latter case the factual circumstances of the infringement will play an additional role.

2.423 Since one of the basic rights of the owner of a registered mark is to prevent others from using his mark or a confusingly similar one, it is more adequate to deal with all aspects of trademark similarity in Chapter 6, which deals with the rights deriving from trademark registration.

Refusal of Registration

2.424 Before issuing a total or partial refusal of the application, the office should give the applicant an opportunity to make observations.

2.425 The decision refusing an application either partly or totally must be open to appeal. Depending on the legal system of the country, the appeal may be lodged with the registrar, with an administrative appeal board or with the court.

Date of Registration

2.426 If the application leads to registration, the office issues a certificate to the owner. The owner's exclusive right exists from the date of registration. However, the priority of the right should date back to the date of filing for registration. While it is true that the application is not normally a sufficient basis for bringing an infringement action against a later right, it must be a valid basis for an opposition procedure. And, even more importantly, the date of the application for registration will be decisive in a later court case. The time that passes before an application leads to registration varies a great deal, and in certain cases can be very long. A later application can for various reasons lead to registration sooner (for instance where the earlier application was refused by the examiner

and finally granted on appeal). Clearly, the owner of the earlier application must have the prior right in relation to the owner of a later application.

2.427 Furthermore, the applicant can claim the priority of his national registration under Article 4 of the Paris Convention if the application in the foreign country is made within six months of the filing date of the first application.

Duration and Renewal

2.428 Since trademarks do not grant an exclusive right that could be exploited, there is no need to limit their validity. For administrative reasons, a time limit is generally provided for in trademark laws, but it is possible to renew registrations when the time limit expires.

2.429 One of the reasons for imposing such time limits is that the office can charge a fee for renewal, and this is a welcome source of revenue. Furthermore, the registration of trademarks without a time limit would lead to an undesirable amount of trademark registrations that are no longer of any interest to their owners. Even if unused marks may be removed from the register, such a procedure would be costly and time-consuming for the interested party, and not always successful.

2.430 Consequently, the requirement of renewal and the payment of a renewal fee is a welcome opportunity for a trademark owner to consider whether it is still worth having his registration renewed, as the trademark may have been superseded in its graphic form, or may even be no longer in use. Excessive fees should also be avoided, however. In any case, renewals should be made simply on payment of the fee, without any new examination of the mark for absolute or relative grounds for refusal. Of course, it should be possible for the owner to make a voluntary restriction of the list of goods of the original registration, especially if he can save fees by doing so.

Publication and Access to the Register

2.431 It is important for owners of prior rights and the public that all relevant data contained in the register, concerning applications, registrations, renewals and changes of name, address and ownership, should be published in an official gazette. This enables owners of prior rights to take the necessary steps, including opposition (if provided for) or an action for cancellation. The publication of applications and registrations should contain all the important data, such as the name and address of the applicant, a representation of the mark, the goods grouped according to the classification system, the colors claimed, where the mark is three-dimensional a statement to that effect, and where the priority of any other mark is claimed (Paris Convention, Article 4) a statement to that effect.

2.432 The register of marks should, moreover, be accessible to the public. To ensure that owners of prior rights are properly informed it is indispensable that the register contain up to date information, namely all recorded data not only on registrations, but also on the contents of pending applications, regardless of the medium on which the data are stored.

Removal of the Trademark from the Register

2.433 The cancellation of a trademark registration is a serious matter for its owner, as it leads to a loss of his rights under the registration. Nevertheless, there are a number of grounds on which a trademark can be removed from the register.

Removal for Failure to Renew

2.434 It has been shown that, for administrative reasons, a trademark is registered for a certain period of time only. If the owner fails to renew his trademark registration and more specifically fails to pay the renewal fee, this leads to the removal of the trademark from the register. Registries generally allow a period of grace for payment of the renewal fee (usually with a surcharge) in accordance with Article 5*bis* of the Paris Convention.

2.435 If the law permits renewal of the trademark registration for just some of the registered goods (to be encouraged as a means of removing "deadwood" from the register), this leads to a partial cancellation of the trademark registration for all the goods in respect of which it is not renewed.

Removal at the Request of the Registered Owner

2.436 The registered owner can himself, at any time, renounce his registration for either all or some of the goods for which the mark is registered. At the request of the registered owner, therefore, the authorities will in principle remove the mark from the register either wholly or in part.

Removal for Failure to Use

2.437 If the owner of a trademark fails to use his mark within the grace period provided for in the law, any interested party can, in principle, ask for its cancellation. If the owner cannot justify the non-use, removal of the registration is ordered by the court. If the owner can prove use or justify the non-use, but only for some of the registered goods, the court orders partial cancellation. Partial cancellation extends either to all registered goods for which use cannot be proved or at least to all those not similar to the goods that the registered owner has used.

2.438 This does not mean that the registered owner's rights would be strictly limited to the goods used, or even to a single product on which his trademark has been used. Even if his registration is canceled for all but the one product for which he can prove use, he can still defend his exclusive right to his registered trademark against the registration and use of an identical or confusingly similar trademark by a competitor for all goods that are identical or similar to the product for which his trademark is registered and used.

Cancellation on Account of Nullity

2.439 If a trademark consists of a sign that should not have been registered, it can be declared null and void by the court at the request of any interested party. Sometimes trademark laws also provide an *ex officio* procedure for that purpose. As a consequence of the declaration, the trademark is removed from the register.

2.440 If the grounds for invalidity exist only with respect to some of the registered goods, the registration is removed for those goods only.

2.441 Normally, removal from the register is ordered only if the grounds for invalidity already existed when the trademark was registered. Moreover, even if the trademark should not have been registered owing to lack of distinctiveness, its cancellation is excluded if in the meantime it has become distinctive by use.

2.442 Such acquired distinctiveness cannot, however, prevent the removal from the register of trademarks that consist of generic or deceptive terms. And yet there can be exceptional cases in

which the deceptive meaning that would have prevented trademark registration at the outset has been lost in the meantime.

Removal of a Mark that has Lost its Distinctiveness

2.443 If the registered owner has provoked or tolerated the transformation of a mark into a generic name for one or more of the goods or services in respect of which the mark is registered, the mark becomes liable for removal from the register. This is explained under "Proper Use of Trademarks", paragraph 2.382.

Rights Arising from Trademark Registration

2.444 The registered owner has the exclusive right to use the trademark. This short definition of the specific subject matter of trademark rights encompasses two things: the right to use the trademark and the right to exclude others from using it.

The Right to Use the Trademark

2.445 This positive right of use belonging to the trademark owner is recognized in most trademark laws. It would indeed be contradictory not to grant such a positive right of use while imposing an obligation to use. Of course, the right of use is subject to other laws and rights, as is any other right provided by law. What is allowed under trademark law may be prohibited under competition law or by public enactment.

2.446 What does the right of use mean? It means first the right of the owner of the mark to affix it on goods, containers, packaging, labels, etc. or to use it in any other way in relation to the goods for which it is registered.

2.447 It means also the right to introduce the goods to the market under the trademark.

2.448 It is important to make a distinction between these two rights, both derived from the right to use a trademark.

2.449 When the trademark owner has launched a product on the market under his mark, he cannot object to further sales of the product in the course of trade. This is the essence of the so-called principle of exhaustion of the trademark right which is expressed in Section 26(3) of the Draft Law. Some countries do not allow objections to parallel imports of products marketed in a foreign country by the trademark owner or by a third party with his consent. Other countries do allow such parallel imports to be objected to, namely by applying the principle of territoriality of rights. Still other countries make the decision on whether the trademark owner can object to parallel imports dependent on whether consumers are likely to be mistaken as to the characteristics or quality of the imported goods.

2.450 Apart from this special aspect of parallel imports of goods marketed for the first time in a foreign country, the principle of exhaustion of trademark rights clearly applies within the country. However, it is a principle that applies only to the right to launch the product bearing the trademark on the market for the first time. The owner's exclusive right to affix the trademark on the goods and their packaging, containers, labels, etc. continues to exist. Consequently, he can object to acts that infringe that right, such as the repacking of goods bearing his mark, the destruction of his mark on the goods, or the alteration and subsequent sale of his products under his mark. Altering the product and selling it under the same mark has the same effect as affixing the mark to goods,

that is, it gives the consumer the impression that the genuine product has been marketed by the trademark owner under his mark. If that is not true, the trademark owner has a right to intervene.

2.451 Finally, a third right out of the series of rights incorporated in the right to use a trademark is the trademark owner's right to use his mark in advertising, on business papers, documents, etc.

The Right to Exclude Others from Using the Mark

2.452 It follows from the mark's basic function of distinguishing the goods of its owner from those of others that he must be able to object to the use of confusingly similar marks in order to prevent consumers and the public in general from being misled. This is the essence of the exclusive right afforded to the trademark owner by registration. He must be able to object to any use of his trademark by a third party for goods for which it is protected, to the affixing of the mark on such goods, to its use in relation to the goods and to the offering of the goods for sale under the mark, or the use of the mark in advertising, business papers or any other kind of document. Furthermore, since consumers are to be protected against confusion, protection generally extends to the use of similar trademarks for similar goods, if such use is likely to confuse the consumer.

2.453 It must be underlined, however, that the trademark owner cannot unconditionally object to the use of his trademark or a similar mark for the goods for which his trademark is registered or for similar goods. His trademark must be protected for the goods specified in the registration. Such protection operates automatically for all registered goods during the user's grace period, which is generally laid down by law. When that period has expired, protection has to be reduced to the goods on which the mark is actually used and goods similar to them. Any goods for which the trademark was registered but which are not in use should no longer be a valid basis for asserting exclusive trademark rights. Depending on the procedural system in the country, the trademark owner may be able to rely on those formal rights for goods for which the mark is registered but not used, but he could face a counterattack leading to partial cancellation of his trademark for non-use.

2.454 The exclusive rights of the trademark owner can be exercised by means of an infringement action. The trademark is infringed if, owing to the use of an identical or similar sign for identical or similar goods, there is a risk or a likelihood of the public being misled. The test is not a hypothetical one, but has to deal with the reality of infringement in the marketplace.

2.455 Many laws not only provide for an infringement action, but also offer an administrative opposition procedure against an application for the registration of a confusingly similar trademark. In that case, the test is much broader, because allowance has to be made for the risk of confusion that could arise from any use that the applicant might possibly make of his trademark if it were registered. The test is in fact the same as is applied by the office in its examination for prior third-party rights.

2.456 Together with the question whether a trademark is distinctive, the question whether a trademark is confusingly similar to an earlier right is one of the cornerstones of practical trademark protection.

Similarity of Goods

2.457 Trademarks are registered for goods in certain classes which have been established for purely administrative purposes. The classification of goods cannot therefore be decisive for the question of similarity. Sometimes totally different goods are listed in the same class (for instance computers, eyeglasses, fire extinguishers and telephones in class 9), while similar goods can clearly be listed in different classes (adhesives may fall into classes 1, 3, 5 and 16).

2.458 The test of whether goods are similar is based on the assumption that identical marks are used. Even identical marks are unlikely to create confusion as to the origin of the goods if the goods are very different. As a general rule goods are similar if, when offered for sale under an identical mark, the consuming public would be likely to believe that they came from the same source. All the circumstances of the case must be taken into account, including the nature of the goods, the purpose for which they are used and the trade channels through which they are marketed, but especially the usual origin of the goods, and the usual point of sale.

2.459 A further aspect is the nature and composition of goods. If they are largely made of the same substance, they will generally be held to be similar, even if they are used for different purposes. Raw materials and finished goods manufactured out of the raw materials are not normally similar, however, since they are generally not marketed by the same enterprise.

Similarity of Trademarks

2.460 Trademarks can be more or less similar to each other. The test, of course, is whether they are confusingly similar. A trademark is confusingly similar to a prior mark if it is used for similar goods and so closely resembles the prior mark that there is a likelihood of consumers being misled as to the origin of the goods. If the consumer is confused, the distinguishing role of the trademark is not functioning, and the consumer may fail to buy the product that he wants. This is bad for the consumer, but also for the trademark owner who loses the sale.

2.461 No intention to confuse on the part of the infringer is necessary, nor is actual confusion. The likelihood of confusion is the test. That is the only way for the system to function.

2.462 Of course, phrases such as "likelihood of confusion of the consumer" (or "of the public") have to be interpreted. "The consumer" does not exist, and the public as such cannot be confused. Confusion arises, or is likely to arise, always in a section of the public. It has to be determined in the specific case what the relevant part of the public is that has to be considered, in other words who are actually addressed or reached by the trademark.

2.463 Since it is very difficult to work in practice with the broad definition of confusing similarity, some rules have been developed which help to define in specific cases whether, in view of the similarity of the two marks, confusion is likely to arise.

2.464 The most important point is that the consumer does not compare trademarks side by side; he is generally confronted with the infringing mark in the shop without seeing the product bearing the mark that he knows and remembers more or less accurately. He mistakes the products offered under the infringing mark for the genuine product that he actually wants to buy. In this context it must be taken into account that the average consumer also has an average memory, and that it must be sufficient for him to doubt whether the trademark with which he is confronted is the one he knows.

2.465 Since the average consumer generally does not at first glance recognize differences between the marks that he might spot if he took his time to study the mark and the product offered under it more carefully, the first impression that he gains must be decisive. This is especially true for mass-consumption goods offered in self-service stores.

2.466 Furthermore, unsophisticated, poorly-educated consumers and also children are more liable to be confused. The purchaser of a sophisticated and costly machine, car or aircraft will no doubt be more attentive than the consumer in the self-service store. In those fields, therefore, very similar

trademarks do coexist, which would probably be easily confused if applied to mass-consumption goods.

2.467 Another interesting example of how the category of goods can influence the testing of confusing similarity is to be found in the field of pharmaceuticals. Prescription drugs are normally sold to the consumer (on prescription by doctors) by educated pharmacists, who are less likely to be misled by relatively similar brand names used for medicines for different indications, so the testing of similarity can be more generous. For drugs sold over the counter, the contrary is true. In view of the potentially serious consequences for the uneducated consumer if he buys a wrong product, the testing of similarity must be particularly strict.

2.468 The second important point when testing the similarity of trademarks is that they should be compared as a whole, and that more weight should be given to common elements which may lead to confusion, while differences overlooked by the average consumer should not be emphasized. Notwithstanding this basic rule of comparing trademarks as a whole and not dividing them into parts, the structure of the signs is important. Common prefixes are normally more important than common suffixes; if two signs are very similar or identical at the beginning, they are more likely to be confused than if the similarity is in their endings. Long words with common or similar beginnings are more likely to be confused than short words with different initial letters.

2.469 The third important point is that highly distinctive marks (coined or arbitrarily used marks) are more likely to be confused than marks with associative meanings in relation to the goods for which they are registered.

2.470 The same is true if a mark contains a highly distinctive part (part of the word mark or one of several words forming the mark), and that highly distinctive element is exactly or almost exactly duplicated by the infringing mark. If, on the other hand, the common element of the two signs is descriptive, the consumer's attention tends to focus on the rest of the mark.

2.471 When trademarks with a common element are compared, it also has to be established whether there are other trademarks on the register and used by different owners that have the same common element. If so the consumer will have become accustomed to the use of this element by different proprietors, and will no longer pay special attention to it as a distinctive element of the mark.

2.472 The situation is different, however, if all marks having such a common element (normally a prefix or suffix) are registered and used by the same proprietor (or with his consent). This is the special case of the series mark, where the consumers may have become accustomed to associate the series with a common source, and will tend to make the same assumption about any new trademark containing the same element. However, the mere fact of somebody using a series of trademarks that have a common element is not, as such, sufficient to exclude the use of the same element by a competitor as a component of a mark which on the whole is very different. The use of such a common element can only constitute infringement if consumers really have come to recognize the common element of the series of marks used by the registered owner as indicating the source of the goods offered by him under the different marks containing that element.

2.473 The fourth important point is that confusion can arise from similarity in the writing, the pronunciation and in the meaning of the sign, and that similarity in one of those areas is sufficient for infringement if it misleads the public.

2.474 With regard to similarity in writing, the graphic presentation of the trademark plays an important part. Similarity in pronunciation is important because trademarks that are written

differently may be pronounced in the same way, and pronunciation counts in oral communication: even if similarity in writing is avoided by the use of very different graphic presentations, this does not make any difference when the two trademarks are compared orally.

2.475 A totally different meaning can preclude confusion between two marks that would normally be regarded as confusingly similar.

2.476 Independently of the above rules, some special aspects have to be taken into account for figurative marks (devices).

2.477 For purely fanciful marks the graphical impression conveyed by the two marks is decisive.

2.478 For composite marks the similarity of the word part is normally sufficient, as similarity in pronunciation constitutes trademark infringement. Similarity in the figurative part can only lead to confusion if that figurative part is a distinctive element of the mark. Furthermore, in the case of composite marks any similarity in the word parts of the two marks is likely to be emphasized if the figurative parts of the marks are also similar. Even though the words might not be confused in writing or pronunciation, the marks as a whole can be confusingly similar in view of the similarity of their figurative elements.

2.479 A special case is the device that can be named by a word, such as a star device and the word "star." The question arises whether the corresponding word as a trademark should be prohibited, and whether the owner of the word mark "star" should be able to object to all possible graphic presentations of a star in a device mark. The situation is different when two device marks are compared in which both feature, for instance, the same animal. Two such devices, for instance two tiger or lion or cow devices (there are numerous cow devices registered for milk products) must be sufficiently similar for there to be confusion.

Influence of Use and Non-Use

2.480 Confusion in the marketplace can only arise from actual use on similar goods. To prevent confusion, however, it is still necessary that the trademark protection system allow the trademark owner to object to an application for registration of a trademark which is based on mere intention to use the mark.

2.481 For the same preventive purpose, many trademark laws allow the owner of a registered trademark to object in opposition procedures to the filing, and in infringement actions to the use, of similar marks for goods identical or even similar to all goods covered by the existing registration, regardless of the use of the latter. The defendant who is aware of the total or partial non-use must therefore counterattack by introducing an invalidation action seeking partial or total cancellation of the existing trademark registration for non-use.

2.482 More modern conceptions allow the trademark owner, after the grace period has expired, to object by opposition or court action to an application for registration, or to the use, of an identical or similar mark for goods identical or similar only to those on which the owner is actually using his. If the owner is not using his trademark, the opposition is refused, and if he is using it on one or several of the goods for which it is registered, only those on which it is used are taken into consideration for the test of confusing similarity. The burden of proof of use in an opposition procedure is on the owner of the right.

2.483 Many laws also allow the defendant in trademark infringement actions to claim non-use of the trademark on which the action is based, and the owner can then only succeed in his infringement action if he can prove use of his mark.

2.484 If the infringed trademark is being used, the extent of the use can influence the test of confusing similarity. Intensive use increases the distinctiveness of the mark, and confusion with well-known marks is more likely even if the goods on which the infringing mark is used are less similar or if the similarity of the marks is less apparent.

Protection Beyond the Scope of Confusing Similarity

2.485 Well-known or famous marks, which are highly reputed, are in some countries given protection that goes beyond the scope of similarity of the goods. Such far-reaching protection should only be given if the use of the same mark or a nearly identical mark for other, dissimilar goods would be prejudicial to its distinctiveness or its reputation. This extended protection does not necessarily cover all possible goods. It could well be that the use of a mark identical to the well-known mark would do unjustified harm in relation to a certain category of goods, whereas the same use on totally dissimilar goods might not be against the interests of the registered owner of the well-known mark. The decision has to be determined by all the circumstances of the specific case, including the extent of reputation of the mark, the type of goods for which it is used by the infringer, the manner in which he presents his goods, and so on.

2.486 Yet reputation is not sufficient on its own, of course; broader protection is justified only where the use of a sign without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the reputation of the trademark.

2.487 In September 1999 the WIPO General Assembly and the Assembly of the Paris Union adopted a Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks which provides guidance for determining whether a particular mark is well-known, and determines the scope of protection of well-known marks (see Chapter 5, paragraphs 5.731 and 5.732).

Restriction of the Exclusive Right in the Public Interest

2.488 In the same way as the owner's right to use his trademark can be restricted by other rights, his right to prevent third parties from using his mark can be restricted by the legitimate interests of others. A provision is contained in many trademark laws which states that the registration of the mark does not confer on its registered owner the right to preclude third parties from using *bona fide*, for example, their names, addresses, or pseudonyms.

2.489 The trademark owner also cannot prevent third parties who are not his competitors from referring to his trademark by acts such as the listing of the mark in a compendium of trademarks, or from using it in newspaper articles or in books or other publications.

Remedies for Trademark Infringement

2.490 A successful infringement action leads to prohibition of the use of the confusingly similar mark. If the infringing mark is registered, cancellation of the registration is ordered.

2.491 The trademark owner can also, in principle, ask for compensation for damages. Damages are difficult to prove in trademark infringement cases, however, so this remedy is not very important in practice.

2.492 The situation is of course different in cases of counterfeiting, which will be dealt with below.

Trademark Piracy, Counterfeiting and Imitation of Labels and Packaging

Trademark Piracy

2.493 Trademark piracy means the registration or use of a generally well-known foreign trademark that is not registered in the country or is invalid as a result of non-use.

2.494 The Paris Convention provides in its Article 6*bis* that a well-known trademark must be protected even if it is not registered in the country. Article 6*bis* is restricted to identical and similar goods, however. Often well-known trademarks are used by pirates on totally different goods, or for services. Furthermore, courts sometimes require a trademark to be well-known in the country where piracy is discovered, and deny protection, even if the true owner of the trademark can prove that it is internationally well-known in a considerable number of other countries. Improved protection against trademark piracy is therefore needed. The Joint Recommendation Concerning Provisions of the Protection of Well-Known Marks which was adopted by the WIPO General Assembly and the Assembly of the Paris Union in September 1999 provides some guidance in this respect.

Counterfeiting

What is Counterfeiting?

2.495 Counterfeiting is first of all the imitation of a product. The counterfeit is not only identical in the generic sense of the term. It also gives the impression of being the genuine product (for instance a LOUIS VUITTON bag), originating from the genuine manufacturer or trader.

2.496 The offering of such a counterfeit product is only meaningful, of course, if the genuine product is known to the consumer. Consequently, counterfeit goods often belong to the category of luxury goods and bear a well-known trademark. In fact, however, this is only a coincidence: counterfeit goods can just as well be mass-consumption goods, or goods not sold under a trademark but protected by other intellectual property rights such as copyright or design protection. They can also be known to a small group of specialized consumers only, such as brakes to be used for cars, or aircraft, or pesticides known to clients in agriculture. These examples show at the same time how dangerous the use of counterfeit goods can be - a whole year's crop in a large part of Africa was once destroyed by the use of a counterfeit pesticide.

2.497 Some very typical and widely-known examples of counterfeit goods, have been, for example, the false LOUIS VUITTON bags, the false ROLEX, CARTIER and other luxury watches, the false PUMA and REEBOK sports shoes, the false LACOSTE sports shirts and so on. Worldwide sales of some counterfeit products may exceed those of the genuine products. This shows that counterfeiting is an economic phenomenon of worldwide importance, which can represent an alarming percentage of world trade. Indeed, it is important to recognize that counterfeiting is an economic crime, comparable to theft. Counterfeiters not only deceive the consumer but also damage the reputation of the genuine manufacturer, apart from which they do not pay taxes and other duties to the State.

Legal Protection Against Counterfeiting

2.498 Although it is not a condition and not always the case, counterfeit goods generally bear a trademark. This has the advantage of making counterfeiting actionable as trademark infringement, which is generally easier than fighting against infringement of other intellectual property rights, which may also be involved. However, since counterfeiting is an economically serious and important problem, the remedies specified in trademark laws are often not sufficient to serve as an effective deterrent. This is a problem that concerns three areas of law enforcement, all of which are essential if counterfeiting is to be successfully combated.

2.499 Laws must provide for severe criminal sanctions, including imprisonment. Most trademark laws provide for criminal sanctions for trademark infringement, but they were often enacted long ago and are no longer realistic. Counterfeiters pay fines, and imprisonment is rarely ordered.

2.500 Rapid, far-reaching remedies are necessary. Counterfeiters do not operate from a normal business address, and in the event of prosecution are difficult to trace. Often they can only be found after a long and thorough investigation. There is therefore a pressing need for provisional measures such as interim injunctions: in the United Kingdom the so-called Anton Piller order is a very useful measure. By such provisional measures the counterfeit goods may be confiscated and the person who has them in his possession is obliged to inform the genuine trademark owner of their source.

2.501 Since counterfeiting is a phenomenon that occurs in international trade, it is also necessary to empower the customs authorities to check goods at the border of their country and confiscate counterfeit goods at the request of the owner of the trademark affixed to them.

Imitation of Labels and Packaging

2.502 The cases discussed in this section lie between normal trademark infringement and counterfeiting, sometimes coming very close to counterfeiting. As in the case of counterfeiting, the label or packaging of the competing product is imitated, but in this case the imitation does not give the impression of being the genuine one. If one compares the genuine product and the imitation side by side, although consumers seldom proceed in this way, one can distinguish them and the imitator does not usually hide behind the manufacturer of the genuine product; he trades under his own name. He is not a criminal, but rather a competitor who uses unfair methods of competition.

2.503 Instead of developing at his own expense a label and packaging with an image of his own for his product, the imitator tries to take advantage of the reputation of the competing product by giving his product an appearance so similar to it that confusion arises in the marketplace.

2.504 Often the imitator uses a trademark (in the sense of a product name) which is confusingly similar to that of his competitor. If he does that he is committing trademark infringement.

2.505 In a number of cases the word mark used by the imitator is somewhat, but not confusingly, similar to the one used by his competitor, but may even be totally different from it. In such situations the confusion in the marketplace arises only, or mainly, from the use of colors and graphic elements that are identical or very similar to those of the competitor's label or packaging. Labels and packaging are rarely registered as trademarks, which means that trademark law mostly offers no basis for intervention in such cases. They have to be dealt with under the rules of unfair competition.

2.506 In principle, it is generally recognized as being unlawful (unfair competition) to pass off one's own goods as being those of a competitor. If a label or the packaging of a product is confusingly similar to that of a competitor's product, this requirement is normally fulfilled.

Change of Ownership

Reasons for Change of Ownership

2.507 The ownership of a trademark can change for different reasons and in different ways.

2.508 Trademark rights may, on a natural person's death, pass to his heir. Such a change of ownership is only possible where trademark laws allow the private ownership of trademarks. Similarly, a trademark may pass to a new owner in the case of bankruptcy. Another automatic change of ownership may result from the merging of two companies. No automatic change takes place, however, in the case of a company takeover effected by the acquisition of shares, or when certain assets of a company, including the intellectual property rights, are acquired.

Voluntary Change of Ownership: Assignment

2.509 Assignments are the most common form of change of ownership. They are normally, but not necessarily, part of a purchase contract, whereby trademarks are sold against payment of a certain amount of money.

2.510 The law of some countries allows trademark assignment only together with the goodwill related to the mark. It is argued that consumers are accustomed to the product sold under the trademark, so that an assignment without transfer of the enterprise, or part of the enterprise, using the mark would deceive consumers. Nevertheless, there is a clear tendency towards allowing free assignments of trademarks. Trademarks that are assigned without goodwill have often been unused for many years. Apart from that, companies often have a complicated legal structure and, when one company is taken over by another, it may well be that the trademarks are transferred to the new parent company, while the factories in which the products sold under those trademarks are manufactured, remain the property of the company taken over. As long as the new parent and trademark owner ensures that the consistent quality of the products sold under the assigned trademarks continues, consumers will then not be deceived.

2.511 There is therefore no absolute need to link the assignment of trademarks to the goodwill related to them.

2.512 Partial assignments are more problematic. In order to avoid confusion of the public in such cases, trademark laws sometimes allow transfers only where the goods involved are not similar to those remaining with the former owner. Confusion of the consumer is thus clearly avoided, as the two trademarks could have been registered by different owners from the very beginning.

Recordal of Change of Ownership

2.513 In principle, a change of trademark ownership takes effect without any recording. This is clear in the case of the foreign owner's death or bankruptcy or a merger. Even a voluntary change of ownership by means of assignment does not, in principle, need to be recorded to become effective, at least *inter partes*. Nevertheless, trademark laws generally provide for the recording of changes of ownership for two reasons:

- the new owner cannot normally exercise his trademark rights if he is not the recorded owner;

- in principle, the transfer is not binding on third parties as long as it is not recorded.

2.514 This principle cannot be applied without restriction: if the new owner has completed all the necessary formalities, that is, if he has submitted the necessary documents to the office for registration of the change of ownership, he must be able to take action to defend his trademark against infringement. The recording procedure is sometimes very long and drawn-out, and some jurisdictions do not permit recordal of pending applications. In such cases, the new owner would often be totally blocked, as the former owner might no longer exist, or at least might no longer be interested in proceeding against infringements of his former trademark rights.

2.515 Trademark laws generally provide that the registrar refuses to record an assignment that in his opinion is liable to deceive consumers.

2.516 If the assignment really does deceive the consumer, it is usually automatically null and void and therefore cannot be validly recorded. However, the registrar should not refuse to record assignments if in his opinion there is only a risk of confusion for the public. Such cases obviously depend on factual circumstances that go beyond what he knows from the file, such as how the new owner will use the trademark, whether consumers will really be deceived, and so on, which establish that the deception of consumers is not inherent in the assignment.

2.517 A partial transfer is different from the situation where the registered owner of several trademarks assigns some of them which, if the test of trademark similarity is applied, could be regarded as confusingly similar.

2.518 In such a case, deception of the consumer is not really inherent in the assignment. Whether or not the consumer will be deceived depends not only on how the new owner will make use of the trademark assigned to him, but also on how the former owner will make use of the trademark of which he is still the proprietor. The parties to the assignment will usually, in their own interest, include provisions in the contract of assignment that regulate the future use of both trademarks in such a manner as to avoid confusion amongst the consumers involved. In such cases the registrar should not have the power to refuse to record an assignment, and the matter should be left to the discretion of the courts.

2.519 If a trademark assignment is null and void because it inherently deceives the public, or for any other legal reason outside trademark law, but has been recorded, the question that arises is what the consequences of such recording are.

2.520 Nullity of the assignment does not lead to nullity of the trademark rights as such. The trademark rights do, however, remain with the assignor, the former owner. This means that any use of the trademark by the newly registered owner is not actually a use, and, after the grace period for use of the trademark has expired, the trademark is open for cancellation. Of course, the assignor and former registered owner of the trademark, who has remained the owner, could in fact use it, but he is unlikely to do so as the parties are usually unaware of the invalidity of the assignment.

Formalities

2.521 In the interest of legal security, assignments should be evidenced in writing. The application for recording of the assignment must also be made in writing, either by the assignor or by the assignee. If it is the assignor who applies, a simple written request signed by himself or his legal representative should be sufficient. If on the other hand it is the assignee or any other new trademark owner who asks for the change of ownership to be recorded, the request generally needs to be accompanied by supporting documents (the contract of assignment signed by the assignor, or any other proof of the change of ownership). However, in such cases the mere signature of the demand for change of ownership by the new trademark owner or his legal representative should also be sufficient, without any need for authentication, legalization or other certification. The Trademark Law Treaty contains, in Article 11, an exhaustive list of formalities which Trademark Offices may require in respect of an application for the registration of a change in ownership.

Trademark Licensing

Importance of Licensing

2.522 It is common practice for trademark owners to license third parties to use their trademarks locally in the country where they exercise their own business. However, the main importance of the possibility of licensing the use of trademarks lies in its usefulness in international business relations. Licensing is indeed the principal means whereby the trademarks of foreign companies are used by local businesses. Such license agreements are very common between partners from different developed countries, and they do exist between partners who both originate in developing countries, or even between a licensor in a developing country and a licensee in a developed country.

2.523 The most important role they play, however, is in the relations between licensors in developed countries and licensees in developing countries. In these situations they are not normally simple trademark licenses, but general agreements including the licensing of patents, trademarks, know-how and possibly other intellectual property rights, as well as technical assistance to be given to the licensee. These agreements are a key factor in the economic development of developing countries and are usually characterized by the transfer of technology, the creation of jobs and the use of local raw materials. They are often regulated by special provisions of local laws which provide for the control or approval of the agreement by a local authority, such as a ministry responsible for technology transfer.

2.524 To the extent that such general agreements confer the right to use the licensor's trademarks, they have to comply with the relevant licensing provisions of the trademark law of the licensee's country (even though the above-mentioned special provisions may also apply). The trademark laws of many countries contain provisions on trademark licensing. The general guiding

principles of trademark licensing are dealt with hereunder, independently of its foreign ownership and technology transfer aspects.

Basic Concept: Control by the Owner

2.525 To safeguard the origin-indicating function of the trademark, it is necessary and sufficient for the owner to exercise control over the use of the mark by the licensee, particularly with respect to the quality of the goods (compliance with quality standards set by the licensor) and the conditions under which they are marketed. If that control is effective, the registered owner of a trademark need not use it himself. Use of the mark by his licensee can be deemed to be use by himself for all trademark protection purposes. This means more particularly that the trademark cannot be attacked for alleged non-use, and the licensee cannot himself claim ownership rights in relation to the mark.

Formal Requirements

2.526 Basically, the trademark protection system does not impose any formalities on trademark licensing. The only important point, which is inherent in the system, is that the owner exercises effective control over the licensee. The importance of this principle is generally recognized, although only a few trademark laws provide for quality control in their provisions on trademark licensing (those of the United States of America and Sri Lanka, for instance). Indeed no purpose is served by the existence of a written agreement, which may even be recorded in the trademark register and which may contain all sorts of control provision, if the law does not provide for the legal consequences of failure to exercise control. Many trademark laws do nevertheless provide for obligatory recording of the license, and often the registrar carefully studies the conditions imposed on the licensee by the licensor.

2.527 In September 2000 the WIPO General Assembly and the Assembly of the Paris Union adopted a Joint Recommendation Concerning Trademark Licenses (see Chapter 5, paragraphs 5.733 and 5.734) which provides a maximum list of indications and elements that an Office may require for the recordal of a license (Article 2(1)) and contains a Model International Form. The Recommendation also attempts to limit the effect of non-compliance with recordal requirements to the license agreement itself by stipulating that non-recordal of a license should not affect (i) the validity of the trademark which is the subject of the license (Article 4(1)), (ii) any right that a licensee might have under the legislation of Member States to join infringement proceedings initiated by the holder (Article 4(2)(a)), and (iii) the question whether use of a mark by a third person can be considered as use by the trademark holder which can be relevant in the context of use requirements (Article 5).

2.528 A special variety of trademark licensing formality is the British system of registered user agreements. If such an agreement is recorded, use of the trademark by the registered user is deemed to be use by the trademark owner. However, it is not the actual license agreement between the parties, governing their commercial relations, that has to be registered; the law provides for a kind of simplified form, with certain conditions to be fulfilled before the registrar recognizes the registered user agreement. Since the register is open to inspection, the parties to a license agreement do not normally register the agreement but rather the simplified form.

Restrictions on the Licensee

2.529 Licensees are not usually allowed to assign the license or grant sub-licenses, but such rights can of course be expressly granted in the agreement.

2.530 Licenses can be exclusive or non-exclusive.

2.531 In the case of an exclusive license the trademark owner is not allowed to license the mark to any other person in the territory and cannot even use the mark himself.

2.532 In the case of a non-exclusive license, of course, the owner may use the mark himself and even allow others to use it. In the case of multiple licenses, very strict quality control is necessary in the interest of the consuming public.

2.533 Exclusive as well as non-exclusive licenses can be concluded for the whole territory of a country or part of it, and they can cover all or some only of the goods for which the trademark is registered. Unlike in the case of assignments, there is no risk of confusion of the public to be considered, on condition that the trademark owner exercises efficient quality control.

Trade Names

2.534 Enterprises may own and use one, several or many different trademarks to distinguish their goods and services from those of their competitors. However, they also need to distinguish themselves from other enterprises. For that purpose they will adopt a trade name.

2.535 Trade names have in common with trademarks and service marks that they exercise a distinguishing function. Unlike trademarks and service marks, however, trade names distinguish one enterprise from others, quite independently of the goods or services that the enterprise markets or renders.

Legal Requirements

2.536 Countries generally lay down certain requirements to be met for a trade name to be permissible and accepted for registration in the register of company names, which may exist on a national level, but in fact is often kept on a regional or even local level. The character of the enterprise must be mentioned (for instance with the abbreviation Ltd for limited company), and often the purpose of the business has also to be given. Trade names are generally quite lengthy, and are therefore not a very practical tool for use in daily business life as a reference to the company.

2.537 Enterprises therefore tend to use a shorter business name or some other kind of corporate identifier in addition to the full, duly-registered trade name.

2.538 The trade name is not normally required to be distinctive as a condition of registration and subsequent use.

Legal Protection

2.539 If a trade name or business name is distinctive it is protected by use, whether registered or not. If it is not distinctive, it can be protected after distinctiveness has been acquired by use. Distinctiveness in this context means that the consuming public recognizes the name as being a reference to a particular trade source.

2.540 A trade name or a business name can also be afforded protection by registration as a trademark. Usually, both the full corporate name and the short business name can be registered. To safeguard such a registration, it is of course necessary actually to use the trade name as a trademark. This requirement is normally not met by making a reference, somewhere on the label or packaging of a product, to the manufacturing or trading company with its full address in small print, as is often required by labelling regulations. It is therefore more adequate and commoner in practice to register the shorter business name as a trademark, the more so as that name is often at the same time an important trademark (such as the so-called "house mark") of the company.

2.541 In the same way as enterprises can register trade names and business names as trademarks, they can and often do use them not only to distinguish themselves but also to distinguish the goods or services that they offer and, as mentioned before, this is even necessary in connection with the obligation to use if the name has been registered as a trademark.

2.542 It is therefore inevitable that conflicts between trade names, business names and trademarks arise. If a trade name or business name is used as a trademark (whether registered or not), the general rules of priority and the protection of consumers against confusion as to the origin of the goods or services offered under the signs concerned will determine the outcome of any conflict with a similar trademark.

2.543 Even if an enterprise uses a business name or trade name as such, in other words not as a trademark for the goods or services it offers, it is nevertheless widely recognized that a prior trademark is infringed if the use of the business name or trade name is likely to create confusion as to the origin of the goods or services that the enterprise offers under its name. Conversely, the use of a trademark, service mark or collective mark can in the same way infringe a prior (registered or unregistered) business name or trade name.

Franchising

Introduction

A Brief Explanation of Franchising

2.544 Even if the term "franchising" is unfamiliar to most consumers, they are familiar with the results of franchising. The most widely known results of franchising appear to be fast-food restaurants, hotels or cosmetic retail shops. Franchising extends, however, to industries as diverse as the hiring of formal wear, car tuning, the preparation of taxation statements or returns, lawn care, day-care schools and dentistry. In short, it may apply to any economic activity for which a system can be developed for the manufacture, processing and/or distribution of goods or the rendering of services. It is this "system" that is the subject matter of franchising.

2.545 In developed market economy countries, the sale of goods and services through franchising has grown remarkably since the 1950s, and can account for a very large proportion of all retail sales in certain countries.

2.546 This rapid growth and success of franchising has been attributed to a number of factors, the most basic one being perhaps that franchising combines the depth of knowledge and the strength of one entity, the franchisor, with the entrepreneurial spirit of a businessman, the franchisee.

2.547 Whether there is government-mandated regulation of franchises or not, as in all commercial activities, the best protection against the possibility of abuse is the knowledge held by potential franchisees and their professional advisers as to what franchising is and how it works. Accordingly, the purpose of this chapter is to give a brief general survey of the structure and nature of a franchising arrangement and, in particular, to help prospective franchisees understand franchising and better defend their interests, thereby allowing franchising to fulfill a positive role in the economy. This chapter should not, however, be viewed as a substitute for expert advice on the subject.

An Example of a Franchising Agreement

2.548 In order to illustrate better the discussion on franchising, this chapter uses a fictional franchise from time to time as an example—a restaurant selling Italian food and operating under the name of VESPUCCI. While VESPUCCI is the mark (both for goods and services) and the trade name under which the franchisees operate the restaurants, the company offering the franchise (the franchisor) is referred to as Vespucci, Inc.

2.549 Vespucci, Inc. has developed a system for preparing and selling its food products, which are sold in large volume and in a uniform manner. The system includes various factors that contribute to the success of VESPUCCI restaurants, including recipes and methods of preparing food that produce a product of consistent quality, good seating in the restaurant, the design of employees' uniforms, the design of the buildings and billboards, quality sources for supplies, the design of packaging, an inventory of ingredients used in the preparation of the food, and management and accounting systems.

2.550 Vespucci, Inc. imparts its knowledge and experience to its franchisees to assist them in developing a new business. Without the franchisor's guidance, the local restaurant owner is liable to make serious mistakes which could cause the business to fail. Moreover, Vespucci, Inc. retains the right to supervise and control the way in which the local franchisee is operating the local VESPUCCI restaurant, so that the goodwill of the VESPUCCI mark and trade name is maintained and the value of the local restaurant, indeed of the whole system under which VESPUCCI restaurants are operated, is not reduced.

2.551 Vespucci, Inc. receives a financial benefit in exchange, in the form of a payment by the local franchisee to Vespucci, Inc. That payment may include an advance payment or "up-front fee" and some form of continuing payment based, for example, on a percentage of the franchisee's total sales. Payment in kind might also be envisaged. In addition, depending on the nature of the agreement, the franchisee may have a number of other payments to make for items such as special food spices, rental of equipment (e.g. ovens, cutting machines, etc.), purchase of consumable goods and miscellaneous articles necessary for his business.

Comparison of Retail Sales, Standard Licensing and Franchising Arrangements

2.552 Business transactions can take a variety of forms; franchising arrangements are only one of them. In order to understand what a franchising arrangement is, it may be useful to discuss first two other types of business arrangement which, while different from franchising, share with it certain important features: retail sales arrangements and standard license arrangements.

Retail Sales Arrangements

2.553 Retail sales arrangements are governed by the traditional principles of civil and commercial law, such as contract law. The manufacturer or distributor makes a profit by selling his products to the retailer at a sufficiently high price.

2.554 A retail sales arrangement involves one party that manufactures and/or distributes a product and a second party that sells it. The seller may be an agent of the manufacturer or may be an independent merchant, purchasing the goods for resale. If the seller is an independent merchant, he may have concluded a "distributorship" agreement with the manufacturer or distributor of the goods. If the distributorship is exclusive the merchant is assured that the manufacturer or distributor will deal only with him for the purposes of distributing those goods within the territory (e.g. a province, a region or a whole country) defined in the contract. The exclusive distributor would normally be entitled to announce his special relationship with, and use the marks and trade names of, the manufacturer or distributor for the purposes of advertising and selling the goods.

2.555 Although exclusive distributorships exist, distributorships are typically non-exclusive. From this viewpoint, a franchising arrangement may be more attractive.

Standard License Arrangements

2.556 In its simplest terms, a standard license arrangement is one under which one person (the licensor), who is the owner of a right to prevent other persons from commercially exploiting or using certain intellectual creations (e.g. inventions, designs) or distinctive signs (e.g. marks, trade names), agrees not to exercise that right against a given person (the licensee) in exchange for a fee, and perhaps also subject to the licensor's control of such commercial exploitation or use. In the case of license agreements involving marks or other distinctive signs, the licensor will not normally exercise any more control over the licensee than is necessary to ensure that the goods being sold, or services provided, under his sign are of a certain quality, and/or that they possess certain specified characteristics.

Franchising Arrangements

2.557 Although different definitions could be proposed, franchising may be described as an arrangement whereby one person (the franchisor), who has developed a system for conducting a particular business, allows another person (the franchisee) to use that system in accordance with the prescriptions of the franchisor, in exchange for compensation. The relationship is a continuing one, as the franchisee operates in accordance with standards and practices established and monitored by the franchisor and with his continuing assistance and support.

2.558 The franchising arrangement therefore relates to a system, which the franchisor allows—or licenses—the franchisee to exploit. This may be referred to as the franchised system, or simply "the system." The franchised system is a package comprising intellectual property rights relating to one or more marks, trade names, industrial designs, inventions and works protected by copyright, together with relevant know-how and trade secrets, to be exploited for the sale of goods or the provision of services to end users.

2.559 The factors that typically characterize a franchise relationship include the following features.

2.560 *A license to use the system:* In return for an agreed payment, the franchisee is allowed to use the franchised system. He is in effect given a license to use the franchisor's system to carry out

his business. Where the franchised system is to be exploited at a particular location, such as at a franchised restaurant or shop, that location is usually referred to as the "franchised unit."

2.561 *An ongoing interactive relationship*: The relationship is ongoing, involving multiple sales of the franchised product (or offering of franchised services) over a period of time, with the franchisor giving continuous assistance to the franchisee in establishing, maintaining and promoting the franchised unit. This includes updating the relevant information as the franchisor develops new or better techniques for operating a franchised unit. The franchisee for his part has a continuing obligation to pay fees to the franchisor for the use of the franchised system or to compensate the franchisor for providing ongoing management services.

2.562 *The franchisor's right to prescribe the manner of operating the business*: The franchisee agrees to abide by directives issued by the franchisor which set out the manner of operation of the system. Such directives may include quality control, protection of the system, territorial restrictions, operational details and a host of other regulations governing the conduct of the franchisee in relation to the franchise.

Comparison of Types of Arrangement

2.563 The preceding discussion identified three distinguishing characteristics of a typical franchise arrangement: the license to use the uniform system, the ongoing interactive relationship and the following of a prescribed manner of operation. These characteristics may be used to compare a franchise arrangement with a retail sales arrangement and a standard license arrangement. In practice, franchise arrangements may also take a "hybrid" form, borrowing features from two or more types of contract. Moreover, businessmen prepared to engage in franchise arrangements are generally less concerned with the precise legal form of the agreement than with the business aspects of the deal.

Grant of a License to Use the Franchised System

2.564 The heart of a franchising arrangement is a license, granted by the franchisor to the franchisee, to use the franchised system. This is essential to allow the franchisee to conduct his business in the manner developed by the franchisor. In contrast, a retail sales arrangement involves the simple sale of goods and does not necessarily require the grant of a license.

2.565 In this regard the distinction between a franchise arrangement and a standard license arrangement is a more subtle one. It has been stated that franchising is merely a sophisticated form of a standard license arrangement and that a franchising arrangement goes beyond the mere licensing of one or more specific intellectual property rights, such as trademarks, because it is a license to use a system that includes, but is not limited to, intellectual property rights. Indeed, under a franchise arrangement, the franchisee does more than merely selling goods or providing services under another's mark, although he might not himself do any manufacturing at all. Franchising goes further by allowing the franchisee to manufacture and sell goods or provide services as part of a larger system.

2.566 For example, the licensing by Desk Gear, Inc. (a fictional example) of the manufacture and sale of pens bearing the FLUME mark can be considered a standard license agreement. If, however, Desk Gear, Inc. decides to establish a system including store design and marketing techniques for the sale of its pens and to allow someone to make use of that system to sell FLUME pens, that would be franchising.

2.567 In a retail sales relationship, the first party manufactures the goods and transfers them to the second party at a price which includes its profit and the second party resells the goods at a higher price, thereby making its own profit. In a typical, straightforward franchising relationship, the franchisor explains to each franchisee how to make use of the system and, in return, acquires income by receiving a portion of the franchisees' income, for instance a percentage of sales. In addition, the franchisor may ensure income by selling goods to the franchisee, who becomes a permanent "customer" of the franchisor by agreeing to acquire from him certain goods needed for the operation of the franchise.

Ongoing Interactive Relationship

2.568 In a retail sales arrangement, the manufacturer and the distributor are usually independent of each other. In a standard licensing arrangement and in a franchising arrangement, the parties are independent but have a close working relationship defined by the terms of the license agreement and franchise agreement, respectively. The income of each party is dependent on the combined efforts of both parties. The more successful the licensee's or franchisee's business becomes, the greater the income for both parties.

2.569 In contrast to a standard license arrangement, however, the franchisee's success is also dependent on the franchisor's ability to develop a profitable system, to train the franchisee in the proper operation of the system, to improve and promote the system, to supervise or monitor the franchisee and to assist him during the term of the franchise agreement in order to enhance the likelihood of success. In a franchise arrangement, at least part of the ongoing nature of the relationship presupposes the franchisor continuing to develop the franchised system and communicating the new developments to the franchisee.

Following the Prescribed Method

2.570 In a retail sales arrangement, the seller does not exercise control over the manner in which the goods are sold by the buyer to the end user. In a license arrangement that gives the licensee consent to use the licensor's mark, the owner of the mark will normally exercise some sort of control over the quality of the goods or services produced or offered under the license. This will, in particular, assure the licensor that he can prevent any damage to his mark's goodwill due to diminishing or inconsistent quality of the goods or services produced or offered by the licensee. With respect to marks, the legal systems of some countries require license contracts to contain provisions requiring quality control by the licensor and such provisions are essential under the legal systems of many countries to enforce and avoid the loss of rights in licensed marks.

2.571 Specifically with respect to a franchise arrangement, the franchisor will supervise not only the manner in which specific rights, such as trademark rights, are used by the franchisee, but also prescribe the manner in which the fundamental aspects of the franchised system are implemented and managed. Therefore, the extent of the franchisor's influence over the franchisee is greater than that of a licensor over a licensee.

Types of Franchise

2.572 This chapter deals with only one general category of franchises, which may be referred to as *business format* franchises. This broad category, of course, comprises a number of variations. Such variations may consist of changes in the nature of the franchised system, the scope and content of the license granted, the nature or object of the ongoing relationship and the scope and degree of supervision exercised by the franchisor over the manner in which the franchise is exercised.

2.573 A business format type of franchise has been described as being characterized by an ongoing business relationship between franchisor and franchisee that includes not only the product, service and trademark, but the entire business format itself—a marketing strategy and plan, operating manuals and standards, quality control, and continued two-way communications.

2.574 In order to perceive more clearly the potential of franchising, a brief description of certain basic types of business format franchises is useful. Categorizing franchises on the basis of their function yields three principal types: processing franchises, distribution franchises and service franchises. Franchises could also be categorized in terms of the possible relationship existing between franchisor and franchisee. These include relationships like those between manufacturer and wholesaler, manufacturer and retailer, wholesaler and retailer and service industry and retailer.

2.575 In a processing franchise, sometimes called a "manufacturing" franchise, the franchisor supplies an essential ingredient or technical knowledge to a processor or manufacturer. The franchisor will grant the franchisee authorization to manufacture and sell products under the marks of the franchisor. In certain instances the franchisee may further be licensed to use trade secret information or patented technology held by the franchisor, apart from which he may be provided with training and/or information relating to the marketing, distribution and servicing of the product. Such franchises are common, for example, in the restaurant and fast-food industry.

2.576 In a service franchise, the franchisor develops a certain service which is to be rendered by the franchisee, under the terms of the franchise agreement, to his customers. An example of a service franchise would be one involving the provision of automobile tuning or repair services, or the provision of credit card services.

2.577 In a distribution franchise, the franchisor (or someone else on his behalf) manufactures the product and sells it to the franchisees. The franchisees then sell the products to customers, under the franchisor's trademark, in their own geographical areas. For example, the distribution of automobile fuel, cosmetics or consumer electronics can be carried out under franchises.

Structures for Carrying out Franchising

2.578 Making a choice between the different possible structures depends very much on the particular circumstances of the franchisor and the franchisee and the nature of the franchise. Several factors should be taken into consideration, including:

- the franchisor's reasons for franchising;
- the resources of the franchisor;
- the size and resources of the master franchisee or franchise developer;
- the nature of the market to be served (including its location, foreign or domestic, and its relative importance to the franchisor).

Unit Franchising

2.579 Unit franchising is the most straightforward way in which franchising can be carried out, because it involves direct relations between the franchisor and the franchisee, whereby the franchisor enters into a franchise agreement directly with the franchisee. In domestic situations—where the franchisor and franchisee are in the same country—unit franchising is the most commonly used structure.

2.580 However, where the franchisor and franchisee are located in different countries, linguistic, cultural, commercial, legal, political and economic differences between the countries may make it necessary to establish a local presence in the franchisee's country in the form of a master franchisor, or to engage in multiple-unit franchising through a local subsidiary or a joint venture.

2.581 The alternative to establishing such a local presence is for the franchisor to establish within his own organization the expertise that will enable him to adapt his franchise to the needs of each of the local markets in which he wishes to operate. While this approach maximizes the franchisor's supervision of the way in which the franchise is implemented, it significantly increases the administrative burden, and hence the cost, of operating in other countries and would detract from one of the major advantages of franchising, which is not to divert resources to establishing business operations abroad.

Territorial Franchises

2.582 Franchise agreements which aim at covering a substantial territory or geographical area by setting up, simultaneously or successively, a number of units, shops or outlets, over an agreed period of time, may be referred to as "territorial franchising." Two forms of territorial franchises are the "franchise developer agreement" and the "master franchise agreement", which may be combined. These two forms are discussed below.

2.583 The type of structure chosen for a franchise agreement may have a bearing on the manner in which a franchisee or a master franchisee is legally organized. Two organizational forms should be mentioned, particularly in connection with the establishment of international or cross-border franchise agreements: subsidiaries and joint ventures. It should be noted, however, that in a franchise agreement any manner of legal organization or corporate form may be used, depending on business considerations and the applicable legislation—in particular, tax, labor, foreign investment and competition law.

2.584 In international franchising, where the local master franchisor is a subsidiary of the franchisor, the latter will have direct control over the network of franchisees, while still securing the necessary local input. This would require the existence of a subsidiary entity, possibly constituted as a local company, in the country in which the franchisor wishes to operate. The subsidiary would then act as the franchisor, granting franchises to one or more local franchisees.

2.585 Unlike a subsidiary, a *joint venture* is a form of alliance of two separate companies. The companies agree to act together, typically forming a separate legal entity, for a particular purpose. The exact form of the joint venture, in other words the type of legal entity that it is, depends on the wishes of the parties to the joint venture and on national law. The franchisor will actively participate in the joint venture entity to carry out the franchise. The formation of a joint venture can sometimes provide security for the owner of the intellectual property rights because, with the franchisor involved in the management of the joint venture entity, the use of the franchised system by franchisees can be controlled.

2.586 A phenomenon that is unique to joint ventures is the relationship with the franchisor's joint venture partner. Typically, the joint venture partner is a local individual or enterprise chosen by the franchisor as a partner for his experience in local customs and business, and the franchisor shares the management of the joint venture with his partner.

Franchise Developer Agreement

2.587 A franchise developer agreement links the franchisor directly with the franchisee, who is expected to open and operate several units. This franchise will include a "development agreement" whereby the franchisee is required to develop the assigned territory by establishing a number of franchise units or outlets which he will usually own directly. In this case the franchisee will not sub-franchise out to third parties.

2.588 Generally this agreement will include a schedule setting out the time frame for establishing the franchise units and developing the assigned territory. The individual units opened by the franchisee under this type of structure would not have independent legal standing, and could be divisions or branches of the franchisee's enterprise.

Master Franchising

2.589 In a master franchise agreement the franchisor grants another party, usually called the "master franchisee", rights (which may be exclusive) for a given geographical area. The master franchisee is given the right, by the franchisor, to grant franchises to third parties, usually called "sub-franchisees", to exploit fully the potential business opportunities in the larger geographical area. It may be agreed that some of those sub-franchisees will run more than one franchise unit, in which case the sub-franchise agreement is called a "multi-unit franchise."

2.590 A master franchise agreement allows a franchisor to delegate the exploitation of a geographical area to another person, the master franchisee, in situations where that geographical area is remote from or little known to the franchisor, or where it is found to be convenient for business strategy purposes.

2.591 This approach to franchising is particularly important in international franchising, where a franchisor may wish to establish franchise operations in a given country, in which he may have no business experience; but even where this is not the case, it may simply be a choice of business strategy.

2.592 The franchisor's degree of control over the manner in which the franchise is implemented, in the country in which a master franchisee is established, is often regulated by provisions in the master franchise agreement, specifying the latitude that the master franchisee has for making alterations to the franchised system in order to accommodate local needs.

Combined Structures

2.593 A franchise agreement may be based on a combination of the structures mentioned above. It may, for example, combine a master franchise, under which a number of independent sub-franchisees will be established, with a franchise developer agreement under which the same master franchisee, or one of his sub-franchisees, is additionally committed to open a number of his own units in the same territory. A master franchisor could also be mandated to conclude franchise development agreements with one or more of the independent franchisees under the master franchise.

Typical Provisions in a Franchise Agreement

2.594 The terms of a typical franchise agreement must conform to the appropriate national laws, and cover the rights and obligations of both franchisor and franchisee.

2.595 On the franchisor's side, obligations may include the provision of an operating manual, training, assistance with opening the franchised establishment, and continued support. On the franchisee's side, obligations include the payment of fees, compliance with quality control requirements, observance of an agreed degree of confidentiality and of exclusivity, and possibly the provision of a step-by-step schedule for the development of the franchise. The more general terms to be found in other types of agreements, such as provisions on breach of agreement, transfer of agreement and termination, also have their particular application between franchisor and franchisee.

2.596 Competent professional advice should be sought in the context of the aims and particular circumstances of a given franchise agreement, in order to achieve the most appropriate and balanced relationship between the parties.

Character Merchandising

The Notion of Character

Definition

2.597 Broadly speaking, the term "character" covers both fictional human beings (for example, Tarzan or James Bond) or non-human characters (for example, Donald Duck or Bugs Bunny) and real persons (for example, famous personalities in the film or music business, sportsmen).

2.598 In the context of the merchandising of characters, it is mainly the essential personality features easily recognized by the public at large which will be relevant. Those personality features are, for example, the name, image, appearance or voice of a character or symbols permitting the recognition of such characters.

Sources and Primary Use of Characters

2.599 The main sources of fictional characters are:

- literary works (such as Pinocchio by Collodi or Tarzan by E.R. Burroughs);
- strip cartoons (such as Tintin by Hergé or Astérix by Uderzo and Goscinny);
- artistic works (such as paintings, for example, Mona Lisa by Leonardo da Vinci, or drawings, for example, the panda of the World Wide Fund for Nature (WWF));
- cinematographic works (such as Crocodile Dundee, King Kong, Rambo or E.T. with respect to movies, McGyver or Columbo with respect to television series or Bambi with respect to motion picture cartoons).

2.600 It should be noted that, in the case of cinematographic works, the character may, and in fact often does originate in a literary work (such as the character Oliver Twist by Charles Dickens) or in a strip cartoon (such as the character Batman).

2.601 As regards the primary use of a fictional character, it can in most cases be referred to as an "entertainment function." Such a character may appear in a novel, a tale or a strip cartoon (for example, the character Tarzan in the novel entitled "Tarzan, the Lord of the Jungle", the character

Mr. Brown in the tale entitled "Squirrel Nutkin" or the characters named James Bond or Tintin), and the success gained by the work depicting the character generally leads to new stories. Such primary use will be made by the creator of the character, although, where a character has reached a high degree of reputation and the creator has died, the heirs if any, or the holders of the publishing rights, may organize by means of contracts the "survival" of the character in new stories (for example the books featuring James Bond after the death of Ian Fleming). Other creators, on the contrary, may wish that the characters they have created should not be the subject of new stories after their death (for example, Hergé, the creator of Tintin). The situation is somewhat different in the case of cinematographic works, where it is seldom the creator of a character (the maker of the original drawings or scripts) who makes the primary use, but exceptions do exist, such as the "little man" character created by Charlie Chaplin.

2.602 In other cases, the primary uses of a fictional character can sometimes be referred to as "promotional, advertising and recognition functions." This will concern, for example, characters which are closely linked to a certain company (such as the "Michelin Man", the Exxon (Esso) tiger or the Peugeot lion), to a certain product (such as the character Johnnie Walker to a Scotch whisky) or to a given event (such as the mascots used to personalize Olympic Games or World Cup football). Those characters are created with a view to popularizing legal entities, products or services, and activities. Generally, the primary use will not originate from the creator of the character, i.e. the person entrusted with the task of creating the character.

2.603 The main sources, where the character is a real person, are the movie and show businesses and sporting activities. In the case of real persons, one should speak of "primary activity" in preference to "primary use." The difficulty with real persons is that actors, for example, may enjoy a reputation both as persons and as the character they may have portrayed in a movie or television series. In some cases, the real person is only referred to under the name of the character portrayed (see developments below on the types of character merchandising).

The Concept of Character Merchandising

Definition

2.604 Character merchandising can be defined as the adaptation or secondary exploitation, by the creator of a fictional character or by a real person or by one or several authorized third parties, of the essential personality features (such as the name, image or appearance) of a character in relation to various goods and/or services with a view to creating in prospective customers a desire to acquire those goods and/or to use those services because of the customers' affinity with that character.

2.605 It should already be emphasized that the person or legal entity which will organize the merchandising activity (the merchandiser) will very seldom be the creator of the fictional character or the real person concerned. The various property or personality rights vesting in the character will be the subject of contracts (such as transfer or license agreements or product or service endorsement agreements) enabling one or several interested third parties to be regarded as authorized users of the character.

2.606 The following examples of character merchandising can be given:

- a toy is the three-dimensional reproduction of the fictional character Mickey Mouse;

- a T-shirt bears the name or image of fictional characters;

- the label attached to a perfume bottle bears the name of an actor or actress;

- an advertising movie campaign for a drink shows a pop star drinking it.

A Brief History of Character Merchandising

2.607 As an organized system, character merchandising originated and was initiated in the United States of America in the 1930s in the Walt Disney Studios in Burbank (California). When this company created its cartoon characters (Mickey, Minnie, Donald), one of its employees, Kay Kamen, established a department specialized in the secondary commercial exploitation of those characters and, to the surprise of most, succeeded in granting an important number of licenses for the manufacture and distribution of low-priced mass market merchandise (posters, T-shirts, toys, buttons, badges, drinks).

2.608 Of course, the idea of secondary exploitation of the reputation of a character existed before the twentieth century, but the reasons were not directly commercial. In South East Asia, for example, the religious characters of "Ramayana", such as Prince Rama, Vishnu and Sita, have for centuries been represented in the form of sculptures, puppets or toys. Furthermore, in more recent times (late 19th century), some industrialists, with a view to popularizing the goods they manufactured, decided to create fictional characters which would be represented on the goods, the packaging or any documents and would be used to generate secondary exploitation for functional or ornamental goods such as decorative plates, articles of clothing, clocks, puppets, etc., for example in France, the character Pierrot Gourmand (a famous mark for lollipops) or the Michelin Man of the tire manufacturer.

2.609 This phenomenon developed rapidly during the 20th century. In the 1950s, political, movie and show-business personalities authorized, for example, the reproduction of their names or images on articles of clothing (so-called "tie-in advertising").

2.610 The range of goods or services covered by "merchandising" expanded considerably in the 20th Century, and, for example in the United States of America, it concerns at least 29 of the 42 classes of the International Classification of Goods and Services established by the Nice Agreement.

Types of Character Merchandising

2.611 From a commercial or marketing point of view, character merchandising can probably be dealt with in a single category. However, from the legal point of view it is important to differentiate between the various subjects of merchandising, since the scope and duration of legal protection may vary according to the subject involved.

2.612 Two main categories exist depending on whether the merchandising involves the use of fictional characters or of real personalities (generally referred to as "personality merchandising"). Between those two categories, a third hybrid category exists which is generally referred to as "image merchandising."

Merchandising of Fictional Characters

2.613 This is the oldest and the best-known form of merchandising. It involves the use of the essential personality features (name, image, etc.) of fictional characters in the marketing and/or advertising of goods or services.

2.614 Originally, the practice of character merchandising, as an organized system of promotion, developed as a means of exploiting the popularity of cartoon characters, drawings of attractive figures and the like. Such cartoon characters originated:

- in a literary work being adapted to the cartoon form (for the purpose of a movie or a comic strip) such as the characters Pinocchio or Alice in Wonderland;

- in a work created as a cartoon character, originally for films (Mickey Mouse, Donald Duck, Pluto) or for comic strips (Tintin, Snoopy, Astérix, Batman);

- in a film character, later reproduced or adapted as a cartoon for advertising and merchandising purposes (the character Zorro or even a real creature such as the shark in the film "Jaws");

- in a cartoon character created mainly for the purpose of merchandising and not, originally, intended for a movie or comic strip (for example, the numerous mascots created and used in respect of various events, such as sports competitions);

- in a puppet or doll character designed for a film or a television show (for example, the character E.T., the Gremlins or the Muppets).

2.615 Character merchandising with cartoon characters involves mainly the use of the name, image and appearance of the character. The appearance may involve two-dimensional reproduction (drawings, stickers, etc.) or three-dimensional reproduction (dolls, key rings, etc.)

Personality Merchandising

2.616 This more recent form of merchandising involves the use of the essential attributes (name, image, voice and other personality features) of real persons (in other words, the true identity of an individual) in the marketing and/or advertising of goods and services. In general, the real person whose attributes are "commercialized" is well known to the public at large; this is the reason why this form of merchandising has sometimes been referred to as "reputation merchandising." In fact, from a commercial point of view, merchandisers believe that the main reason for a person to buy low-priced mass goods (mugs, scarves, badges, T-shirts, etc.) is not because of the product itself but because the name or image of a celebrity appealing to that person is reproduced on the product.

2.617 This category can be subdivided into two forms. The first form consists in the use of the name, image (in two or three dimensions) or symbol of a real person. This form relates mainly to famous persons in the film or music industries. However, persons connected with other fields of activity may be concerned (for example, members of a royal family). As indicated above, it is not so much the product which is of principal importance to the consumer, but rather the name or image that it bears is the main marketing and advertising vehicle. The second form occurs where specialists in certain fields, such as famous sports or music personalities, appear in advertising campaigns in relation to goods or services. The appeal for the potential consumer is that the personality represented endorses the product or service concerned and is regarded as an expert. Examples are advertising for tennis shoes or rackets by a tennis champion, advertising for an energy drink by a cross-country runner or advertising for high-fidelity equipment or musical instruments by a pop star.

Image Merchandising

2.618 This is the most recent form of merchandising. It involves the use of fictional film or television characters, played by real actors, in the marketing and advertising of goods or services. In those cases, the public sometimes finds it difficult to differentiate the actor (real person) from the role he plays (character portrayed). Sometimes, however, there is a complete association and the real person is referred to and known by the name of the character. The following examples can be

given to illustrate this notion: from the film industries, Laurel and Hardy, the Marx Brothers, Frankenstein's monster by Boris Karloff and Tarzan by Johnny Weissmuller; from television series, Columbo played by Peter Falk, or the character McGyver played by Richard Dean Anderson. In the case of the latter, a T-shirt bearing the image of R.D. Anderson would be referred to as a "McGyver T-shirt", while packs of dairy products reproducing the image of R.D. Anderson would mention the name McGyver, the purchasing of such product giving the possibility of winning secondary "McGyver" products such as T-shirts or travel bags.

Forms of Legal Protection

Copyright

2.619 In the context of copyright, the most relevant aspects of the merchandising of fictional characters and of image merchandising are books, pamphlets and other writings, cinematographic works, works of drawing and photographic works. As regards personality merchandising, the relevance of copyright is primarily in the sphere of photographic works.

2.620 Furthermore, the notion of adaptation is very important. Article 2(3) of the Berne Convention reads as follows:

> "Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work."

2.621 The multiplicity of communication media offer, at the present time, a great number of possibilities for the creation of adaptations (derivative works). Many film adaptations are probably more well known than the novel or short story on which they were based (for example, the Pinocchio and Cinderella cartoons by the Walt Disney Studios are probably better known to children than the original stories, written by Collodi and Charles Perrault respectively). Some famous artistic figures have been widely merchandised once they have fallen into the public domain. For some goods or services a fictional character may be the subject of a monopoly (through trademark protection), but generally it may be exploited by anybody. For example, the famous Mona Lisa (La Gioconda) by Leonardo da Vinci has been, and still is, used on various goods or their packaging (postcards, card games, dolls, alcoholic beverages, chocolate or fruit boxes, mineral water, diaries); it has also been the subject of multiple transformations (cartoons, caricatures, fancy photographs, etc.).

2.622 Drawings or cartoons (two-dimensional works) may be protected independently if they meet the substantive requirements of copyright protection. In that respect, it should be emphasized that a work which is original is not necessarily new, since a graphic adaptation of an already existing literary character (whether or not he has fallen in the public domain) may qualify for copyright protection (for example, the literary characters Pinocchio or Cinderella adapted to the cartoon form by the Walt Disney Company). The same will apply to the drawing of a common creature (for example, the cartoon character Donald Duck). Furthermore, it should be noted that, mainly in the case of cartoon strips and animated cartoons, copyright protects each different original pose adopted by the character.

2.623 Three-dimensional works (mainly sculptures, dolls, puppets or robots), which may be original works or original adaptations of two-dimensional or audiovisual fictional characters, will generally enjoy copyright protection independently of the work in which they appear if they meet the required criteria.

2.624 Audiovisual works including fictional characters (films, video games, photographs, film frames or stills) will, as a whole (image and soundtrack), generally enjoy copyright protection if they meet the required criteria. This will be all the more probable since audiovisual fictional characters will often have "started life" as drawings (storyboards or strip cartoons) or been described in a literary work. Copyright protection may extend to the individual visual attributes or to the physical or pictorial appearances (costumes, disguises or masks) of a fictional character.

2.625 The relevance of copyright protection in the case of personality merchandising is limited, because copyright does not vest in the real person concerned but in the person who created the work in which the essential personality features of a real person appear. For example, in the case of a biography, copyright belongs to the author; in the case of a sculpture, drawing or painting representing a real person, the copyright belongs to the artist; in the case of a film or television series, the copyright in the work belongs to the person who made it possible for the work to be made and who supervised and directed the work of the actors—the author or film producer. However, in the latter example, as a performer, an actor has some rights if the law of the country of which he is a national provides for performers' rights, or if that country is party to the Rome Convention of October 26, 1961, for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.

2.626 The question is probably more debatable in respect of photographic works. The reply will depend on who owns the copyright. In most cases the author of the photographs (or more accurately of the negatives) will own the copyright. If a photograph is commissioned for private and domestic purposes, the commissioning party has usually a right to prevent the making of copies of the photograph or its being shown in public. A final problem relates to the case where the party commissioning the work is not the person who is the subject of the photograph. In any case, forms of protection other than copyright are available for the control of the commercial use of photographic works.

Trademarks and Service Marks (Marks)

2.627 The essential personality features of a fictional character may, under certain conditions (mainly of a substantive nature) be registered as marks. As regards the essential personality features of a real person, the question seems more debatable, mainly with respect to the image (portrait). In the context of merchandising, the trend has been to adopt stage names and personalized logos which may be more easily registrable (for example, in the pop music area, such stage names as the Beatles and the Rolling Stones with their respective "Apple" and "Tongue and Lip" logos). Another way for a real person to protect his name is to obtain registration of the nickname by which he is known.

2.628 In countries where rights only result from registration, the main impediment, however, is the time needed to obtain registration because, in the context of merchandising, delays should be as short as possible since the public's recognition of many characters and their popularity are of limited duration. However, there are some exceptions such as the cartoon characters of Walt Disney or the literary characters of Beatrix Potter.

2.629 Some of the conditions of form to be met by a mark which is the subject of an application will have an important impact in the context of merchandising. One of those conditions which exists in a few countries concerns the relation which should exist between the goods or services to which the mark applies and the business of the owner of the mark. Generally, neither a merchandising agency nor the creator of a character will themselves be engaged in the manufacture or marketing of secondary products, and it will therefore be difficult for them to acquire trademark rights in a fictional character because they will not themselves be dealing with

the goods or services. Furthermore, the activity carried out by a licensee will not be considered as business generated by the licensor, unless the latter becomes joint owner of the licensee's business.

2.630 The modern trend is more favorable however, since it is more and more widely recognized that a mark can be applied to an unlimited number of goods or services, independently of the true activity of the applicant but notwithstanding the provisions which may exist with respect to the non-use of a registered mark.

2.631 In view of the "aesthetic functionality" doctrine (mainly in the toy or doll area) or the "primarily functional" external appearance of goods, three-dimensional configurations of goods (applied for in the form of two-dimensional graphic representations) are in principle not accepted for registration as trademarks in many countries, except where the trademark has acquired secondary meaning in connection with the goods.

2.632 Further conditions are of a substantive nature. One of the main conditions is that a mark should be distinctive, in other words, neither generic nor descriptive in respect of the goods or services covered. Furthermore, a mark should not be misleading to the public or contrary to public order or morality.

2.633 In some countries, however, distinctiveness alone is not sufficient and the personality features of a fictional character will be registrable as marks only if they have acquired a secondary meaning. In other countries the acquisition of a secondary meaning can remedy the inherent lack of distinctiveness of the essential features of a fictional character.

2.634 A number of countries have a more favorable approach, and most names and appearances of fictional characters are considered fanciful and therefore sufficiently distinctive.

2.635 As regards the essential features of a real person, the latter, or the person or entity entitled to act in his name, may obtain the registration of his name or appearance as a mark in some countries. However, where a surname (which can also be a trade name) is registered as a mark, the exclusive right of the holder may be limited, since other persons bearing the same name may, under certain conditions, continue to use their names, unless the registered mark concerns a well-known personality and/or trade name and the other persons intend to take advantage of the reputation of the registered mark by parasitic means.

2.636 In countries where proof of use is required in order to obtain protection, the use made by authorized users such as licensees or merchandisers is considered as use of the mark made by its holder. It is this provision which is most relevant to holders engaged in merchandising programs.

Industrial Designs

2.637 Industrial design protection is mainly relevant for cartoon characters represented in the form of aesthetic designs for three-dimensional articles which mainly belong to the toy or costume jewellery areas (dolls, robots, puppets, action figures, brooches, "pins") which generally originate in cartoons, but which may sometimes represent real persons. The relevance of design protection will be of importance notably when copyright protection is excluded or reduced, mainly when a character has been created with the intention of being industrially exploited. Furthermore, since design protection is often subject to registration, a design application will be helpful to establish *prima facie* evidence of ownership as from the date of the application, although effective protection will only commence on the date of registration of the design.

Other Forms of Protection

2.638 Many countries have enacted provisions, either under general law (Constitution, Civil Code, etc.) or under specific statutes, which enable a real person as such to be protected against the unauthorized commercial or advertising use of the essential features of his or her personality (name, pseudonym or nickname, image, symbols, etc.) or a real recognizable person portraying a character against the unauthorized commercial or advertising use of the essential features of the character portrayed. Those rights will, in general, supplement the protection which may be available within the scope of intellectual property in its broadest sense (including marks, industrial designs, copyright, unfair competition). Such protection may be achieved through the notions of defamation or libel, privacy rights and personality or publicity rights.

Industrial Designs and Integrated Circuits

Industrial Designs

Introduction to Industrial Designs

2.639 Industrial design, in a lay or general sense, refers to the creative activity of achieving a formal or ornamental appearance for mass-produced items that, within the available cost constraints, satisfies both the need for the item to appeal visually to potential consumers, and the need for the item to perform its intended function efficiently. In a legal sense, industrial design refers to the right granted in many countries, pursuant to a registration system, to protect the original ornamental and non-functional features of an industrial article or product that result from design activity.

2.640 Visual appeal is one of the considerations that influence the decision of consumers to prefer one product over another, particularly in areas where a range of products performing the same function is available in the market. In these latter situations, if the technical performance of the various products offered by different manufacturers is relatively equal, aesthetic appeal, along with, of course, cost, will determine the consumer's choice. The legal protection of industrial designs thus serves the important function of protecting one of the distinctive elements by which manufacturers achieve market success. In so doing, by rewarding the creator for the effort which has produced the industrial design, legal protection serves as an incentive to the investment of resources in fostering the design element of production.

Evolution of Design Protection

2.641 Historically, the emergence of protection for industrial designs is intimately connected with the growth of industrialization and methods of mass production. In the United Kingdom, the first law giving protection to industrial designs was the Designing and Printing of Linens, Cotton, Calicoes and Muslins Act of 1787, which gave protection for a period of two months to "every person who shall invent, design and print, or cause to be invented, designed and printed, and become the Proprietor of any new and original pattern or patterns for printing Linens, Cottons, Calicoes or Muslins." The contribution and importance of design in the growing textile industries was thereby recognized.

2.642 Growing recognition of the expansion of industrialization and of the possible application of methods of mass production to most areas of manufacture lead to the gradual extension of design

protection to other fields of endeavor (notably sculpted figures used in the pottery and porcelain industries) up until the consolidation achieved in the Designs Act of 1842, which extended protection to "any new and original design whether such design be applicable to the ornamenting of any article of manufacture, or of any substance, artificial or natural, or partly artificial and partly natural, and that whether such design be so applicable for the pattern, or for the shape or configuration, or for the ornament thereof, or for any two or more of such purposes and by whatever means such design may be so applicable, whether by printing, or by painting, or by embroidery, or by weaving, or by sewing, or by modeling, or by casting, or by embossing, or by engraving, or by staining, or by any other means whatsoever, manual, mechanical, or chemical, separate or combined." Design was thereby recognized as a fundamental element of all production and manufacture.

2.643 A somewhat similar evolution of design protection took place in France. The Law on Literary and Artistic Property of 1793 was applied in certain cases to the protection of designs. The growth of the textile industries, in particular, soon led to the enactment in 1806 of a special law dealing with industrial designs. The Law of March 18, 1806, established a special council (Conciliation Board or *Conseil de Prud'hommes*) in Lyon responsible for receiving deposits of designs and for regulating disputes between manufacturers concerning designs. While initially destined for industries in Lyon, particularly those manufacturing silk, the system of deposit and regulation by special council was extended to other cities and, through judicial interpretation, to two- and three-dimensional designs in all areas of industrial activity.

The Legal Protection of Industrial Designs

2.644 The formulation of a legal system for the protection of industrial designs, like the provision of legal protection for all forms of intellectual property, requires the establishment of a balance of interests. On the one hand, there is the need to provide efficient and effective protection, in order that the law may fulfill its function of promoting the design element in production. On the other hand, there is the need to ensure that the law does not unnecessarily extend protection beyond what is necessary to create the required incentive for design activity, so that the least number of impediments are introduced to the free use of available designs. The establishment of this balance requires careful consideration of a number of matters, of which the most important are:

- the definition of the subject matter of protection;
- the rights which apply to the proprietor of the subject matter;
- the duration of such rights;
- the entitlement to such rights;
- the method of acquisition of such rights.

Definition of Subject Matter of Protection

Design as Conception or Idea

2.645 The subject matter of the legal protection of industrial designs is not articles or products, but rather the design which is applied to or embodied in such articles or products.

2.646 The emphasis is on an abstract conception or idea as the subject matter of design protection. Design protection does not apply to articles or products in such a way as to grant the

proprietor of the design exclusive rights over the commercial exploitation of those articles or products. Rather, design protection only applies to such articles or products as embody or reproduce the protected design. Protection does not, therefore, prevent other manufacturers from producing or dealing in similar articles fulfilling the same utilitarian function, provided that such substitute articles do not embody or reproduce the protected design.

2.647 The conception or idea that constitutes the design may be something which can be expressed either two-dimensionally or three-dimensionally. The definition of "design" which is used in the Registered Designs Act 1949 of the United Kingdom, for instance, refers to "features of shape, configuration, pattern or ornament" (Section 1). It has been generally considered that, in this definition, the words "shape" and "configuration" are synonymous, and that both signify the form in which an article is made or, in other words, something three-dimensional. Likewise, it has also been considered that the words "pattern" and "ornament" are synonymous, and that both refer to something embossed, engraved or placed upon an article for the purpose of its decoration or, in other words, to something essentially two-dimensional.

2.648 The Copyright, Designs and Patents Act 1988, of the United Kingdom, also provides for a "design right." Design is defined as referring to "any aspect of the shape or configuration (whether internal or external) of the whole or part of an article" (Section 213(2)).

2.649 A similar approach, emphasizing the inclusion of both two-dimensional and three-dimensional designs, is to be found in the laws of other countries. Thus, the Design Law of Japan (Law No. 125 of April 13, l959, as amended) refers to "design" as meaning "the shape, pattern or color or a combination of these in an article", and laws of France and Italy refer to both drawings or sketches (dessins—two-dimensional) and models (modèles—three-dimensional).

Application to or Embodiment in an Article

2.650 While the subject matter of design protection is an essentially abstract conception, one of the basic purposes of industrial design protection is the stimulation of the design element of production. It is, accordingly, a usual feature of industrial design laws that a design can be protected only if the design is capable of being used in industry, or in respect of articles produced on a large scale.

2.651 The requirement that a design must be applied to utilitarian articles in order to be protected is one of the principal matters which distinguishes the objectives of industrial design protection from copyright protection, since the latter is purely concerned with aesthetic creations. The requirement is variously expressed in different laws. For example, the Design Law of Japan similarly extends protection to designs "capable of being used in industrial manufacture" (Article 3(1)).

Exclusion of Designs Dictated by Function

2.652 The concern of industrial design protection with appearance only is also apparent from the requirement, commonly found in industrial design laws, that designs which are dictated solely by the function which the article is to perform shall be excluded from protection. In this respect, Article 25.1 of the TRIPS Agreement provides, for example, that Members of the WTO may provide that industrial design protection shall not extend to designs dictated essentially by technical or functional considerations.

2.653 A fundamental purpose is served by the exclusion from protection of designs dictated solely by the function which the article is to perform. Many articles to which designs are applied are not themselves novel, and are produced by a large number of different manufacturers. Belts, shoes,

screws and piston rings, for example, may be produced by hundreds of different manufacturers, and all articles within each class are intended to perform the same function. If a design for one such article, for example, screws, is dictated purely by the function which the screw is intended to perform, protection for that design would have the effect of excluding all other manufacturers from producing items intended to perform the same function. Such an exclusion is not warranted, unless the design is sufficiently novel and inventive to qualify under the rigorous standards for patent protection.

2.654 Since, under certain theories of design, form should follow function, it is often said that the exclusion from protection of designs which are dictated purely by function may have the effect of excluding too broad a range of designs from protection. Such a fear is in practice, however, unwarranted, since the exclusion relates only to those designs which are indispensable for achieving the desired function. In reality, many ways of achieving a given function will be possible. Thus, only if the given function could not be achieved after a design is altered would the design be excluded from protection. The question is thus whether the design for which protection is sought constitutes the sole solution for an intended function.

Novelty or Originality

2.655 It is a requirement of all industrial design laws that protection through registration shall be granted only to designs which are novel or, as it is sometimes expressed, original. The novelty of the design constitutes the fundamental reason for the grant of a reward to the originator through protection by registration of the industrial design.

2.656 While the requirement of novelty is to be found in all laws, the nature of the novelty that is required as a condition of protection differs amongst the laws of various countries. The novelty required is sometimes absolute or universal, meaning that the design for which registration is sought must be new as against all other designs produced in all other parts of the world at any previous time and disclosed by any tangible or oral means. On the other hand, a qualified standard of novelty is sometimes required. In this latter situation, the qualification may relate to time, meaning that novelty is judged by reference to designs published within a limited preceding period of time; or may relate to territory, meaning that novelty is judged by reference to all designs published within the relevant jurisdiction, as opposed to anywhere in the world; or may relate to means of expression, meaning that novelty is assessed by reference to written or tangible disclosures anywhere in the world and to oral disclosures only within the relevant jurisdiction.

2.657 The broad policy argument in favor of a standard of unqualified universal novelty is that exclusive rights by registration should be granted only where the originator of the design has produced something which is truly novel, and which therefore justifies the reward of exclusive rights. The broad policy argument in favor of a qualified standard of novelty is that one purpose of design registration is to encourage new design within the relevant jurisdiction, so that a novel design registered within that jurisdiction should not be deprived of protection by the publication elsewhere of a design which its originator did not introduce into the jurisdiction to add to the designs available to industry. It should be noted, however, that it would not necessarily follow from a qualified standard of novelty that a person could obtain valid rights within the jurisdiction simply by registering a design which he had seen overseas and copied, since it is often also a requirement of design law that the applicant be the author of the design.

Rights in Industrial Designs

2.658 The rights which are accorded to the proprietor of a validly registered industrial design again emphasize the essential purpose of design law in promoting and protecting the design

element of industrial production. Thus, whereas copyright accords to an author the right to prevent the copying of a work, industrial design law accords to the proprietor the exclusive right to prevent the unauthorized exploitation of the design in industrial articles.

Entitlement to Rights

2.659 The right to legal protection in respect of an industrial design belongs to the creator (or author or originator) of the industrial design. Two questions concerning the operation of this principle arise and are often the subject of particular legislative provisions.

2.660 First, there is the question of the entitlement to legal protection in respect of an industrial design that has been created by an employee, or by a contractor pursuant to a commission. In these situations, the law usually provides that the entitlement to legal protection of the design shall belong the employer, or to the person who has commissioned the design. The basis for this rule is that the creation of the design falls within the duties which the employee is paid to perform, so that the employee should seek the reward for his creative activity in an appropriate level of remuneration, responsibility and other conditions of employment. Likewise, in the case of the contractor, the thing for which the contractor is being paid is the production of the design for the use of the person commissioning the design.

2.661 Much contemporary design is produced with the assistance of computers. The question arises whether it can be said that there is an author or creator who is entitled to legal protection in respect of designs generated with the assistance of a computer. One approach to this question is to treat the computer like any other tool which may be used by a designer to assist in the process of generating a design. On this basis, the person who is responsible for manipulating the computer's capacity to produce a design would be considered to be the author of the design. A provision to this effect is to be found in Section 214(2) of the Copyright, Designs and Patents Act 1988, of the United Kingdom which provides:

> "In the case of a computer-generated design the person by whom the arrangements necessary for the creation of the design are undertaken shall be taken to be the designer."

Acquisition of Rights

Registration

2.662 Industrial design protection is usually granted pursuant to a procedure for the registration of such designs. The most commonly adopted examination system provides for a formal examination only of an application for a registered design. According to this system, an application is examined to ensure that it meets with each of the formal requirements for an application which are imposed by the relevant law (for example, whether the requisite number of representations or specimens of the design are filed with the application), but no search is made of the prior art to determine whether the substantive criterion of novelty or originality is satisfied by the design for which registration is sought.

2.663 A system requiring only formal examination has the effect of shifting the burden of assessing novelty to those interested persons in the market who may wish to use, or who may have used, the design or a substantially similar design. Any person interested in using such a design will have the opportunity either to oppose the registration of the design for which application has been made, if the relevant law provides for an opposition procedure, or of bringing proceedings for the cancellation of a registration which it is alleged is invalid. The system thus offers a means of reducing the administrative burden of the maintenance of a system of registration of industrial

designs. It also offers a solution to the problem of maintaining an adequate search file to undertake a substantive examination of the novelty of designs. Such a search file can very often be almost impossible to maintain, since, on the basis of a condition of unqualified universal novelty, it would need to include all designs made at any time in any part of the world since the commencement of recorded history.

2.664 The alternative system of examination provides for a search of past designs and an examination of the design for which registration is sought to ascertain whether it satisfies the required condition of novelty. It necessitates the maintenance of a search file and sufficient skilled manpower to undertake the substantive examination.

Creation and Fixation

2.665 Rights in designs may, under certain laws, also be acquired by the act of creation and fixation of the design, in a document or by embodying the design in an article. These systems do not require any formal registration procedure for the acquisition of exclusive rights in the design. Examples of this system are provided by the Law of France, and the "design law" under the Copyright, Designs and Patents Act 1988, of the United Kingdom.

Nature of the Rights

2.666 The right to prevent others from exploiting an industrial design usually encompasses the exclusive right to do any of the following things for industrial or commercial purposes:

- make articles to which the design is applied or in which the design is embodied;

- import articles to which the design is applied or in which it is embodied;

- sell, hire or offer for sale any such articles.

2.667 In some laws, the exclusive rights of the proprietor also extend to preventing another from stocking any articles to which the design has been applied or in which it is embodied. While this right is sometimes considered as excessive in that it deals only with preparatory acts, it is on the other hand often included in order to facilitate the enforcement of a proprietor's rights, since it may often be easier to locate a stock of infringing articles than to apprehend a person in the act of selling or offering for sale such articles.

2.668 As opposed to copyright, where the subject matter of the right is the work which is created by the author and which is thus defined by the author, the subject matter of the rights of the proprietor of an industrial design are defined by the design which has been registered. However, it is usual to provide that the proprietor's rights extend not only to the unauthorized exploitation of the exact design which has been registered, but also to the unauthorized exploitation of any imitations of such a design which differ from the registered design only in immaterial respects.

Duration of Rights

2.669 The term for an industrial design right varies from country to country. The usual maximum term goes from 10 to 25 years, often divided into terms requiring the proprietor to renew the registration in order to obtain an extension of the term. The relatively short period of protection may be related to the association of designs with more general styles of fashions, which tend to enjoy somewhat transient acceptance or success, particularly in highly fashion-conscious areas, such as clothing or footwear.

Relation to Copyright

2.670 Objects qualifying for protection under the law of industrial designs might equally well receive protection from the law of copyright. Thus, industrial designs law has relations both with copyright law and with industrial property law. Supposing a particular design embodies elements or features which are protected both by the copyright law and the industrial design law, may a creator of an industrial design claim cumulatively or simultaneously the protection of both laws? If this question is answered affirmatively, protection is cumulative. Cumulation of protection means that the design is protected simultaneously and concurrently by both laws in the sense that the creator can invoke the protection of either or both, the copyright law or the industrial design law, as he chooses. It also means that if he has failed to obtain the protection of the industrial design law by failing to register his design, he can claim the protection of copyright law, which is available without compliance with any formality. Finally, it means that after the term of protection of the registered design expires, the creator may still have the protection of the copyright law.

2.671 But it is to be noted that cumulation must be distinguished from "co-existence." Co-existence of protection means that the creator may choose to be protected either by the industrial design law or by the copyright law. If he has chosen the one, he can no longer invoke the other. If he has registered the industrial design, at the expiration of such registration he can no longer claim protection under the copyright law, at least for the particular application of the industrial design.

2.672 The system of cumulation of protection by the industrial design law and the copyright law exists in France and in Germany. And the system of co-existence of protection by both laws prevails in most other countries.

2.673 The difference between protection by the copyright law and protection by the industrial design law is as follows. Under the industrial design law, protection is lost unless the industrial design is registered by the applicant before publication or public use anywhere, or at least in the country where protection is claimed. Copyright in most countries subsists without formalities. Registration is not necessary. Industrial design protection endures generally for a short period of three, five, ten or fifteen years. Copyright endures in most countries for the life of the author and fifty years after his death.

2.674 The right conferred by registration of an industrial design is an absolute right in the sense that there is infringement whether or not there has been deliberate copying. There is infringement even though the infringer acted independently and without knowledge of the registered design. Under copyright law, there is infringement only in the reproduction of the work in which copyright subsists.

Integrated Circuits

2.675 Another field in the protection of intellectual property is that of layout-designs (topographies) of integrated circuits.

2.676 The layout-designs of integrated circuits are creations of the human mind. They are usually the result of an enormous investment, both in terms of the time of highly qualified experts, and financially. There is a continuing need for the creation of new layout-designs which reduce the dimensions of existing integrated circuits and simultaneously increase their functions. The smaller an integrated circuit, the less the material needed for its manufacture, and the smaller the space

needed to accommodate it. Integrated circuits are utilized in a large range of products, including articles of everyday use, such as watches, television sets, washing machines, automobiles, etc., as well as sophisticated data processing equipment.

2.677 Whereas the creation of a new layout-design for an integrated circuit involves an important investment, the copying of such a layout-design may cost only a fraction of that investment. Copying may be done by photographing each layer of an integrated circuit and preparing masks for its production on the basis of the photographs obtained. The possibility of such copying is the main reason for the introduction of legislation for the protection of layout-designs.

2.678 A Diplomatic Conference was held at Washington, D.C., in 1989, which adopted a Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty). The Treaty is open to States Members of WIPO or the United Nations and to intergovernmental organizations meeting certain criteria.

2.679 The Treaty has been incorporated by reference into the TRIPS Agreement of the World Trade Organization (WTO), subject to the following modifications: the term of protection is at least 10 (rather than eight) years from the date of filing an application or of the first commercial exploitation in the world, but Members may provide a term of protection of 15 years from the creation of the layout-design; the exclusive right of the right-holder extends also to articles incorporating integrated circuits in which a protected layout-design is incorporated, in so far as it continues to contain an unlawfully reproduced layout-design; the circumstances in which layout-designs may be used without the consent of right-holders are more restricted; certain acts engaged in unknowingly will not constitute infringement.

Definition of Subject Matter of Protection

2.680 Article 2 of the IPIC Treaty gives the following definitions:

> "(i) 'integrated circuit' means a product, in its final form or an intermediate form, in which the elements, at least one of which is an active element, and some or all of the inter-connections are integrally formed in and/or on a piece of material and which is intended to perform an electronic function,
>
> (ii) 'layout-design (topography)' means the three-dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three-dimensional disposition prepared for an integrated circuit intended for manufacture ... "

Nature of the System Established by the Washington Treaty

2.681 Under the IPIC Treaty, each Contracting Party is obliged to secure, throughout its territory, intellectual property protection of layout-designs (topographies) of integrated circuits, whether or not the integrated circuit concerned is incorporated in an article. Such obligation applies to layout-designs that are original in the sense that they are the result of their creators' own intellectual effort and are not commonplace among creators of layout designs and manufacturers of integrated circuits at the time of their creation.

2.682 The Contracting Parties must, as a minimum, consider the following acts to be unlawful if performed without the authorization of the holder of the right: the reproduction of the lay-out design, and the importation, sale or other distribution for commercial purposes of the layout-design or an integrated circuit in which the layout-design is incorporated.

2.683 However, certain acts may be freely performed for private purposes or for the sole purpose of evaluation, analysis, research or teaching.

2.684 Mention should be made, in this connection, of the concept of "reverse engineering." In the context of the integrated circuits industry, reverse engineering is the use of an existing layout-design in order to improve upon it. It is considered desirable to permit reverse engineering even if it involves the copying of an existing layout-design, provided that an improved layout-design is thereby created—an advance of technology which is in the general public interest.

2.685 The Contracting Parties may make protection of layout-designs dependent on their commercial exploitation or on the filing of an application for their registration, or on their registration.

Geographical Indications

Introduction

2.686 "Champagne," "Cognac," "Roquefort," "Chianti," "Pilsen," "Porto," "Sheffield," "Havana," "Tequila," "Darjeeling"—are some well-known examples for names which are associated throughout the world with products of a certain nature and quality. One common feature of all those names is their geographical connotation, that is to say, their function of designating existing places, towns, regions or countries. However, when we hear these names we think of products rather than the places they designate.

2.687 Those examples show that geographical indications can acquire a high reputation and thus may be valuable commercial assets. For this very reason, they are often exposed to misappropriation, counterfeiting or forgery, and their protection—national as well as international—is highly desirable.

2.688 With the exception of design law, there is probably no category of intellectual property law where there exists such a variety of concepts of protection as in the field of geographical indications. This is maybe best demonstrated by the term "geographical indication" itself, which is relatively new and appeared only recently in international negotiations.

2.689 The Paris Convention for the Protection of Industrial Property does not contain the notion of geographical indication. Article 1 paragraph (2) defines as subjects of industrial property, inter alia, indications of source and appellations of origin. This is the terminology traditionally applied and still officially used in the conventions and agreements administered by WIPO. According to this terminology, the following distinction is made between indications of source and appellations of origin: "indication of source" means any expression or sign used to indicate that a product or service originates in a country, a region or a specific place, whereas "appellation of origin" means the geographical name of a country, region or specific place which serves to designate a product originating therein the characteristic qualities of which are due exclusively or essentially to the geographical environment, including natural or human factors or both natural and human factors.

2.690 It is important to highlight the difference between indications of source and appellations of origin. The use of an appellation of origin requires a quality link between the product and its area of production. This qualitative link consists of certain characteristics of the product which are exclusively or essentially attributable to its geographical origin such as, for example, climate, soil or

traditional methods of production. On the other hand, the use of an indication of source on a given product is merely subject to the condition that this product originates from the place designated by the indication of source. Appellations of origin can be understood as a special kind of indication of source. According to the terminology traditionally applied, the term "indication of source" comprises all appellations of origin, but, in its general use, it has become rather a designation for those indications of source which are not considered to be appellations of origin.

2.691 The term "geographical indication" has been chosen by WIPO to describe the subject matter of a new treaty for the international protection of names and symbols which indicate a certain geographical origin of a given product. In this connection, the term is intended to be used in its widest possible meaning. It embraces all existing means of protection of such names and symbols, regardless of whether they indicate that the qualities of a given product are due to its geographical origin (such as appellations of origin), or they merely indicate the place of origin of a product (such as indications of source). This definition also covers symbols, because geographical indications are not only constituted by names, such as the name of a town, a region or a country ("direct geographical indications"), but may also consist of symbols. Such symbols may be capable of indicating the origin of goods without literally naming its place of origin. Examples for such indirect geographical indications are the Eiffel Tower for Paris, the Matterhorn for Switzerland or the Tower Bridge for London.

2.692 On the other hand, the term "geographical indication" is also used in the EC Council Regulation No. 2081/92 of July 14, 1992, on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs and in the Agreement on TRIPS. In both texts, this term is applied to products whose quality and characteristics are attributable to their geographical origin, an approach that closely resembles the appellation of origin kind of protection. In other words, "mere" indications of source are not covered by the specific notion of geographical indication used in those two legal texts. However, this presentation, in trying to take into account all existing forms of protection of geographical indications, uses the term in its widest meaning.

2.693 When considering geographical indications as a special kind of distinctive sign used in commerce and thus as a particular category of intellectual property, it is important to distinguish them from trademarks: whereas a trademark identifies the enterprise which offers certain products or services on the market, a geographical indication identifies a geographical area in which one or several enterprises are located which produce the kind of product for which the geographical indication is used. Thus, there is no "owner" of a geographical indication in the sense that one person or enterprise can exclude other persons or enterprises from the use of a geographical indication, but each and every enterprise which is located in the area to which the geographical indication refers has the right to use the said indication for the products originating in the said area, but possibly subject to compliance with certain quality requirements such as prescribed, for example, in administrative decrees governing the use of appellations of origin.

2.694 What is meant by "protection" of geographical indications? First of all, protection means the right to prevent unauthorized persons from using geographical indications, either for products which do not originate from the geographical place indicated, or not complying with the prescribed quality standards. The second aspect related to the issue of protection is the question of protecting geographical indications against becoming generic expressions: in that case they have lost all their distinctiveness and, consequently, will lose their protection. The question whether a geographical indication is a generic term and void of any protection is, in the absence of an international agreement, to be determined by national law. It might well be that a geographical name is regarded in one country as a geographical indication and is protected accordingly, whereas it is considered to be a generic or semi-generic term in another country. Notorious examples for such diverging treatment of geographical names are the French names "Champagne" and "Chablis"

which, in France, are only allowed to be used for products originating from a certain geographical area and produced according to certain quality standards, whereas, in the United States of America for example, they are regarded as being semi-generic names, and therefore may be also used for wines not originating from the French area of production. This aspect of protection is especially important in the context of international protection of geographical indications and is dealt with, for example, by the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

Protection of Geographical Indications on the National Level

2.695 As regards the various forms of protection of geographical indications on the national level, three main categories can be distinguished. The first category comprises all possibilities of protection which are not based on a decision taken by the competent authority establishing protection with respect to a particular geographical indication, but which result from the direct application of legislative provisions or principles established by jurisprudence. The second category covers the protection of geographical indications through registration of collective marks (including agricultural labels) or certification marks (or guarantee marks). The third category includes all special titles of protection of geographical indications which result from a decision made by the competent government authority establishing the protection. This category, in particular, comprises the protection of appellations of origin—whether they result from a registration with the industrial property office, as under the new Russian law, or from the adoption of decrees, as is the practice in France since the adoption, in 1919, of a special law for the protection of appellations of origin.

Special Titles of Protection

2.696 Already early in this century it was felt that the protection of indications of source against false or deceptive use was insufficient. In addition, the need for the protection and the encouragement of local, traditional methods of production emerged. It was in France where the first statute was enacted which provided for the protection of geographical indications through a special title of industrial property, namely appellations of origin.

2.697 The French Law of May 6, 1919, recognized the existence of appellations of origin and laid down conditions for their protection. According to this law, an appellation of origin consists of the name of a country, region or locality that serves to designate a product originating therein, the quality and characteristics of which are due to the geographical environment, including both natural and human factors. This means that only such products are protected under this special title which originate from a specific area and which owe their specific quality to their place of origin. In order to ensure that the products possess the specified qualities, a control mechanism has been set up by the competent authorities, and quality controls are carried out regularly. Only products which comply with the quality standards are protected by an appellation of origin. Initially, appellations of origin only concerned wines and spirits, but later the concept was extended to include other products (such as dairy products, mainly cheese and butter), poultry and plant products.

2.698 Because of the success of the French appellations of origin, the same or a similar system was introduced also in other countries, mainly in the sector of wines and spirits.

Registration of Collective Marks or Certification Marks

2.699 The protection of a given geographical indication may not only be based on a public or administrative act, but may also result from a private initiative. With regard to the latter approach,

collective marks or certification marks provide a means for the protection of geographical indications independent of statutory or judicial measures. The concepts of collective mark and certification mark (or, in some countries, guarantee mark) differ from country to country. Depending on the applicable national law, a collective mark or certification mark may serve to indicate, *inter alia*, the origin of goods or services, and therefore may to some extent be suitable for the protection of a geographical indication.

2.700 A collective mark is a mark the use of which is only allowed to the members of a collective body. Such a body can be an association or cooperative of manufacturers, producers or traders. The collective mark is owned by the association which exclusively grants its members the right to use it. The association may be a domestic one or a foreign one. Normally, the use of the collective mark is governed by regulations which have to be submitted to the industrial property office together with the application for registration. The question whether a geographical indication is registrable as a collective mark depends entirely on a given national law. Some national trademark laws exclude the registration of geographical indications as collective marks, although, more recently, that exclusion has been abolished by some countries.

2.701 Once a geographical indication has been registered as a collective mark, the association that owns it has the right to prohibit its use by persons who are not members of the association. However, in case of conflict with a senior right, the members of the association may be excluded from using the collective mark. Moreover, the registration of a geographical indication as collective mark may not, *per se*, prevent the mark from becoming a generic term. Furthermore, the laws of some countries contain strict use requirements which may result in the cancellation of the registration of the collective mark in case it is not continuously used.

2.702 In contrast to collective marks, certification marks and guarantee marks are not owned by a collective body such as an association of producers, but by a certification authority. Such authority may be a local council or an association which is not engaged in the production or the trade of the products concerned. The latter is of particular importance because it is the owner of the certification mark who must ensure that the goods bearing the certification mark possess the certified qualities. A certification mark may be used to certify, *inter alia*, the origin of products or services. The application for the registration of a certification mark has to be accompanied by regulations which govern the use of the certification mark. Regarding the registrability of geographical indications as certification marks and guarantee marks, the same principles as for the registration of collective marks apply.

2.703 Where a geographical indication has been registered as a certification mark or guarantee mark, it may normally be used by everybody whose products comply with the requirements set out in the regulation. Such right to use, however, may not exist in case of conflict with a senior right. The institution which owns the registered certification mark or guarantee mark has the right to prohibit the use of that mark by persons whose products do not comply with the requirements set out in the regulations. In general, the protection of a geographical indication through registration as certification mark or guarantee mark is equivalent to that conferred by registration as a collective mark.

2.704 A special form of protected geographical indication resembling the concept of collective marks is the French "agricultural label" (in French "label agricole"). An agricultural label is a collective mark that certifies that a foodstuff or a non-nutritious and non-transformed agricultural product (such as cereal seeds) possesses a combination of specific characteristics and a level of quality which is higher than that of similar products. An agricultural label can be a national label (known as "red label") or a regional label, the latter referring to characteristics which are specific, traditional or representative of a region. Products in respect of which an appellation of origin has

been established and some categories of wines (even if not benefitting from an appellation of origin) may not be the subject of protection by way of an agricultural label. The agricultural label is registered in the name of the entity that controls its use. The application of the Decree is not limited to French products, but so far only little use has been made of the possibility of applying the Decree to foreign products. An example of a foreign product is the label for "Scottish salmon".

The Law of Unfair Competition

2.705 The use of a certain geographical indication for goods or services not originating from the respective area may be misleading and thus may deceive consumers. Furthermore, such use may constitute a misappropriation of the goodwill of the person who is truly entitled to use the geographical indication. An action for unfair competition—which, depending on the national law, is either based on statutory provisions, as interpreted by court decisions, or on common law—can be instituted in order to prevent competitors from resorting, in the course of trade, to such misleading practices.

2.706 Although the conditions for a successful action for unfair competition vary from country to country, the following basic principles appear to be generally recognized. In order to be protectable, a given geographical indication must have acquired a certain reputation or goodwill. In other words, the potential buyers of the product must associate the geographical indication with the place of origin of the goods or services. Such an action further requires that the use of the geographical indication on goods or services not originating from the respective geographical area is misleading, so that consumers are deceived as to the true place of origin of the products or services. Under some national laws, proof of damages or the likelihood of damages caused by such misleading practices is required.

2.707 Whereas the principle that misleading use of a geographical indication may give rise to an action for unfair competition is generally recognized, the outcome of such an action is uncertain. In particular, the extent to which the geographical indication in question must have acquired a reputation may vary from country to country. It may be required that the geographical indication must have been used in the course of trade for a certain time and that an association between the geographical indication and the place of origin of the products and services must have been created amongst the relevant circles. Therefore, a geographical indication, the reputation of which is not yet established on the market, may not be protectable against misleading use by competitors through an action for unfair competition. Furthermore, a geographical indication which has not been used for a certain time may lose its reputation and therefore may no longer be protectable by an action for unfair competition. Geographical indications which become generic terms in a particular country lose their distinctive character and are no longer protectable in that country.

Protection of Geographical Indications on the International Level through Multilateral Treaties

2.708 Three multilateral treaties administered by WIPO contain provisions for the protection of geographical indications: the Paris Convention for the Protection of Industrial Property, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (hereinafter referred to as the Madrid Agreement), and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (hereinafter referred to as the Lisbon Agreement).

The Paris Convention for the Protection of Industrial Property

2.709 Several provisions of the Paris Convention deal specifically with indications of source or appellations of origin: Article 1(2) contains a reference to "indications of source" and "appellations of origin" in the list of objects of industrial property; Article 10 deals with the protection of indications of source; Article 9 provides for certain sanctions which are applicable*, inter alia*, in cases of direct or indirect use of false indications of source; and Article 10*ter* reinforces the provisions of Articles 9 and 10.

2.710 Article 1(2) provides that the protection of industrial property has as its object, among others, "indications of source" or "appellations of origin." The obligation to protect indications of source is specifically provided for in Article 10, but there are no special provisions in the Paris Convention for the protection of appellations of origin. Nevertheless, Articles 9, 10 and 10*ter* are applicable to appellations of origin since each appellation of origin by definition constitutes an indication of source.

2.711 Article 10(1) is the basic provision of the Paris Convention on indications of source. It provides that the sanctions prescribed by Article 9 in respect of goods unlawfully bearing a trademark or trade name apply to any use of a "false indication of the source" of a product. This means that no indications of source may be used that refer to a geographical area from which the products in question do not originate. For the provision to be applicable, there is no need for the false indication to appear on the product, since any direct or indirect use, for example in advertising, is sanctionable. However, Article 10(1) does not apply to indications which, without being false, may mislead the public, or at least the public of a certain country: for example, where certain geographical areas in different countries have the same name but only one of those areas is internationally known for particular products, the use of that name in connection with products originating from another area may be misleading, but not sanctionable.

2.712 As regards the sanctions in the case of the use of a false indication of source, Article 9 establishes the principle that seizure upon importation must be provided for, or at least prohibition of importation or seizure inside the country but, if those sanctions do not exist in a particular country, the actions and remedies available in such cases are to be applied.

2.713 Article 9(3) and Article 10(2) determine who may request seizure on importation or the imposition of other sanctions: the public prosecutor, any other competent authority, any interested party. Article 10(2) defines what is meant by "interested party", stipulating that "any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used, shall in any case be deemed an interested party."

2.714 Article 10*bis* concerns the protection against unfair competition and as such provides a basis for protection against the use of confusing, false or misleading geographical indications. Article 10*bis* obliges countries of the Paris Union to assure effective protection against unfair competition, sets a general definition of what constitutes an act of unfair competition and contains a non-exhaustive list of three types of acts which, in particular, must be prohibited.

2.715 Article 10*ter* is also relevant inasmuch as it obliges countries of the Union to provide, on the one hand, appropriate legal remedies and to permit, on the other, federations and associations representing interested industrialists, producers or traders to take action, under certain conditions, with a view to the repression of false indications of source.

2.716 The main advantage of the protection afforded by the Paris Convention to indications of source lies in the extent of the territorial area covered by the member countries of the Paris Union; information on the number of member countries can be found in the appropriate document inserted in the back flap of this publication. On the other hand, the question of indications which, in countries other than the country of origin, are generic names of a product in other countries is not dealt with in the Paris Convention, so that member States of the Paris Union can be entirely free in that respect. Finally, sanctions, although specifically mentioned in the Paris Convention, are not in all cases mandatory and apply only to false but not to misleading indications of source.

The Madrid Agreement for the Repression of False and Deceptive Indications of Source on Goods

2.717 The Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods is a special agreement within the framework of the Paris Union. The Agreement aims at the repression not only of false, but also of deceptive, indications of source.

2.718 Article 1(1) of the Madrid Agreement provides that any product bearing a false or deceptive indication by which one of the States party to the Madrid Agreement or a place situated therein is directly or indirectly indicated as being the country or place of origin, must be seized on importation into any of the States party to the Madrid Agreement.

2.719 The other paragraphs of Articles 1 and 2 specify the cases and the manner in which seizure or similar measures may be requested and carried out. There is no express provision to the effect that private individuals may request seizure directly. Thus, member States are free to provide that such persons have to apply through the public prosecutor or any other competent authority.

2.720 Article 3 authorizes a vendor to indicate his name or address on goods coming from a country other than that in which the sale takes place, but obliges him, if he does so, to have his name or address accompanied by an exact indication in clear characters of the country or place of manufacture or production, or by some other indication sufficient to avoid any error as to the true source of the wares.

2.721 Article 3*bis* obliges the States party to the Madrid Agreement to prohibit the use, in connection with the sale or display or offering for sale of any goods, of all indications capable of deceiving the public as to the source of the goods.

2.722 Article 4 provides that the courts of each country have to decide what appellations, on account of their generic character, do not fall within the provisions of the Madrid Agreement. Only regional appellations concerning the source of products of the vine are excluded from the reservation inherent in the provision. The reservation substantially limits the scope of the Madrid Agreement, in spite of the important exception constituted by the case of regional appellations concerning the source of products of the vine, for which protection is absolute.

2.723 A list of States that are party to the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods can be found in the appropriate document inserted in the back flap of this publication.

The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration

2.724 The limited geographical scope of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration is due to particular characteristics of the substantive provisions of the Agreement.

2.725 Article 2(1) contains a definition according to which appellation of origin means "the geographical name of a country, region or locality which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors." It follows that only names conforming to the definition may be protected by virtue of the Lisbon Agreement. Simple indications of source (which can be used for products whose characteristics do not result from the geographical environment) are excluded from its purview. This limitation has prevented the accession of countries which do not know the concept of appellation of origin.

2.726 The first element of the definition is that the appellation must be the geographical name of a country, region or locality. The second element of the definition is that the appellation of origin must serve to designate a product originating in the country, region or locality referred to. The third element of the definition is that there must be a qualitative link between the product and the geographical area: the "quality and characteristics" must be due exclusively or essentially to the geographical environment; if the qualitative link is insufficient, that is, if the characteristic qualities are not due essentially, but only to a small extent, to the geographical environment, the name is not an appellation of origin but merely an indication of source; as for the geographical environment, it includes natural factors, such as soil or climate, and human factors, such as the special professional traditions of the producers established in the geographical area concerned.

2.727 Even if interpreted broadly, the definition of appellation of origin in Article 2(1) has a serious drawback for countries whose denominations typically do not apply to agricultural products or products of handicraft but to products of industry. The difficulty arises from the fact that Article 2(1) requires the existence of a qualitative link between the geographical environment and the product, even though the presence of purely human factors would be considered sufficient. This link, which may have existed at the start of the manufacture of an industrial product, may subsequently have been stretched to the point that its existence is difficult to prove. Moreover, traditions in manufacture and skilled staff can be shifted from one geographical area to another, in particular in view of the increasing mobility of human resources in all parts of the world.

2.728 Article 1(2) provides that the countries party to the Lisbon Agreement undertake to protect on their territories, in accordance with the terms of the Agreement, the appellations of origin of products of the other countries party to the Lisbon Agreement, recognized and protected as such in the country of origin and registered at the International Bureau of WIPO. Therefore, in order to be protected under the Lisbon Agreement, the appellation of origin must fulfill two conditions. The first condition is that the appellation of origin must be recognized and protected as such in the country of origin (the latter being defined in Article 2(2)). This condition means that it is not sufficient for the country in question to protect its appellations in a general way. Each appellation still has to benefit from distinct and express protection, deriving from a specific official act (a legislative or administrative provision, or a judicial decision, or a registration). Such an official act is required because the specific elements of the object of protection (the geographical area, the lawful users of the appellation of origin, the nature of the product) must be determined. Those elements must be indicated in the application for international registration in accordance with Rule 1 of the Regulations under the Lisbon Agreement.

2.729 The second condition laid down by Article 1(2) is that the appellation of origin must be registered with the International Bureau of WIPO. Articles 5 and 7 of the Agreement itself and the Regulations set forth the procedure for international registration.

2.730 Article 2(2) defines the country of origin as being "the country whose name, or the country in which is situated the region or locality whose name, constitutes the appellation of origin which has given the product its reputation."

2.731 Article 5(1) and the corresponding provisions of the Regulations issued under the Lisbon Agreement define the procedure for international registration. International registration must be applied for by the competent Office of the country of origin, and therefore may not be requested by interested parties. The national Office, however, does not apply in its own name for international registration, but in that of "any natural persons or legal entities, public or private, having a right to use (in French, "titulaire du droit d'user")" the appellation, according to the applicable national legislation. The International Bureau of WIPO has no competence to examine the application with respect to substance; it may only make an examination as to form. Under Article 5(2) of the Lisbon Agreement, the International Bureau notifies the registration without delay to the Offices of the countries party to the Lisbon Agreement and publishes it in its periodical "Les Appellations d'origine" (Rule 7 of the Regulations).

2.732 In accordance with Article 5(3) to (5), the Office of any State party to the Lisbon Agreement may, within a period of one year from the receipt of the notification of registration, declare that it cannot ensure the protection of a given appellation. Apart from the time limit mentioned, the right of refusal is subject to only one condition: the grounds for refusal must be indicated. The grounds which may be so indicated are not restricted by the Lisbon Agreement; this in fact gives each country the discretionary power to protect or refuse to protect a registered appellation of origin. In all countries not having made a declaration of refusal, the registered appellation enjoys protection. However, if third parties have been using the appellation in a given country prior to the notification of the registration, the Office of that country may, under Article 5(6) of the Lisbon Agreement, grant them a maximum of two years in which to terminate such use.

2.733 The protection conferred by international registration is unlimited in time. Article 6 provides that an appellation which has been granted protection cannot be deemed to have become generic, as long as it is protected as an appellation of origin in the country of origin. Article 7 provides that the registration need not be renewed and is subject to payment of a single fee. An international registration ceases to have effect only in two cases: either the registered appellation has become a generic name in the country of origin, or the international registration has been canceled by the International Bureau at the request of the Office of the country of origin.

2.734 The content of the protection afforded to an appellation of origin registered under the Lisbon Agreement, according to Article 3 of the Agreement, is very extensive. Any usurpation or imitation of the appellation is prohibited, even if the true origin of the product is indicated or if the appellation is used in translated form or qualified by terms such as "kind", "type", "make", "imitation", or the like.

2.735 With regard to the enforcement of the protection of an appellation of origin registered under the Lisbon Agreement, Article 8 refers to national legislation. It specifies that the right to take action belongs to the competent Office and the public prosecutor, on one hand, and to any interested party, whether a natural person or a legal entity, whether public or private, on the other. In addition to any sanctions applicable pursuant to the Paris Convention and the Madrid Agreement (Article 4), all the sanctions provided for in national legislation, whether civil (injunctions restraining or prohibiting unlawful acts, actions for damages, etc.), penal or administrative, are to be applied. However, the Lisbon Agreement does not establish a standard with respect to the sanctions to be provided for by the States party to it.

2.736 A list of the countries party to the Lisbon Agreement can be found in the appropriate document inserted in the back flap of this publication.

Protection of Geographical Indications at the International Level through the Provisions of Bilateral Agreements

2.737 A further possibility of international protection of geographical indications is the conclusion of bilateral agreements between two states. A number of countries have entered into such agreements. In general, such bilateral agreements consist of lists of geographical indications which were drawn up by the contracting parties and an undertaking to protect the geographical indications of the respective contracting parties. The agreement usually also specifies the kind of protection that is to be granted. Although in general useful, bilateral agreements cannot constitute an entirely adequate solution to the problem of the lack of international protection because of the multiplicity of negotiations required and, resulting therefrom, an inevitable diversity of standards.

Provisions of The TRIPS Agreement on Geographical Indications

2.738 Part II, Section 3 of the TRIPS Agreement is dedicated to geographical indications. The general norm of protection is provided by Article 22.2, which reads as follows:

> "2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:
>
> - the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of the origin in a manner which misleads the public as to the geographical origin of the good;
>
> - any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967)."

2.739 Article 22.2 is supplemented by Article 22.3 and 22.4. Article 22.3 deals specifically with the registration of trademarks, containing or consisting of a geographical indication, for goods not originating in the territory indicated, if the use of those trademarks for such goods would be misleading as to the true place of origin of the goods. The remedy that must be available in that situation is refusal or invalidation of the trademark registration, either *ex officio*, if the applicable law so allows, or at the request of an interested party.

2.740 Article 22.4 stipulates that the protection under Article 22.1 to 3 must also be made available in respect of the use of deceptive geographical indications, i.e., geographical indications that are literally true, although they falsely represent to the public that the goods on which they are used originate in a different territory.

2.741 Article 23.1 provides for additional protection for geographical indications for wines and spirits. It reads as follows:

> "Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as 'kind,' 'type,' 'style,' 'imitation' or the like."

2.742 Article 23.1 has a footnote with the following wording:

> "Notwithstanding the first sentence of Article 42, Members may, with respect to these obligations, instead provide for enforcement by administrative action."

2.743 Article 23.1 is supplemented by a paragraph dealing specifically with the registration of trademarks for wines containing or consisting of a geographical indication for wines, and the registration of a trademark for spirits containing a geographical indication for spirits, where the wines and spirits in question do not have the indicated geographical origin. Registration of trademarks falling under that provision has to be refused or canceled, either *ex officio* if the applicable law so allows, or at the request of an interested party.

2.744 Article 24 contains a number of exceptions to the obligations under Articles 22 and 23. Broadly speaking, there are three categories of exceptions, namely, continued and similar use of geographical indications for wines and spirits, prior good faith trademark rights, and generic designations.

2.745 The first exception (Article 24.4) gives the right to WTO Members to allow continued and similar use of a particular geographical indication of another Member identifying wines or spirits, in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in the territory of that Member, either for at least 10 years preceding April 15, 1994, or in good faith preceding that date.

2.746 The second exception relates to rights in trademarks (Article 24.5). It basically states that the implementation of the Section on geographical indications by a WTO Member is without prejudice to the registration of trademarks identical with or similar to geographical indications, to the application for registration of such trademarks, or the right to use such trademarks, if the following conditions are fulfilled: an application for the registration of such a trademark must have been filed, or the trademark must have been registered, or, where the right to the trademark was acquired by use, that trademark must have been used, in good faith, in the WTO Member concerned, before the TRIPS Agreement became applicable in that Member, or before the geographical indication in question is protected in its country of origin.

2.747 The third exception (Article 24.6) is related to geographical indications of a WTO Member which are considered by another WTO Member to be a term customary in common language as the common name for goods or services or, where the geographical indication is used for products of the vine, it is identical with the customary name of a grape variety existing in the territory of that Member as of the date of entry into force of the TRIPS Agreement.

Protection Against Unfair Competition

Introduction

2.748 Protection against unfair competition has been recognized as forming part of industrial property protection for almost a century. It was in 1900, at the Brussels Diplomatic Conference for the Revision of the Paris Convention for the Protection of Industrial Property (hereinafter referred to as the Paris Convention), that this recognition was first manifested by the insertion of Article 10*bis*

in the Convention. As a result of the subsequent revision conferences, the Article now reads as follows (in the Stockholm Act (1967) of the Paris Convention):

> "(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
>
> Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
>
> The following in particular shall be prohibited:
>
> - all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
>
> - false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
>
> - indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods."

2.749 At first glance, there seem to be basic differences between the protection of industrial property rights, such as patents, registered industrial designs, registered trademarks, etc., on the one hand, and protection against acts of unfair competition on the other. Whereas those industrial property rights are granted on application by industrial property offices and confer exclusive rights with respect to the subject matter concerned, protection against unfair competition is based not on such grants of rights but on the consideration—either stated in legislative provisions or recognized as a general principle of law—that acts contrary to honest business practice are to be prohibited. Nevertheless, the link between the two kinds of protection is clear when certain cases of unfair competition are considered. For example, in many countries unauthorized use of a trademark that has not been registered is considered illegal on the basis of general principles that belong to the field of protection against unfair competition (in a number of countries such unauthorized use is called "passing-off"). There is another example of this kind in the field of inventions: if an invention is not disclosed to the public and is considered to constitute a trade secret, the unauthorized performance by third parties of certain acts in relation to that trade secret may be illegal. Indeed the performance of certain acts in relation to an invention that has been disclosed to the public and is not patented or in respect of which the patent has expired, may under very special circumstances also be illegal (as an act of "slavish imitation").

2.750 The above examples show that protection against unfair competition effectively supplements the protection of industrial property rights, such as patents and registered trademarks, in cases where an invention or a sign is not protected by such a right. There are, of course, other cases of unfair competition, for example the case referred to in Article 10*bis*(3)2 of the Paris Convention, namely that of a false allegation in the course of trade of such a nature as to discredit a competitor, in which protection against unfair competition does not perform such a supplementary function. This is due to the fact that the notion of unfair competition covers a great variety of acts, as will be discussed in the analysis below.

The Need for Protection

2.751 A number of countries both in regions of the developed and developing world, are adopting or have adopted market economy systems, which allow free competition between industrial and commercial enterprises within certain limits defined by law. Free competition between enterprises is considered the best means of satisfying supply and demand in the economy and of serving the interests of consumers and the economy as a whole. However, where there is competition, acts of unfair competition are liable to occur. This phenomenon has been discernible in all countries and at all times, regardless of prevailing political or social systems.

2.752 Sometimes economic competition has been compared to competition in sport, because in both the best should win. In economic competition, that should be the enterprise providing the most useful and effective product or service on the most economical and (to the consumer) satisfying terms. This result can only be achieved, however, if all participants play according to a certain set of basic rules. Violations of the basic rules of economic competition can take various forms, ranging from illegal but harmless acts (which can be committed by the most honest and careful entrepreneur) to malicious fouls, intended to harm competitors or mislead consumers.

2.753 Experience has shown that there is little hope of fairness in competition being achieved solely by the free play of market forces. In theory consumers, in their role as referees of economic play, could deter dishonest entrepreneurs by disregarding their goods or services and favoring those of honest competitors. Reality, however, is different. As an economic situation becomes more complex, consumers become less able to act as referees. Often they are not even in a position to detect by themselves acts of unfair competition, let alone react accordingly. Indeed it is the consumer who—along with the honest competitor—has to be protected against unfair competition.

2.754 Self-regulation has not proved to be a sufficient safeguard against unfair competition. If self-regulation is well developed and generally observed, it can even be faster, less expensive and more efficient than any court system. Yet it stands or falls on continuing observance by all participants. In order to prevent unfair competition effectively, self-regulation must, at least in certain areas, be supplemented by a system of legal enforcement.

2.755 The rules on the prevention of unfair competition and those on the prevention of restrictive business practices (anti-trust law) are interrelated: both aim at ensuring the efficient operation of a market economy. They do so in different ways, however: anti-trust law is concerned with the preservation of the freedom of competition by combating restraints on trade and abuses of economic power, while unfair competition law is concerned with ensuring fairness in competition by forcing all participants to play according to the same rules. Yet both laws are equally important, although in different respects, and supplement each other.

2.756 Fair play in the marketplace cannot be ensured only by the protection of industrial property rights. A wide range of unfair acts, such as misleading advertising and the violation of trade secrets, are usually not dealt with by the specific laws on industrial property. Unfair competition law is therefore necessary either to supplement the laws on industrial property or to grant a type of protection that no such law can provide. In order to fulfill this function, unfair competition law must be flexible, and protection thereunder must be independent of any formality such as registration. In particular, unfair competition law must be able to adapt to all new forms of market behavior. Such flexibility does not necessarily entail a lack of predictability.

The Legal Basis for Protection

Development of Unfair Competition Law

2.757 All countries that have established market economy systems have devised some kind of safeguard against unfair business practices. In doing so, however, they have chosen quite different approaches. While in other areas of industrial property law, such as those dealing with patents, designs or marks, it is generally agreed that protection is best afforded by a specific, comprehensive statute, the legal basis for the repression of unfair competition can range from a succinct general tort provision to detailed regulation in a special statute. The reason for this diversity of approaches is often purely historical.

2.758 In more recent times many countries have passed special legislation on the subject or have replaced earlier laws on unfair competition. As regards recent legislative activity in this area, Switzerland adopted a Law Against Unfair Competition in 1986 which contains a broad general provision and a detailed regulation of specific market behavior, for example slavish imitation; Hungary adopted a Law on the Prohibition of Unfair Market Practice in 1990 which regulates unfair competition and anti-trust law; Spain's Unfair Competition Law of 1991 contains a detailed regulation on practices harmful to consumers and competitors; and in 1991 Belgium adopted a Trade Practices and Consumer Protection Law which emphasizes the idea of consumer protection.

International Protection: Article 10*bis* of the Paris Convention for the Protection of Industrial Property

2.759 Article 1(2) of the Paris Convention mentions the repression of unfair competition along with patents, utility models, industrial designs, trademarks, trade names, indications of source and appellations of origin among the objects of industrial property protection, and Article 10*bis* contains an express provision on the repression of unfair competition. In the more than one hundred and fifty States party to the Paris Convention, the legal basis for the protection against unfair competition may thus be found not only in national legislation but also at the international level.

2.760 Under Article 10*bis*(1) of the Paris Convention, the countries of the Paris Union are bound to ensure effective protection against unfair competition. Article 10*ter*(1) of the Convention further provides for the obligation to ensure "appropriate legal remedies." In particular, measures must be taken to permit federations and associations representing interested industrialists, producers or merchants to take action, provided that this is not contrary to the laws of the country concerned and does not exceed the rights normally granted to national associations.

2.761 Article 10*bis*(2) of the Paris Convention defines unfair competition as any act of competition contrary to honest practices in industrial or commercial matters. This definition leaves the determination of the notion of "commercial honesty" to the national courts and administrative authorities. Member States of the Paris Union are also free to grant protection against certain acts even if the parties involved are not competing against each other.

2.762 Article 10*bis*(3) of the Paris Convention gives three examples of cases that "in particular" have to be prohibited. These examples must not be seen as exhaustive, but rather as the minimum protection that has to be granted by all member States. The first two—creating confusion and discrediting—can be regarded as belonging to the "traditional" field of competition law, namely that of competitor protection. The third one—misleading—was added by the 1958 Revision Conference in Lisbon, and takes into account the interests of both competitors and consumers.

2.763 Apart from Articles 10*bis* and 10*ter*, the Paris Convention contains several provisions relevant to protection against acts of unfair competition in a broader sense, especially those concerning trademarks and trade names. For example, Articles 6*sexies* and 8 provide for the protection of service marks and trade names, respectively. The protection of indications of geographical origin, to the extent that it is not provided by Article 10*bis*(3), results from Article 10 and Article 9, to which Article 10 refers. Special agreements concluded within the Paris Convention, namely, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, along with bilateral treaties, specifically provide for the international protection of geographical indications.

National Protection: Three Main Approaches to Unfair Competition Law

2.764 According to Article 10*bis*(1) of the Paris Convention, the member States of the Paris Union have to provide effective protection against unfair competition. Although they are not obliged to introduce special legislation for the purpose, they must provide—at least on the basis of existing general legislation—effective safeguards against all acts "contrary to honest trade practices" and specifically against the practices referred to in Article 10*bis*(3). In the implementation of these treaty obligations, three main approaches can be distinguished.

> "Article 9
>
> All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection.
>
> Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported.
>
> Seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party, whether a natural person or a legal entity, in conformity with the domestic legislation of each country.
>
> The authorities shall not be bound to effect seizure of goods in transit.
>
> If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country.
>
> If the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country.
>
> Article 10
>
> The provisions of the preceding Article shall apply in cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant.

> Any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used, shall in any case be deemed an interested party."

Protection Based on Specific Legislation

2.765 Several countries have enacted special statutes or specific provisions within broader statutes, which, sometimes combined with provisions in general statutes such as the Civil Code, deal with protection against unfair competition. These statutes provide for civil or criminal sanctions and contain a broad general provision (often modelled on Article 10*bis*(2) of the Paris Convention) which is supplemented by detailed provisions on specific forms of unfair trade practice; they usually provide for civil sanctions and, in respect of specific cases, also for criminal sanctions. Although many of these countries have also enacted additional legislation concerning acts relating to certain products (food, drugs, etc.), the media (television) or marketing practices (gifts, bonuses), the statute against unfair competition remains the main basis for protection. Often the scope of that statute has been made even broader by the assumption that the violation of any other law can be an unfair trade practice because it gives an undue advantage in competition over the law-abiding competitor. In some countries the concept of a special law on competition has evolved towards the adoption of a more general law on market behavior, or the link with anti-trust law is stressed by the enactment of statutes that deal with the institution of competition itself as well as with fairness in competition.

Protection Based on General Tort Law and/or on the Law Concerning "Passing-Off" and Trade Secrets

2.766 In a group of countries with a civil law tradition, which follow the approach consisting of the protection of the honest businessman, such protection is usually to be found in the general tort law. In another group of countries which follow common law traditions, the actions for passing-off and for violation of trade secrets developed by the courts (at least originally) remain the main basis for the protection of competitors. As for the protection of consumers, a number of the same two groups of countries have, in addition, enacted separate sets of laws regulating specific cases of undesirable market behavior, such as misleading advertising, price comparisons, lotteries, games and bonuses; those laws are essentially independent of the protection of competitors under civil law or common law principles.

Combination of the Above Two Approaches

2.767 Most countries party to the Paris Convention—even those that at first attempted to regulate unfair competition by means of general tort law—provide for a combination of general civil code principles, case law and special laws. In many countries with a federal structure, the division of legislative competence between the federal legislature and the legislatures of the federated States has led to an even more complex combination of the various forms of protection. In some of those countries, the federal legislator even has no jurisdiction over unfair competition to the extent that it is considered a State common law tort. Where, in such countries, protection is granted by the States, it is in general better developed than that granted at the federal level. In the United States of America, in particular, the limited availability of common law remedies against unfair competition was first dealt with in federal law through the establishment of an administrative authority (the Federal Trade Commission), and more recently through the extension of a federal law provision on trademarks (Article 43(a) of the trademark law (Lanham Act)) to a wide variety of misleading representations. Yet the most progressive regulation is to be found in the "business laws", "little

FTC Acts", "Consumer Protection Laws" and other legislation adopted by States within the United States of America.

The Role of Jurisprudence

2.768 In spite of the different approaches mentioned above, all countries that have introduced effective safeguards against unfair competition take particular care over the enforcement of the law, and usually allow their courts considerable discretion. The success of an unfair competition law depends largely on what the courts make of it. A few words in a general tort provision may be a sufficient basis on which to develop an efficient system of unfair competition law, while a most impressively drafted statute may give disappointing results. This does not mean, however, that an explicit and detailed regulation of unfair trade practices is not useful: it will at least have some preventive effect on market behavior; but it will remain ineffectual if it is not activated by the courts. In the ever-changing world of competition, even the most perceptive legislator cannot possibly anticipate all future forms of unfair market behavior and must rely on interpretation of the law by the courts. Many countries have therefore supplemented their explicit provisions against certain market practices with a general provision, which allows the courts to include new forms of unfair market practice in the general system.

The Acts of Unfair Competition

General Definition

2.769 According to Article 10*bis*(2) of the Paris Convention, unfair competition consists of "any act of competition contrary to honest practices." Most countries with special laws on unfair competition have adopted the same or similar definitions for their general provision—using such terms as "honest trade practices" (Belgium and Luxembourg), "the principle of good faith" (Spain and Switzerland), "professional correctness" (Italy) and "good morals" (Germany, Greece and Poland). In the absence of specific legislation, the courts have defined fair competition with phrases like "the principles of honesty and fair dealing" or "the morals of the marketplace" (United States of America).

2.770 It is true that describing unfair competition as acts contrary to "honest trade practices", "good faith" and so on does not make for clear-cut, universally accepted standards of behavior, since the meaning of the terms used is rather fluid. The standard of "fairness" or "honesty" in competition is no more than a reflection of the sociological, economic, moral and ethical concepts of a society, and may therefore differ from country to country (and sometimes even within a country). That standard is also liable to change with time. Furthermore, there are always new acts of unfair competition, since there is ostensibly no limit to inventiveness in the field of competition. Any attempt to encompass all existing and future acts of competition in one sweeping definition—which at the same time defines all prohibited behavior and is flexible enough to adapt to new market practices—has so far failed.

2.771 This does not mean, however, that unfair competition cannot be encompassed by any general definition. It has been generally recognized that certain acts of commercial behavior are always (or, as Article 10*bis*(3) of the Paris Convention puts it, "in particular") considered to constitute unfair competition. The most notable of those acts are the causing of confusion, discrediting and the use of misleading indications. The common aspect of these most important, but by no means exhaustive, examples of unfair market behavior is the attempt (by an entrepreneur) to succeed in competition without relying on his own achievements in terms of

quality and price of his products and services, but rather by taking undue advantage of the work of another or by influencing consumer demand with false or misleading statements. Practices that involve such methods are therefore doubtful at the outset as to their fairness in competition.

2.772 Another reference point could be the subjective element in the unfair act. At first sight, the notion of "honesty" seems to refer to a moral standard, and some sort of legal/ethical standard is indeed involved. This, however, has to be distinguished from the question whether an act of unfair competition can be established in the absence of any fault, bad faith or negligence. Where unfair competition law has been developed on the basis of general tort provisions, the "tort of unfair competition" requires some kind of subjective element such as "fault" or "bad faith." In practice, however, the element of fault or bad faith is often assumed by the courts.

2.773 The most important factor for determining "unfairness" in the marketplace, however, is derived from the purpose of unfair competition law. In this respect, unfair competition law was initially designed to protect the honest businessman. In the meantime, consumer protection has been recognized as equally important. Moreover, some countries put special emphasis on the protection of the public at large, and especially its interest in the freedom of competition. Modern unfair competition law therefore serves a threefold purpose, namely: the protection of competitors, the protection of consumers and the safeguarding of competition in the interest of the public at large.

2.774 One party who is always "concerned" is the honest businessman. Since unfair competition law started as a special law for the protection of the honest businessman, a businessman's standard of behavior logically serves as a starting point. A practice that is condemned as improper by all businessmen can, therefore, hardly qualify as a "fair" act of competition.

2.775 On the other hand, certain practices may be generally accepted within a branch of business but nevertheless considered "improper" by other market participants. In such cases, there has to be some ethical correction of the actual standards of behavior. Ethical standards dictate in particular that the interests of consumers must not be unnecessarily impaired, for example, by disregard for the principle of truthfulness (on which the consumer relies in his transactions), by enticement of the consumer into unsocial or even harmful behavior or by invasion of his privacy.

2.776 Furthermore, there may be practices that at first sight are not prejudicial either to other businessmen or to consumers, but nevertheless may have unwanted effects on the economy at large. For example, selling at dumping prices may in the long run destroy small- and medium-sized businesses, and thus have adverse effects on free competition. Where these economic aspects are incorporated in unfair competition law, such behavior will often be expressly labelled as "unfair."

2.777 When determining "honesty" in business dealings, all these factors have to be taken into account. In practice, the concept of unfair competition has increasingly become a balancing of interests. Differences in the evaluation of what is "fair" or "unfair" can generally be explained by the different emphasis placed on the aspects referred to above. For example, a particular kind of market behavior may well be seen differently in countries where the traditional law of unfair competition still focuses on the protection of the honest competitor, as opposed to countries that put special emphasis on the protection of consumers or the public at large.

2.778 On the other hand, there is broad agreement that at least some acts and practices are always irreconcilable with the notion of fairness in competition. These are discussed in detail below.

Categories of Acts of Unfair Competition

2.779 For the purposes of establishing categories of acts of unfair competition and facilitating their analysis in this study, two broad groups of acts of unfair competition are distinguished, namely acts of the types expressly mentioned in Article 10*bis* of the Paris Convention and acts not expressly mentioned in Article 10*bis*.

2.780 Article 10*bis*(3) contains a non-exhaustive list of three types of acts of unfair competition, namely, acts likely to cause confusion, acts that discredit a competitor, and acts that may mislead the public. Because the acts that are likely to cause confusion and those that may mislead the public are akin to one another and sometimes overlap, they are dealt with before the act of discrediting a competitor.

2.781 There are a number of acts not mentioned in Article 10*bis* which have been recognized by the courts as unfair practices and which, increasingly, have become the subject of legislative provisions. Of particular interest in this connection is the trend towards explicit protection of trade secrets by express provisions in unfair competition laws, and the continuing evolution of provisions governing the practice of comparative advertising. Moreover, there has been an increasing recognition of the need to grant protection against undue "misappropriation" of, or "free riding" on, the achievements of competitors, regardless of the availability of specific industrial property rights, provided that, under the circumstances of the case, such acts are found to be unfair.

Causing Confusion

General Circumstances Under which Confusion is Established

2.782 Article 10*bis*(3)1 of the Paris Convention obliges member States to prohibit all acts that are of such a nature as to create confusion, by any means, with the establishment, the goods or the industrial or commercial activities of a competitor. The scope of Article 10*bis*(3)1 is very broad, as it covers any act in the course of trade involving a mark, sign, label, slogan, packaging, shape or color of goods, or any other distinctive indication used by a businessman. Thus not only indications used to distinguish goods, services or businesses but also the appearance of goods and the presentation of services are considered relevant for the prohibition of confusion.

2.783 Under Article 10*bis*(3)1 of the Paris Convention, the "intent" to confuse is immaterial for the purposes of determining whether such an act constitutes an act of unfair competition. However, bad faith on the part of the imitator may have a bearing on the sanctions to be applied. Also, it is not usually necessary for confusion actually to have occurred, as the likelihood of confusion is often sufficient for an action based on unfair competition. Finally, protection against confusion is provided without any limitation in time. Protection is available as long as confusion is likely, but sufficient latitude is allowed for the use of non-confusing indications in respect of products, services and businesses, so that competition in the relevant market is not stifled. However, as soon as the marketable creation becomes generic or commonplace, it loses its original or distinctive character, and likelihood of confusion may no longer be assumed to the same degree.

2.784 There are two main areas in which confusion frequently occurs. These are indications of commercial origin on the one hand, and the appearance of goods on the other. However, this does not preclude or limit the protection of other attributes or achievements against confusion.

Types of Confusion

2.785 Confusion can be established in different ways. The test for the basic type of confusion is whether the similar mark so resembles the protected mark that it is liable to confuse a substantial number of average consumers as to the commercial source of the goods or services. Factors frequently considered in determining confusion are the degree of distinctiveness of the protected mark, the size and reputation of its owner, the sophistication of the consumers concerned and, of course, the similarity of the marks and the goods or services involved. In many countries, confusion is not restricted to basic confusion as to the commercial source, but also includes that which gives the impression of a strong business connection between the two users of the same trademark or similar trademarks, i.e., confusion as to affiliation. However, the use of an identical or similar mark on clearly unrelated or completely different goods usually falls outside the scope of protection, as a large degree of dissimilarity of the goods or services involved will lead consumers to assume that the source of the goods or services is not the same and also that there is no particular business connection between the users.

2.786 A third form of confusion that has been referred to, for example, under Section 43(a) of the Lanham Act of the United States of America and under Section 53 of the Australian Trade Practices Act, is called confusion as to sponsorship. Under this test for confusion, consumers will assume both that the goods or services do not originate from the same source and that the two enterprises do not entertain business relations so intensive and continuous as to cause confusion as to affiliation. Nevertheless, the consumer will expect, from the similarity of the marks, from the types of product or service that the mark is used for and from the manner of use by the second user, that the use of the protected mark by the second user has been authorized by agreement for a certain period of time. This type of confusion can be relevant, for example, in cases where the third party uses the mark (without authorization) for ornamental purposes on goods. However, unlike confusion as to source or affiliation, this third type of confusion has not the same status as other fully established grounds for relief under statutory trademark laws, as its exact boundaries are still developing.

2.787 This concept of confusion may be relevant to so-called "publicity" rights, relating to well-known artists and media or sports personalities, and to "merchandising" rights, relating to fictional characters in literary or artistic works. These rights concern relatively new marketing techniques whereby enterprises are "licensed", for a certain period of time, to make use of the popularity or fame symbolized by the names or likenesses of certain personalities or characters, as this use is expected to stimulate consumer demand for the product or service of the "licensee." Consumers would generally be misled by the use of the name or likeness of the personality or character in connection with the product or service into believing that the personality or the owner of rights in the character, which could also be a registered mark, had expressly authorized the use of their personality or character.

Confusion with Respect to Indications

2.788 An indication can be any sign, symbol or device that conveys to the consumer the message that a product or service on the market comes from a particular commercial source, even if this source is not known by its name. Indications may therefore consist of two-dimensional or three-dimensional signs, labels, slogans, packaging, colors or tunes, but are not limited to these. Protection against confusion with respect to indications is already available under specific legislation on trademarks, service marks and trade names. However, this protection is often limited in several ways. The limitations may concern the applicability of the specific law to certain types of indication, or the exact scope of protection. Thus protection against confusion under unfair competition law may still be relevant where the specific legislation does not afford overall protection against

confusion. This aspect is also relevant to the protection of well-known marks against confusion, as required by Article 6*bis* of the Paris Convention.

2.789 The general applicability of trademark law is usually confined to particular indications. Some countries do not, for example, recognize titles of single literary works or films, get-up (product appearances), shop interiors, colors or color combinations, or trade dress under statutory trademark law. As regards service marks, although most countries have a system for the registration of such marks in the same way as trademarks, in those that do not, protection under the rules of prevention of unfair competition is needed. Also, even in countries where three-dimensional trademarks are recognized and registrable, particular shapes may nevertheless be excluded. For example, shapes determined solely by the nature of the goods, appearances resulting from some technical or industrial function of the goods and product configurations determining the essential value of the goods are expressly excluded by the EC Directive to Approximate the Laws Relating to Trade Marks. The "functionality" doctrine, particularly developed in the United States of America, produces similar results.

2.790 Apart from this, protection under trademark law can sometimes be invoked only for marks that have been properly registered in the country where protection is sought. In this respect Article 6*bis* of the Paris Convention constitutes an exception in favor of a well-known mark, which does not need to be registered in order to be protected against the potentially confusing use of a mark that is a reproduction or an imitation of the well-known mark and is used for identical or similar articles. It is to be noted that a trademark may be well-known in a country before it is registered or even used in that country, as a result of the advertising or reputation of the mark in other countries. The obligation to protect unregistered well-known marks is clarified and supplemented in the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks adopted by the WIPO General Assembly and the Assembly of the Paris Union in September 1999.

2.791 Unfair competition law may provide protection against confusion for indications or signs that are not protectable under trademark law. However, the availability of protection for a sign under unfair competition law will depend partly on the reasons for the lack of protection for unregistered signs under the special laws. If a sign can in principle be covered by the specific legislation but does not meet the substantive requirements of that legislation, it would not seem consistent with a balanced system of protection to grant that sign the same protection under unfair competition law as would be granted to it under the special law. It is therefore argued that protection against confusion should only be available under unfair competition law if the indication or sign to be protected has sufficient distinctiveness to distinguish the products, services or other business activities concerned from the same or similar activities of other traders. Nevertheless, in order to promote the registration of marks, some unfair competition laws require more than just a minimum degree of distinctiveness for the protection of unregistered indications. For example, Article 2(1) of the Unfair Competition Prevention Law of the Republic of Korea requires the indication to be "widely known", which could in some cases restrict actual protection to one particular region.

2.792 The degree of distinctiveness of an indication that is not protected under statutory trademark law is assessed in relation to the same factors as apply to registered marks, including the meaning and the appearance of the indication, and its uniqueness compared with other indications for the same or a similar activity. Even if distinctiveness is inherently lacking, for example, owing to the descriptive nature of the indication for particular goods or services, the indication can be protected if it has acquired "distinctiveness by use", or secondary meaning, in the country where protection is sought. Secondary meaning implies that, as a result of continuous and exclusive use of the mark on the market, a substantial number of consumers have become aware of it and will

associate the activity carried on under it with a particular commercial source. In Germany, for example, the trademark "4711" for perfume has been considered sufficiently distinctive as a result of public awareness that the goods under that mark come from a particular source. In fact the degree of secondary meaning depends on the market for the goods or services involved and the degree of descriptiveness of the indication in relation to those goods or services. The degree of secondary meaning (or percentage of consumers) necessary to achieve sufficient distinctiveness varies according to the practices of the court concerned. In some countries, opinion polls or market surveys on consumer reactions often provide empirical data with which to determine the degree of secondary meaning, whereas in other countries the courts themselves will judge whether an indication has acquired sufficient distinctiveness.

2.793 Secondary meaning analysis also applies to indications that have been expressly excluded from statutory trademark protection. For example, the configurations or shapes of goods that are deemed to be excluded from statutory protection under trademark law by the EC Directive to Approximate Laws Relating to Trade Marks may still acquire secondary meaning among consumers in a particular market. Under those circumstances, protection against confusion is justified if consumers could be led to believe mistakenly that other goods using the configuration come from the first user. It may not always be easy, however, to establish the necessary degree of secondary meaning, since the particular configuration of the goods must be recognized by the relevant consumers as indicating a particular source. If the exclusion in the specific legislation is clearly intended to dismiss the indication as not worth protecting at all, for example, in the case of purely descriptive words, protection is likely to be denied also under unfair competition law.

2.794 Limitations on the scope of protection afforded by trademark law may also have the effect of allowing indications to be protected against confusion under unfair competition law. Although trademark laws usually grant protection against any potentially confusing use of a registered trademark, there may still be differences with respect to the exact scope of the protection against confusion. For example, protection against the use of the same or a similar mark might be restricted to those goods or services for which the mark is registered. If a mark identical or similar to the registered trademark is used for other goods or services and that use is likely to cause confusion, such protection might only be available under unfair competition law or passing-off principles. Generally, trademarks are protected against the use of identical or similar signs not only in respect of identical goods or services but also in respect of similar goods or services. This type of protection derives from what is sometimes called the "principle of speciality", as the protection is related to the trademark's primary function of distinguishing the goods of one enterprise from those of competitors and other market participants. Thus if trademark protection is not available because the goods or services involved are held to be dissimilar (although confusion as to source may in fact be possible), protection against confusion can be sought under unfair competition law. However, there are also trademark laws that consider the likelihood of confusion to be the sole criterion for protection, regarding the similarity of the goods or services involved as not decisive in itself, but only as one of several determining factors. This kind of statutory protection would encompass all types of confusion.

2.795 The criteria used to judge the similarity of indications are, with some minor differences, the same throughout the world. The determining factors include the common elements of appearance, pronunciation and meaning or verbal translation of the marks involved, but the decisive factor is the overall impression on the average consumer of the goods or services involved. Particularly if the goods are for mass consumption, the individual elements of the marks involved are less carefully examined by the average consumer. Since the two marks are as a rule not closely examined side by side, in practice the similarities between the indications are more important than the differences. The similarity of the goods or services depends largely on the question whether consumers would

generally expect the goods or services to originate from the same source. However, they do not need to be either functionally interchangeable or competitive.

2.796 Protection against confusion may be too limited for so-called "well-known" marks and, in particular, for marks with an even higher reputation. Article 6*bis* of the Paris Convention requires member States to protect trademarks that are well known in their country against any potentially confusing use of similar trademarks, but that obligation is only relevant for identical or similar goods. In certain cases, the unauthorized use of well-known marks for different goods or services may nevertheless cause confusion among consumers. For example, if the mark has been used for a broad range of products and has been extensively advertised or is well known for the particular "image" of its proprietor, consumers might associate such a mark with a certain origin and quality consistency rather than with goods or services of a specific kind. Such associations can also cause confusion. The member States are not obliged under Article 6*bis* to grant this extended protection, but unfair competition law may be relevant. The question whether a trademark is "well-known" in a given country for the purposes of Article 6*bis* of the Paris Convention has to be decided in each case on the basis of the facts. Usually, the factual determination of the notoriety of a trademark is based on its reputation and image in the mind of the trade circles and consumer groups concerned at the place and time relevant in the particular case. Factors such as the mark's inherent distinguishing power, the length of time that it has been used in the given country, the amount of advertising and other publicity given to it in various media and its established association with particular goods or services are often taken into consideration. The Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks obliges member States to protect well-known marks even beyond confusion under certain circumstances. According to Article 4(1)(b) of the Joint Recommendation a well-known mark has to be protected against the use of an identical or similar mark for dissimilar goods or services if such use:

- would indicate a connection between these goods or services and the owner of the mark and would be likely to damage his interests;

- is likely to impair or dilute in an unfair manner the distinctive character of the well-known mark; or

- would take unfair advantage of the distinctive character of the well-known mark;

- in the two last-mentioned cases, Member States may require that the well-known mark be well known by the public at large (Article 4(1)(c) of the Joint Recommendation).

2.797 Statutory trademark law frequently requires that the use of a similar mark must be a form of trademark use, that is, use as an indication of the commercial source of the products or services. Thus ornamental use, such as use on advertising material or as a mere decoration on goods, for instance on ballpoint pens or ashtrays, or even as the configuration of an actual product such as an earring in the shape of the mark, is not always regarded as falling within the scope of statutory trademark protection. Protection against this type of use could, however, be sought under unfair competition law. One example of a trademark law that is very extensive in the above respects is the Uniform Benelux Trademark Law of 1971, which provides a broad definition of registrable marks and protection against any use of an identical or similar trademark by others without proper justification that is likely to cause prejudice to the trademark proprietor.

2.798 Similar limitations on protection against the unauthorized use of traders' or businesses' indications are to be found in the protection of trade names. Trade names serve to identify and to distinguish an enterprise and its business activities from those of other enterprises. Article 8 of the Paris Convention imposes the obligation to protect trade names in all countries of the Paris Union,

without specifying what kind of protection should be granted or how it should be given. Nevertheless, trade names must be protected without any obligation of filing or registration. Most countries already protect trade names against the risk of confusion. This protection applies not only where trade names are covered by a special law, but also where they are protected under special provisions of unfair competition law, civil law, company law or commercial law. As a general rule, a direct competitive relationship between the enterprises concerned is not decisive, but remains relevant in determining whether the use of the same or similar trade names might confuse consumers regarding the identity of enterprises or the relationship between them. The protection may extend beyond the particular field in which the prior trade name is used, as trade practice or the likelihood of expansion and diversification of the activities of the enterprise is frequently taken into account by the courts. Thus the scope of protection of trade names against confusion may sometimes be a little wider than the scope of protection of trademarks under trademark law.

Confusion with Respect to Product Shapes

2.799 The actual shape of a product could also lead to confusion among consumers. If the shape is so well known that consumers will relate the product with a particular commercial source (as in the case of the "Coca-Cola" bottle), then the shape can be regarded as a protectable indication.

2.800 It must also be noted that specific legislation is available in many countries for the protection of industrial designs, either to complement or to replace copyright protection for works of so-called "applied art." Such legislation usually prohibits the use of identical or similar product appearances for identical or similar goods. However, as with trademark legislation, protection under special laws on industrial designs is also limited in several ways, which vary significantly from country to country. In a manner similar to the specific protection under trademark laws, such limitations may concern the general applicability of the designs law to certain product appearances and also the exact scope of the protection granted by the specific legislation. For example, if the design protection of a surface decoration is limited to the use of the decoration on products for which the design is registered, protection against copying of the design for the decoration of other products may be obtained under unfair competition law, if the copied design is misleading or causes confusion as to the commercial source.

2.801 For protection against confusion concerning the products only, most requirements under unfair competition law are established by case law, frequently with reference to the practice of "slavish imitation." Within this particular field of unfair competition law, it has often been stated that, as a principle inherent in the free market system, market participants are free to imitate designs or other shapes, appearances or visual characteristics of products that are not protected by specific laws such as patent, copyright, design or possibly trademark laws. Some of those specific laws even expressly preclude protection under unfair competition law for acts that are covered by the specific legislation if the design involved could be protected under that legislation. For example, Article 14(5) of the Uniform Benelux Designs Law of 1975 precludes actions to protect registrable designs under unfair competition law if protection could have been granted had the design been properly registered. Therefore, the mere risk of confusion as to the shape of the products will be insufficient to constitute unfair competition if the design would have been protectable under a specific law and product imitation would have been covered by that specific legislation. On the other hand, the risk of confusion as to the products may be sufficient to obtain protection under unfair competition if the design involved reveals a certain degree of originality but cannot be registered as a design owing to other requirements of the specific legislation, or if registration has been applied for but not yet secured.

2.802 If the design, shape or other characteristic non-functional features of the product are associated to a substantial degree by consumers with a certain source or origin, potential confusion

as to the source of the product will usually constitute an act of unfair competition. Whether such potential confusion occurs in cases of imitation will be determined by the same factors as outlined above with respect to indications, that is, after examination of the question whether the characteristic features of a product have acquired a sufficient degree of secondary meaning, and the product designs involved will be judged on their similarities. In some countries it is accepted that the risk of confusion as to source can be reduced by the use of disclaimers, like a clearly visible statement ruling out the possible assumption that the product or service comes from a particular source. However, such disclaimers are only seldom recognized as sufficiently reducing the risk of confusion.

2.803 Protection against confusion as to the commercial source of a product may also be available under specific trademark law if the applicable trademark legislation provides for the protection of three-dimensional marks or the "get-up" of products. However, if the product's appearance is not registered as a trademark, or if particular forms are possibly excluded from statutory trademark protection, the same principles as outlined above will apply to the protection against confusion between product shapes under unfair competition law.

Misleading

General

2.804 Misleading can roughly be defined as creating a false impression of a competitor's own products or services. It may well be the single most prevalent form of unfair competition, and it is by no means harmless. On the contrary, misleading can have quite serious consequences: the consumer, relying on incorrect information, may suffer financial (or more harmful) prejudice. The honest competitor loses clients. The transparency of the market diminishes, with adverse consequences for the economy as a whole and economic welfare.

2.805 Since truthfulness is rightly considered to be one of the main principles of honest trade practice, it is generally agreed that the prohibition of deception is essential to the concept of fairness in competition. Or, as Article 10*bis*(3) of the Paris Convention states, any indication or allegation that is likely to mislead, has "in particular" to be regarded as being contrary to honest practice.

2.806 Consequently, most member States of the Paris Union have included the prohibition of misleading acts or practices in their legal systems (or have even passed specific laws on the subject). In addition, the courts have developed a particularly abundant case law on misleading. Even in countries where in the past protection against deception has been less strong than in others, recent developments indicate a move towards greater strictness. In the search for effective legal solutions, however, countries have chosen quite divergent methods. A significant factor of this divergence is that misleading acts are primarily directed to the consumer and not directly to competitors. Where consumer protection is primarily looked upon as a matter of criminal law, enforcement is left to the State enforcement authorities. However, most of the countries that have specific legislation on unfair competition have included a provision against deception into the relevant laws, thus adopting a civil law approach.

2.807 While, on the whole, the regulation of misleading makes a many-faceted picture, most countries share the distinction between "normal" misleading, which may be done in good faith, and special cases of misleading, which may have particularly severe consequences. For the most serious cases of misleading, such as malicious misleading or deception in the health and drug field, several countries have introduced criminal sanctions in addition to civil law remedies. Moreover, special cases of potential deception such as bonuses, gifts, clearance sales and travelling sales are

often regulated in detail. Even tighter restrictions are frequently imposed by self-regulatory institutions, which in some countries have reached a particularly advanced state of development as regards protection against misleading.

2.808 In some countries the existing protection against misleading practices is to some extent a result of international harmonization. Because of the internationalization of commerce and communication media such as television, misleading acts and practices, especially in advertising, seldom stop at the border of a given country. Different national laws not only result in different and thus at least to some extent inadequate levels of consumer protection, but also affect the free circulation of goods and services. Countries that are economically bound in a common market have a particular need for harmonization of diverging national laws on misleading. Thus the European Community issued a Directive on Misleading Advertising in 1984 in order to set up a minimum objective criterion for determining whether advertising is misleading. A certain degree of harmonization has also been reached among the Nordic and the African countries.

The Concept of Misleading

2.809 There is a consensus according to which the concept of misleading is restricted neither to inherently false statements nor to statements that have actually led to a false impression on the part of the consumer. Instead it is considered sufficient (as it is by Article 10*bis*(3)3 of the Paris Convention) that the indications in question are likely to have a misleading effect. Even statements that are literally correct can be deceptive. If, for example, chemical ingredients are generally forbidden in bread, the courts of most countries would consider an advertising claim that a certain bread "was without chemical ingredients" to be deceptive, because, though literally true, it gives the misleading impression that the advertised fact is something out of the ordinary.

2.810 It is likewise not necessary for the product in question to be inferior, in an objective sense, so long as the indication or allegation has some enticing effect on the consumer. For example, if the public prefers domestic goods to foreign goods, a false declaration to the effect that imported goods are domestic is misleading even if the imported goods are of superior quality.

2.811 It is generally agreed that the question whether or not there is deception must be determined by the reaction of the addressee to the statement and not by the intention of its maker. However, the actual determination and evaluation of this reaction may differ from country to country and may also depend on the kind of addressee (consumers or traders) and the type of goods or services. The Paris Convention leaves this question to member States, as does the EC Directive on Misleading Advertising. The different opinions as to what standards have to be applied are the result of different answers to the following questions:

- Is the prohibition of misleading meant to protect the average or (also) the less educated, less critical consumer?

- How is the public reaction determined? Empirically or by an overall estimation by the judge himself?

- How many of the addressees must be likely to be misled for a statement to be considered misleading?

2.812 In a number of countries the relevant standards are set on the basis of the notion of the average consumer. Where the courts base their assessments on the judges' own experience, there is a tendency to assume that the average consumer is generally well informed and intelligent enough to be immunized against most of the dangers of deception. In those countries the

threshold is also considerably higher. Although it is frequently stressed that it is sufficient if a "not unsubstantial proportion of the addressees" are likely to be misled, the tendency is to favor an average deception rate.

2.813 However, in Germany the emphasis is clearly on the less educated, less critically prepared consumer, who is easily influenced by false statements. Misleading is frequently proven by empirical methods, mainly consumer surveys, and the interference threshold is set very low, at 10 to 15 percent of the consumers.

The Communication of Misleading Statements

2.814 Since the main area of misleading in commerce is to be found in advertising, most countries with special legislation have focused on misleading advertising. Other countries have chosen, as Article 10*bis*(3) of the Paris Convention has, the broader notion of "indication or allegation." In countries that have a general provision on unfair competition this difference is minimal, however, since there is basic agreement that deceptions other than those in advertising are irreconcilable with "honest trade practice" and can therefore be judged under the general provision.

2.815 It is further agreed that the exact way in which the allegation, indication or presentation is made is immaterial. So is the form of the message. All methods of communication—written, oral or even symbolic—have to be taken into account. Communications may be in the form of trademarks, labels, brochures, radio commercials, television publicity spots, posters and so on. In general, misleading is concerned only with the effect a statement has on the addressee and not with the way in which the statement is communicated.

2.816 The communication need not contain "information" in a neutral, objective sense in order to be considered under the heading of misleading practices. On the other hand, the concept of misleading is restricted to those indications that might cause misconceptions on the part of the consumer. The allegation, indication or presentation must therefore be able to create some sort of concrete impression which can be shown to be true or untrue. "Unobjective" or suggestive advertising which does no more than create vague positive feelings about a product is therefore outside the scope of misleading. If in some countries certain kinds of suggestion are forbidden, this is not done under the provisions on misleading, but rather under the general provision concerning honest trade practices.

2.817 A misleading communication does not necessarily have to be a positive one: a half-truth is always also a half-lie. For example, if it is claimed that a particular slice of bread has fewer calories than others, while this is solely due to the fact that it is thinner, the omission of this information can create as strong an incorrect impression as an express statement would have done. Consequently, some countries have expressly mentioned the omission of relevant facts in their lists of misleading practices, or alternatively the courts have recognized that such omission can be a misleading practice. An omission cannot always be equated with a positive statement, however. Since no businessman has the general duty to reveal adverse features of the product that he is offering, there can only be deception if the public, in the absence of express information, expects a certain characteristic to be present.

Exaggerations

2.818 The consequences of the different concepts of misleading can best be seen in the treatment of exaggerations. Although in all countries obvious exaggerations (even if literally inaccurate) are not considered deceptive because they can easily be recognized as "sales talk", the question of what is mere "hot air" or "puffing" and what is to be taken seriously is answered differently in

different countries. In some countries (such as Germany), it is assumed that the public basically believes all advertising statements, and especially those that claim uniqueness ("the best, the first", etc.); consequently a specially strict standard is applied. Other countries (such as Italy and the United States of America) take the exact opposite position and tolerate generally formulated indications, in particular those in the form of claims of uniqueness. Thus in the United States of America the courts have generally only intervened if the product advertised as the best is in reality inferior.

The Subject Matter of Misleading

2.819 Deceptive statements can be made on all relevant aspects of business matters. However, in principle, the prohibition of deception should be broad enough to cover those new forms of misleading that the legislator has not thought of. On the other hand, a statutory provision must give guidance to the courts. In countries with a predominantly civil law approach, this is often achieved by expressly naming those forms that "in particular" must be regarded as misleading, leaving the courts free to take other forms of deception into account. Usually at least the examples given in Article 10*bis*(3)3 of the Paris Convention are included, namely, "the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods." Often services and indications of geographical origin are also included. Recent legislation on unfair competition also mentions some "modern" examples of misleading. The Greek Decree on Misleading Advertising, for example, expressly refers to misleading statements in the endorsement of products or the passing-off of an advertisement as a press article. The same applies in Belgium. In Hungary, any misleading references to the environment, among other things, are expressly forbidden. Still other countries (and the EC Directive on Misleading Advertising) prohibit any deception with respect to the identity of the advertiser. This is interesting inasmuch as there seems to be basic agreement that these specific errors of identity (while they do, of course, involve deception) are rather dealt with under the heading of confusion (or passing-off), which is largely covered by specific laws on trademarks and trade names. However, the express inclusion of errors as to commercial origin under the heading of deception is significant in that the special procedure provisions of unfair competition law may be applied. For example, consumer associations may bring an action in a case of misleading involving trademarks, whereas trademark law itself would restrict the right of action to the trademark owner.

2.820 A list of examples of misleading practices supplemented with a general provision is only possible, however, if the sanctions against misleading are predominantly those of civil law. Criminal law usually requires a relatively narrowly worded, enumerative prohibition, although in practice this difference is mitigated by the fact that usually the list of expressly named practices is fairly comprehensive.

Subjective Requirements

2.821 Even the most careful businessman can issue a statement that the public misunderstands in a way not foreseen by him. Misleading statements, especially in advertising, are therefore not always made in bad faith. On the other hand, even in the absence of any fault on the part of the advertiser, deception in competition has to be stopped in the interest of the consumer and of other competitors. The EC Directive on Misleading Advertising, for example, obliges member States to ensure the cessation of misleading "even without proof of actual loss or damage or of intention or negligence on the part of the advertiser." Countries that favor a civil law approach in the repression of unfair competition usually have few problems in doing so, but where the law against misleading conduct is essentially part of criminal law, at least in theory some subjective element is required. Because of the difficulty of furnishing such evidence, this "subjective" concept has proved a hindrance. Thus, in practice, the courts have gradually reduced the requirement of intent. This

can best be seen in France, where the (criminal) prohibition of misleading advertising in Article 44 of the "Loi Royer" in theory still requires "bad faith", but where the courts have first reduced this requirement to mere knowledge of facts, and have later even assumed such knowledge.

2.822 This primarily objective approach to the repression of misleading statements is, of course, restricted to a cease-and-desist action (and possibly to the remedy of publication). In all countries, an action for damages will only be successful if there is at least negligence. Intent, or even malicious behavior, is required in cases that can be described as real criminal offenses, for example in the food and drug field.

Burden of Proof

2.823 The question of who has to furnish evidence of the accuracy of a statement or the likelihood of deception can be of paramount importance in misleading advertising cases. According to general principles of procedural law in most countries, it is the plaintiff (or the public prosecutor or administrative authority) who bears the burden of proof. In the field of misleading, especially misleading advertising, however, some exceptions to this rule are made. The EC Directive on Misleading Advertising, for example, obliges member States to require the advertiser to furnish evidence of the accuracy of factual claims if "such a requirement appears appropriate on the basis of the circumstances of the particular case." Some countries have gone even further by implementing a general reversal of the burden of proof or by placing the advertiser under the obligation to "reasonably substantiate" all advertising claims.

Discrediting Competitors

General

2.824 Discrediting (or disparagement) is usually defined as any false allegation concerning a competitor that is likely to harm his commercial goodwill. Like misleading, discrediting tries to entice customers with incorrect information. Unlike misleading, however, this is not done by false or deceptive statements about one's own product, but rather by casting untruthful aspersions on a competitor, his products or his services. Discrediting, therefore, always involves a direct attack on a particular businessman or a particular category of businessmen, but its consequences go beyond that aim: since the information on the competitor or his products is incorrect, the consumer is liable to suffer also.

2.825 Article 10*bis*(3)2 of the Paris Convention obliges member States to prohibit all "false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor." A similar provision can be found in most national laws on unfair competition. But even without such an express prohibition, it is generally agreed that discrediting is irreconcilable with the notion of "fairness" in competition. Where unfair competition law has been developed on the basis of general tort provisions, it is considered one of the "classical" forms of unfair competition. In all common law countries a (common law) tort of disparagement or discrediting is recognized; additionally some of those countries have recently granted statutory relief. Since it is primarily the individual businessman who suffers from disparaging remarks, civil law sanctions (injunctive relief or damages) are preferred. However, in the most serious cases, especially those involving intentional or malicious defamation, criminal sanctions are also provided, often under the general criminal code.

Reference to an Individual Competitor

2.826 As mentioned above, it is in the very nature of discrediting to be directed against a particular businessman or a particular category of businessmen. The target need not necessarily be named, however: easy identification by the addressee of the statement is sufficient. This can be achieved by references like "a certain enterprise in X" or may even be the result of a special market situation, for example if there is only one relevant competitor.

2.827 Frequently, the person attacked will be a competitor. As in Article 10*bis*(3)2 of the Paris Convention, most countries restrict unfair competition law protection against disparagement to cases where there is at least some sort of competitive relationship between the plaintiff and the defendant. In some countries, however, the requirement of a competitive relationship has been totally abandoned, and this has led to a considerably broader concept of discrediting: not only competitors but also consumer associations or the media can be held liable under unfair competition law if they make derogatory statements about an individual businessman.

The Subject Matter of the Attack

2.828 As to the subject matter of the attack, Article 10*bis*(3)2 of the Paris Convention names the establishment, the goods and the industrial or commercial activities (of a competitor). However, any kind of disparaging remark that is likely to harm the goodwill of an entrepreneur should be forbidden. The way in which the harm is done should be irrelevant. Harm to a business reputation can be caused by all forms of reference to the enterprise or to its goods, prices, employees, credit rating, qualifications and so on. It can also be caused by references to an entrepreneur's personal status, for example, his race, his nationality, his religion or his political position. These so-called "personal references" which have nothing to do with commercial activities are in some countries expressly forbidden as disparaging; in others they are considered illegal under the general provisions on protection against unfair competition.

Intent or Actual Damage

2.829 References to a competitor that affect his commercial goodwill can be made in good faith, for example if the maker of the statement believes it to be true. Effective protection against discrediting is therefore typically independent of any proof of actual damage or intent. In some countries (such as the United States of America), however, the common law tort of disparagement in theory requires proof of malice and damage. Although the courts in the United States of America have gradually eased that requirement, the concept still has proved to be too narrow, and that has led to the enactment of legislative provisions for the grant of statutory relief against disparagement without any evidence of damage or intent (see Section 43(a) of the Lanham Act).

Statements of Fact

2.830 Opinions differ on whether discrediting should be restricted to statements of fact. In some countries, the statutory notion of discrediting is broad enough to cover also statements of opinion. In other countries, it has at least been recognized by the courts that such statements are within the scope of the general provision against dishonest trade practices. In still other countries, disparagement is concerned mainly with statements of fact.

False Statements

2.831 The question whether statements of opinion can be discrediting has to be considered in connection with another question, namely, whether protection should be extended to the case of

accurate statements. Article 10*bis*(3)2 of the Paris Convention speaks of false allegations. Many countries go further, however, recognizing that true, but nevertheless discrediting remarks are either directly within the scope of the express prohibition of discrediting, or at least a violation of the general provisions on honest trade practices. Thus, a literally truthful remark about a competitor may be considered unfair competition if the "attack" is blown up out of proportion, or if the words used are needlessly injurious. On the other hand, some countries expressly restrict the notion of discrediting to inaccurate or at least misleading statements. In the United States of America, for example, true but nevertheless disparaging statements are neither within the scope of the common law tort of disparagement nor within that of the statutory relief granted by Section 43(a) of the Lanham Act or—at State level—the statutes on business practices.

2.832 An explanation of this difference in attitudes can be found in the diverging assessment of "commercial honor." Where unfair competition law has its roots in the protection of the commercial reputation of the individual businessman—as it does in the continental European countries—a "special tort of business disparagement" has emerged, to which, in principle, much stricter rules apply than to defamatory statements outside the bounds of competition, where constitutional considerations such as freedom of speech have to be taken into account. In other countries, especially those that have not developed a comprehensive system of protection against unfair competition, the attitude is exactly the opposite: it is assumed that, in the interest of competition, attacks on individual competitors are unavoidable, that they must be widely tolerated and that a line should only be drawn where the attack is based on false facts. In those countries, the plaintiff usually also bears the burden of proof as to the falseness of the statement—which can sometimes make an action impossible.

Violation of Trade Secrets

General

2.833 Competitive strength usually depends on innovative techniques and accompanying know-how in the industrial and/or commercial field. However, such techniques and know-how are not always protectable by patent law. Firstly, patents are available only for inventions in the field of technology and not for innovative achievements concerning the conduct of business, etc. Moreover, some technical discoveries or information, while providing a valuable commercial advantage for a particular trader, may lack the novelty or inventive step required to make them patentable. Furthermore, while a patent application is pending, as long as the information has not been disclosed to the public, the owner of the information to be patented ought to be protected against any wrongful disclosure of the information by others, regardless of whether or not the application eventually leads to the grant of a patent. Although the Paris Convention does not mention trade secrets as such, Article 10*bis* on unfair competition requires protection against any act of competition contrary to honest practices in industrial or commercial matters; the need for protection against wrongful disclosure of "undisclosed information" (another term for trade secrets) is generally recognized.

2.834 Trade secrets are protected against unauthorized use and disclosure by various statutory means. Some countries have special provisions for the protection of trade secrets either under specific legislation on unfair competition or as part of another law. Other countries treat trade secrets as an aspect of tort law. Still other countries have enacted criminal, administrative, commercial or civil law provisions prohibiting the unauthorized use or disclosure of business secrets. The criminal provisions are less important in practice, however, since normally knowledge of the secrecy, as well as malicious or fraudulent intent, have to be proved. Yet if the disclosure of a trade secret constitutes a criminal offense, it will normally constitute an act of unfair competition as well. Furthermore, since employees, consultants, independent contractors and joint venturers are often

privy to trade secrets, several aspects of civil law concerning employment contracts and general contract law are also relevant, depending on the circumstances of the case. Finally, it is not unusual to have combinations of the above means available. For example, violation of trade secrets could result in unfair competition or tort liability, as well as in criminal sanctions. On the other hand, in situations where non-competitors have intimidated or influenced agents or employees, or have otherwise induced them or other persons bound to secrecy to disclose the secret information, only civil tort law might be applicable.

What Information can be a Trade Secret?

2.835 Although a legal definition of a trade secret rarely exists, several countries (following the example of France) differentiate between manufacturing (or industrial) secrets and commercial secrets, which could have consequences for the applicability of criminal law. The first category of trade secrets is related to information of purely technical character, like production methods, chemical formulae, blueprints or prototypes. Such information could constitute a patentable invention but, generally, patentability of the information in question, in particular novelty in a patent law sense, is not required for the secret to be protectable. Commercial secrets include sales methods, distribution methods, contract forms, business schedules, details of price agreements, consumer profiles, advertising strategies and lists of suppliers or clients. Usually, the subject matter of trade secrets is rather broadly defined, and the final determination of what information can be a trade secret will depend on the specific circumstances of each individual case. For example, in the Unfair Competition Prevention Act of Japan, a trade secret is defined as any information relating to a production method, a sales method or any other information on technology or business that is unknown to the public. A similar definition is contained in the Uniform Trade Secrets Act of the United States of America.

2.836 There are several lines of inquiry that serve to determine what information constitutes a trade secret: the extent to which the information is known to the public or within a particular trade or industry, the amount of effort and money expended by the trader in developing the secret information, the value of that information to the trader and to his competitors, the extent of measures taken by the trader to guard the secrecy of the information and the ease or difficulty with which the information could be properly acquired by others. From a subjective point of view, the trader involved must have a considerable interest in keeping certain information as a trade secret. Although contractual obligations are not necessary, the trader must have shown the intention to have the information treated as a secret. Frequently, specific measures to maintain the secrecy of the particular information are also required. The fact that the information has been supplied confidentially will not always be sufficient. In some countries (for example, the United States of America and Japan), the efforts made by the owner of the information to keep it secret are considered by courts to be of primary importance in determining whether the information constitutes a trade secret at all.

2.837 From an objective point of view, the information must, in order to qualify as a trade secret, be known to a limited group of persons only, that is, it must not be generally known to experts or to competitors in the field. Even patent applications may be regarded as trade secrets as long as they are not published by the patent office. Therefore, external publications or other information that is readily available will not be considered secret. For example, the use or disclosure of a trade secret by a person who has acquired it in a legitimate business transaction and without any negligence is not deemed unfair. On the other hand, absolute secrecy is not a requirement, for the information might also be discovered independently by others. Also, business partners can be informed without loss of secrecy if it is obvious that the information has to remain secret. Factors that indicate whether the information has the necessary degree of confidentiality to constitute a protectable trade secret are whether it contains material that is not confidential if looked at in

isolation, whether it has necessarily to be acquired by employees if they are to work efficiently and whether it is restricted to senior management or is also known at the junior level. Still, the most solid proof is the strict confidentiality of the information and the contractual duty to keep it secret.

Use and Disclosure by (Former) Employees

2.838 Even in countries where specific provisions on wrongful or unfair disclosure apply, employment contracts may serve to reinforce and supplement the protection afforded to trade secrets under the law of unfair competition or tort law. It is generally accepted that employees have a basic right to use and exploit, for the purpose of earning their living, all skills, experience and knowledge that they may have acquired in the course of previous periods of employment, even with the help of trade secrets. Yet, an employee does have the duty, during the period of employment, to act with good faith towards his employer and, after the employment has come to an end, not to use or disclose any confidential information about his employer's affairs that may have come to his notice during his employment. In some cases the use or disclosure of information will constitute a breach of the employment contract by the (former) employee if the information in question must remain secret. However, the distinction between using the skills, knowledge and experience legitimately acquired during employment and the prohibition on the use or disclosure of the former employer's industrial or commercial secrets is often difficult to make. Clearly, in cases where the behavior of the employee is equivalent to theft, embezzlement, industrial espionage or conspiracy with a competitor, a willful breach of confidence will be presumed.

2.839 Frequently, employment contracts incorporate specific provisions prohibiting the disclosure of business or trade secrets, but such provisions, like undertakings not to compete, must not be so restrictive of the professional abilities of the employee in the future that they constitute an undue restraint of trade. Criminal law, as well as civil and labor law, could create relevant duties in employment relations: for example, it can prohibit disclosure of secret information by employees. Such provisions may be very important in situations where the employee is not bound by contractual clauses, or where the use of such information by former employees is not related to a competitive action. If the former employee can be regarded as a competitor of the former employer, for example if he has set up a company on his own in the same sector, a breach of confidence by the former employee will normally be an act of unfair competition. For example, the inducement of customers of the former employer to become clients of the employee in his new position will probably be deemed unfair, particularly if the employee misuses lists of customers or internal business details in order to make better offers. However, there can also be wrongful misuse of confidential information if special knowledge of the employer's activities in relation to clients' affairs is made use of to persuade those clients to transfer their business to another.

Use and Disclosure by Competitors

2.840 Competitors are usually very interested in acquiring the trade secrets of others. However, as trade secrets themselves are not fully equivalent to exclusive rights under industrial property law, the determination of the unfairness of competitors who use or disclose the trade secrets of others is based on the means of acquiring the information. For example, it is expressly stated in the Unfair Competition Prevention Law of Japan that the rules concerning the protection of trade secrets will not apply where a trade secret is obtained in the course of a legitimate trade activity, provided that the person obtaining the secret did not use dishonest means to do so, or did not negligently disregard the dishonesty of such means. Thus competitors who have not used any influence to bring about the disclosure of the secret information, but have merely taken advantage of the breach of contract of a former employee or partner of the competitor, will seldom be held liable. The competitor's awareness that the disclosure of the trade secret by the former employee or partner would be a breach of contract is regarded as a minimum level of intent for determining

liability. The Mexican law, for example, makes it an offense to use a trade secret which has been disclosed by a third party where the person to whom the secret was disclosed knew that the third party was not authorized to disclose the secret. In any case, competitors are not allowed to interfere recklessly with the contractual relations of others. For example, if a competitor has bribed or otherwise unlawfully persuaded a (former) employee to disclose a competitor's trade secret, he will be liable for unfair competition.

Taking Undue Advantage of Another's Achievement ("Free Riding")

General

2.841 In addition to the likelihood of confusion, there are other circumstances that may be held relevant under various doctrines with respect to the imitation of indications, products or other marketable creations. Such circumstances involve the act of taking undue advantage of, or free riding on, another person's achievement recognized by consumers and other market participants like dealers, traders and suppliers. Frequently such achievements concern a certain indication or product but they could also be of purely technical character.

2.842 Protection in such cases depends on a number of requirements which vary from country to country. The unfairness of the competitive act is regarded as resulting not only from the obvious exploitation of the notoriety of the indication, commercial success of the product or technical achievement of the competitor without any proper effort being made to depart substantially from the characteristic features of that particular achievement, but also from the risk of damage to the reputation of the existing business. As a minimum prerequisite, the indication or the product must have a certain distinctiveness (which may be of a level not sufficient for protection under specific legislation). As the scope of protection may depend on the degree of distinctiveness, completely banal indications or products will not usually qualify for protection against mere imitation.

2.843 From a purely systematic point of view, the notion of "free riding" has a number of common features with the notions of causing confusion and misleading. Free riding on another person's market achievements can be defined as any act that a competitor or another market participant undertakes with the intention of directly exploiting another person's industrial or commercial achievement for his own business purposes without substantially departing from the original achievement. In that sense, free riding is the broadest form of competition by imitation. Under the principles of a free market, however, the exploitation or "appropriation" of another person's achievements is unfair only under specific circumstances. On the other hand, acts that cause confusion or mislead normally imply free riding on another person's achievements, but are generally recognized as forms of free riding that are always unfair.

2.844 When assessing the availability of protection against unfair competition for market achievements of others in the absence of confusion, it has often been stated that the mere exploitation of another's achievement is consistent with the principles of a free market system. Thus protection under the rules concerning unfair competition cannot simply be regarded as an alternative route to the securing of protection which would be available without the obligation to comply with the various requirements of protection imposed by specific industrial property legislation. As a certain balance of interests on the relevant market has been achieved by adopting specific legislation on patents, industrial designs, trademarks and so on, that balance must also be taken into consideration in the application of unfair competition law. As a general rule, protection under unfair competition law will be denied if the achievement that has been copied or appropriated is covered by specific industrial property legislation and the type of protection sought by resorting to unfair competition law could have been obtained, at least for a certain period of time, under that specific legislation (principle of "preemption").

2.845 As indicated above, protection as such may be invoked if the subject matter of specific legislation does not cover the achievement involved, for example, if the law is not applicable to achievements made before a certain date, or if the protection granted by the special law is not broad enough to give the relief sought in the specific case. Some industrial property laws expressly provide that protection under unfair competition provisions may be invoked for achievements that are not protectable under the specific law. Some industrial property laws expressly exclude additional protection under unfair competition law for inventions, indications, signs or product shapes that are protectable under those laws. Still, it is not always clear what interests the legislation has in fact balanced by adopting the special law. Even legislative commentaries do not comprehensively clarify that question. Thus a common approach to the grant of protection against free riding under unfair competition law is to make such protection available only under specific circumstances, which must differ in some respects from the circumstances under which protection is granted by the specific legislation. The definition of those circumstances is often possible only under some sort of "catch-all" provision, and thus usually is established by case law. For the following types of free riding, specific circumstances resulting in an act of unfair competition are already recognized in many countries: dilution of the distinctive quality or advertising value of a mark, misappropriation of a reputation, slavish imitation and so-called "parasitic acts." These are dealt with in the following paragraphs.

Dilution of the Distinctive Quality or Advertising Value of a Mark

2.846 Generally, where the unauthorized use of a mark for different goods or services is not likely to cause confusion, there is neither trademark or service mark infringement nor an act of unfair competition. This follows from the "speciality principle" in trademark law, which is a consequence of the distinguishing function of trademarks and service marks. In some countries, however, such as Canada, the EC member States under the EC Directive to Approximate National Laws on Trade Marks and several States of the United States of America, marks that have acquired a certain renown are given additional protection against the so-called dilution of their distinctive quality or advertising value. The concept of "dilution" is understood as the watering down or gradual lessening of the ability of a mark to be immediately associated by consumers or the general public with a particular source. As some dilution can be regarded as being an inherent result of the use of identical or similar marks for totally different goods or services, the main rationale behind the notion of dilution is that marks that have acquired a certain renown should be protected against the obvious desire of other market participants to take advantage of the essential "uniqueness" of a mark. The likelihood of substantial damage to the proprietor of the mark is assumed from the fact that the mark may lose its established association with certain products. The required degree of renown of the mark involved is determined by the relevant public or consumer groups. If it is a trademark for goods that appeal only to a selected group of consumers, it will have a better chance of reaching the required degree of renown than if it is one for mass-consumption goods. However, the required degree may still vary considerably from country to country.

Exploitation of Another's Reputation

2.847 Another type of misappropriation that has been recognized in recent years as being contrary to honest business practice is that of unfairly taking advantage of the reputation or "prestige" of the market achievements of other industrial or commercial enterprises. This doctrine has been particularly relevant in the appropriation of well-known indications. For example, if the quality of the genuinely marked product or service has led consumers to associate the mark with a certain origin or consistency of product quality, its unauthorized use for other goods or services, while not causing confusion as to their source, might still be considered unfair appropriation of a reputation. The doctrine may equally apply to product appearances, but in such a case the appearance must be recognized as indicating a certain degree of quality, image or prestige. Countries have different

approaches to this kind of misappropriation, however. For example, whereas in France the appropriation of the prestige of another's mark or product is usually assumed to be unfair, in Spain that type of misappropriation is expressly prohibited without any further prerequisites in Article 12 of the Law Against Unfair Competition of 1991. In Germany it is required, for the appropriation by a third person to be allowed, that a secondary exploitation of the mark could not reasonably be expected. In the United States of America there is in principle no objection to appropriation unless a likelihood of confusion, for example as to "sponsorship", is established, for which purpose the prestige of the mark is taken into account.

2.848 Taking advantage of another's trademark or service mark may occur as a more or less veiled form of appropriation. For example, a competitor may use a generally similar, but noticeably different mark, nevertheless consciously drawing closely on the characteristic and well-known features of another's mark. Alternatively, he may use the mark in advertising his own trademarked goods with the aim of transferring the image of the well-known mark to his own goods, or again he may use another's mark with qualifying terms like "model", "type", "style", and so on; however, in some countries the term "suitable for" or other similar terms may be permissible in connection with spare parts and accessories. In this respect, it is not necessary that the market participant be a direct competitor of the proprietor of the mark, as long as there is a likelihood of damage to the exclusive image or reputation of the mark or the business involved.

Slavish Imitation

2.849 The concept of slavish imitation as a separate act of unfair competition has been developed in several countries of Europe. This kind of unfair free riding is usually regarded as an exception to the general rule of free appropriation in the area of products or indications that are not protectable or for which protection has lapsed under specific legislation, or where there is no likelihood of confusion as to the source of the products. In the absence of likelihood of confusion, the specific circumstances of the case must reveal some exceptional character for the act to be deemed unfair. Usually the unfairness is seen in the lack of research, investment, creativeness and expense on the part of the imitator, who has merely copied the achievement of another, despite the fact that alternative ways of competing effectively were available. The imitated products or indications would still have to possess a particular distinctiveness, which must not merely derive from technical features necessary for the product to function properly, but must concern aesthetic or decorative features that leave sufficient room for alternative shapes and designs.

2.850 Not all prerequisites of slavish imitation are equivalent in all countries, however. Apart from that, the qualifying circumstances may sometimes be combined with the concepts of dilution, misappropriation of reputation or "parasitic competition." Frequently, there has to be a marked contrast between the efforts made by the competitor to develop his achievement, to introduce it on the market and to win some success or recognition and the efforts made by the imitator to copy and exploit that achievement for the act to be deemed unfair.

2.851 Acts of slavish imitation should be distinguished from acts of so-called "reverse engineering." The latter is generally understood to consist in examining or analyzing, by taking apart or decomposing, a product or substance in order to understand its structure, composition or operation and find out how it was made or constructed, and subsequently producing an improved version of the product or substance. The practice of reverse engineering is commonly practiced in industry in connection with the products of competitors, with the purpose of learning the technology they embody, and eventually producing a competing (improved or different but equivalent) product. In fact, it is part of the normal exercise of competition in a free market environment which, in turn, is based on broader public policy considerations. The practice of reverse engineering is, therefore, not in and of itself unfair; nevertheless, the product or other

result obtained through reverse engineering may, under certain circumstances, constitute an infringement of an industrial property right. For example, if a product made after reverse engineering of a competitor's product falls under the claims of a valid patent (where appropriate, taking into account the doctrine of equivalence), that would constitute patent infringement. If a patent is not infringed, but the manner in which the original product was copied is found to be dishonest or unfair (regardless of whether reverse engineering took place), the relevant acts might still be actionable on grounds of unfair competition.

Parasitic Acts

2.852 Another variety of unfair free riding recognized in some countries is the concept of "parasitic acts." This concept has many features in common with the concept of slavish imitation. Here the mere imitation of the achievements of others is still considered inherent in a free market system, but exceptional circumstances may make the imitation unfair. For example, the imitation of one product which is not particularly new or original could possibly be allowed, but, as soon as the achievement involved is recognized as innovative or strongly appealing to consumers, the imitator has less reason to claim the fairness of his action. What tips the balance definitely against the imitator is his systematic and methodical appropriation of the characteristic achievements of one particular competitor in a routine manner. Moreover, circumstances relating to the modus operandi of a competitor may denote unfairness: for example, ordering samples from a competitor for the purpose of imitating his products more easily and systematically may be found to be unfair parasitic behavior. Some countries adopt a flexible approach in these cases, in particular, by adapting the scope of injunctions and also the time limits of protection to the particular circumstances. For example, the amortization of the innovation costs could be considered a relevant factor in determining whether or not a particular imitation is fair. As a result, protection could be restricted to identical imitations, and only for a period of time that is much shorter than under specific industrial property legislation. It is to be noted, however, that in some countries (for example, the United States of America) just copying the product of another person (even if done systematically, or in respect of one particular competitor) will not be recognized as unfair competition unless there is copying of non-functional features which are distinctive or have acquired secondary meaning.

Comparative Advertising

Definition

2.853 The different attitudes towards true but nevertheless discrediting statements can best be seen in the examination of comparative advertising. Comparative advertising may take two forms: a positive reference to another's product (claiming that one's own product is as good as the other) or a negative reference (claiming that one's own product is better than the other). In the first instance, where the competitor's product is usually well-known, the crucial question relates to the possibility of misappropriation of another's goodwill. In the second case, where the competitor's product is criticized, it is the question of disparagement that arises. However, both forms of comparison involve an (unauthorized) reference to a competitor, who is either mentioned by name or implicitly identifiable as such by the public.

The General Restrictions: "Misleading" and "Discrediting" Comparisons

2.854 It goes without saying that comparative advertising has to respect the restrictions applicable to all advertisements. In particular, it must not be misleading or disparaging. Comparison based on false or misleading statements about one's own product or involving false statements about the competitor's product is forbidden in all countries.

2.855 It must be remembered, however, that there are differences in the evaluation of the notion of "misleading" and especially in that of "discrediting." As mentioned above, some countries consider statements claiming superiority or uniqueness (like "the best", etc.) misleading unless they can be proved correct, while others consider them harmless exaggerations. Different assessments of the notions of "discrediting" and "misappropriation" are of even greater importance. In countries with a rather permissive attitude towards true but nevertheless disparaging statements, comparative advertising is generally tolerated. As long as what is said is true, the courts will not interfere, even if the reference to the competitor or his product is clearly disparaging or exploits his goodwill. In countries that traditionally put special emphasis on the protection of the "honest" businessman and his reputation, comparative advertising is either forbidden or at least severely restricted. Sometimes the mere fact that a competitor is named against his will is considered discrediting and therefore unfair competition. According to the rule that "the honest businessman has a right not to be spoken of, even if the truth is spoken", the legislation of some countries has even expressly forbidden all comparisons that needlessly identify a competitor. The same argument has led the courts of other countries to find comparative advertising more or less automatically against honest trade practice (and therefore against the general provision on unfair competition law). Although it has sometimes been stressed that true comparisons might be in the interest of consumers, doctrine and case law have in practice allowed comparisons only under very special circumstances, for example, if they have been expressly required by a customer, if they have been made to counter an illegal attack on the advertiser, or if the comparison is necessary to explain a certain system or new technical developments in general.

The Trend Towards Admission of True Comparisons

2.856 In recent years, however, this negative attitude towards comparative advertising has changed. It has been increasingly recognized that true comparisons of relevant facts can not only reduce the consumer's information search costs, but also have positive effects on the economy by improving market transparency. The courts of those countries that traditionally view comparative advertising as disparaging have gradually relaxed the strict prohibition on all statements identifying a competitor. For example, price comparisons, if based on true, relevant and ample material, may be allowed. On the whole, there seems to be a clear trend towards the admission of truthful comparative advertising.

Special Dangers of Comparative Advertising

2.857 On the other hand, it cannot be denied that comparative advertising can more easily be misleading or disparaging than most other forms of advertising, for example if the comparison is based on irrelevant (or not really comparable) aspects, or if the overall impression is misleading. These potential dangers require special safeguards against abuse. Countries that allow comparisons place special emphasis on the fact that even true statements must not be unnecessarily disparaging or that irrelevant facts must not be compared. The 1997 EC Directive on Comparative Advertising goes even further by expressly requiring that only material, relevant, verifiable and representative characteristics of goods or services meeting the same needs or intended for the same purpose be compared, that the overall impression be not misleading, that there be no risk of confusion, that the competitor and his product be in no way discredited or denigrated, that the comparison does not take unfair advantage of the reputation of a trademark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products, and that it does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name.

Comparative Advertising and Trademark Law

2.858 Comparison is often impossible without reference to a certain mark which refers to a particular product, service or business. In these cases, not only unfair competition law, but also trademark law has to be taken into account.

2.859 In countries where trademarks are protected solely as indications of the source of a product or service, the use of a trademark in comparative advertising may not be within the scope of trademark law. However, there are countries where the use of another's trademark in comparative advertising may be considered trademark infringement. Notwithstanding this, the statutes so far have not been applied in cases of truthful comparative advertising, and there may be constitutional reasons for such an exception in cases of comparative advertising. There is a case for allowing such advertising provided, in particular, that it does not cause confusion between the marks of the advertiser and those of a competitor, and that it does not discredit, denigrate or indicate contempt for a competitor's marks.

Comparisons Made by Third Parties

2.860 In many countries product testing is done by consumer organizations and/or private or public institutions like the press, television and other media. Usually two questions will arise here: are the organizations liable under unfair competition law, and may the results of their testing be used in advertising?

2.861 In those countries that have given up the requirement of a competitive link between plaintiff and defendant, unfair competition law is applicable to these organizations, too. In other countries, "unfair" product tests, which have an adverse effect on a business reputation, are primarily dealt with under general civil law tort provisions.

2.862 There seems to be no general agreement on the question whether and under what conditions such test results may be used by advertisers. In some countries that in general do not accept comparative advertising, this kind of indirect comparison is basically considered legal. In other countries, it is expressly forbidden for a competitor to refer to tests conducted by consumer organizations, and in still others such references are severely restricted.

Other Acts of Unfair Competition

General

2.863 As mentioned earlier, unfair competition law particularly reflects the sociological, economic and ethical conceptions of a society. Apart from the specific categories of acts already discussed which are generally considered unfair competition, there is a wide range of acts and practices that may be dealt with under unfair competition law in one country but not necessarily in another. The discussion that follows is therefore restricted to those aspects that most countries appear to consider (although perhaps with different emphasis) contrary to "honest trade practice", either in the form of an express prohibition in the specific law or, more frequently, under the general provisions on unfair competition, or in specific other laws, decrees and the like. It is to be noted that the following explanations only give examples, not an exhaustive list of these other unfair practices.

Nuisance Advertising, Exploitation of Fear, Undue Psychological Pressure, etc.

2.864 Modern competition law aims to protect all those concerned by unfair market practices. Consequently, practices that "unduly" influence the consumer or try to do so may be considered contrary to honesty in competition. In practice, however, it is difficult to determine what requirements have to be met before a practice is deemed to be "undue" in relation to the consumer. Since the very purpose of all marketing or advertising practice is to influence consumers favorably, a certain borderline of influence has to be crossed. This is often asserted in cases where the privacy of the consumer has been invaded or where he has been manipulated by means of advertising techniques.

2.865 For example, in many countries the delivery of unsolicited goods to a person who is required to pay for them unless he expressly refuses or returns them is considered unfair competition, because it plays on the fact that many consumers either tend to forget to return the goods or even feel under an obligation to keep them. On the other hand, many countries tolerate unsolicited home visits ("door-to-door sales") as long as they do not involve any deception or impose undue psychological pressure on the consumer. Opinions may vary on the question of unsolicited telephone calls: while some countries consider them per se an intrusion into the privacy of the consumer, most other countries tolerate them as long as the consumer's lack of experience and his privacy are not exploited. The same is true of the unsolicited sending of advertising material.

2.866 It is further considered unfair in many countries to abuse the consumer's superstitions, credulity, fears or feelings of charity. For example, an advertisement that exploits elderly people's fears of ending up in a nursing home, or causes unnecessary anxiety over death or health problems can be considered contrary to "honest" trade practice. The same is true if a special situation in which the consumer is especially vulnerable is exploited for commercial purposes, for example, if victims of car accidents are pestered with offers of towing services, or if the recently bereaved are offered funeral services. Most countries, moreover, take special precautions against any abuse of children's lack of experience.

2.867 Apart from these special cases, often regulated in specific laws, the courts of some countries have identified a group of cases under the general clause against unfair competition which can be described as "psychological pressure to purchase" or "exaggerated enticement." These cases are mainly seen in connection with special marketing practices, however, like the offering of free goods or discounts and lotteries.

Sales Promotion: Bonuses, Gifts, Lotteries, etc.

2.868 A frequent marketing technique to attract new customers consists in the offering of bonuses, gifts and other inducements, and in the organization of competitions, lotteries or games. Such sales promotion can be a new and efficient channel of distribution and may thus stimulate competition. On the other hand, it may distract consumers from the merits of the principal goods or services and thereby entice them to buy something that is either not worth its price or not really needed. This is particularly true of marketing techniques like games, lotteries and other competitions, which exploit for advertising purposes a consumer's predisposition to gambling. Most of these are therefore regulated in one way or another, and sometimes even expressly forbidden. Additionally, they are subject to self-regulation measures. There is, however, little agreement (and little consistency) on the question of what specific practices should be considered unfair competition. For example, bonuses, or any discount or other advantage dependent on the purchase of a product, are forbidden in principle in some countries, allowed in principle in others and more or less strictly regulated in others. Lotteries, where the winning of prizes is a matter of pure chance, are generally forbidden if they are linked to the purchase of a product, and otherwise

are severely restricted. Contests in which the outcome can be influenced to a certain extent by the participant's own skill are generally viewed more favorably, provided that no deception is involved and that the consumer is not put under any pressure to buy. On the other hand, "pyramid" ("snowball") sales and other such methods are often considered potentially misleading and consequently forbidden (sometimes even on pain of criminal sanctions), or are at least severely restricted, whereas sweepstakes are often considered legal.

2.869 On the whole, the courts of most countries, even those that allow the sales promotion techniques mentioned above, pay special attention to the actual conditions under which these sales practices take place: if the consumer is put under any psychological or other pressure to buy, if the prizes are extremely valuable and so all the more enticing, an otherwise accepted marketing practice may well be considered contrary to "honest trade practice."

Impeding of Market Activities

2.870 Finally, there are several acts which may hinder or obstruct a competitor in his business activities, either directly or indirectly. An example of a direct obstruction would be the actual obstruction of trading on a particular market location, which would normally be considered unfair. Another example would be the deliberate destruction of bottles destined to be recycled and refilled by a producer of soft drinks in order to lessen his ability to supply the market. Other (indirect) impediments are often controlled by anti-trust law but, under certain circumstances, unfair competition law may offer some additional protection. Impediments that are traditionally covered by anti-trust law are discrimination, boycotting and dumping, but that does not preclude the application of unfair competition law, at least if the acts are perpetrated on an individual scale. For example, unreasonable interference with the business activities of competitors, sales at unreasonably low prices, like below-cost prices, or the imposition of fixed retail prices are practices that have been designated by the Fair Trade Commission of Japan as being prohibited by the Japanese Anti-Monopoly Act, but which might also be regarded, in theory, as forms of unfair competition. In some countries, selling below cost or at an "exceptionally low profit margin" is expressly prohibited under unfair competition law. In the United Kingdom, the United States of America and other countries, "predatory pricing" with a view to damaging a competitor may be prohibited under competition law.

2.871 Other such unfair practices consist in enticing away from competitors, or in inducing the personnel or agents of competitors to terminate their employment or agency contracts. As indicated earlier, these acts of unfair competition are frequently accompanied by the violation of trade secrets but may, nevertheless, constitute separate unfair acts. Merely inducing the clients or employees of competitors to change suppliers or employers by offering better conditions is inherent in free competition and cannot therefore be regarded as unfair. However, means such as bribery or deception of clients, agents or employees, or inducement to breach a valid undertaking not to compete, will be deemed unfair, as will the systematic enticing away of personnel with a view to damaging one particular competitor.

Chapter 3

The Role of Intellectual Property in Development and WIPO's Development Cooperation Program

Objectives of Developing Countries

Industrial Property and Development

Industrial Property Protection and Development
Inventions, Technology and Development

The Promotion of Innovation

Introduction
A Global Approach to Establishing Innovation and Invention Support Structures or Services
Implementing and Managing Innovation and Invention Support Structures and Services
Innovation Center or Innovation Support Network

Licensing and the Transfer of Technology

Introduction
The Commercial Transfer and Acquisition of Technology
Negotiation of Licensing Agreements
Remuneration
Types of Intellectual Property Licenses
Government Control of Licensing Agreements

Copyright and Development

The Development Cooperation Program of WIPO

Introduction
Objectives
Development Cooperation in Relation to Intellectual Property
The WIPO Worldwide Academy

Objectives of Developing Countries

3.1 The general long-term objective of developing countries remains the establishment of a sound development base. This includes progress towards agricultural self-sufficiency and the stimulation of commercial and industrial activity. Industrial policies continue to emphasize the establishment of small-, medium- and large-scale industries in priority sectors, and commercial policies to promote a better balance of exports between raw materials, which tend to predominate, and finished, manufactured products as well as services. At the same time there is a continuing drive to obtain maximum economic benefits for developing countries from their enormous resources in indigenous creation, arising from traditional knowledge and indigenous arts, creative crafts and folklore.

3.2 The aim of developing countries to adopt policies on science and technology that facilitate their acquisition and use on appropriate terms remains present and important, as do the efforts to improve infrastructures, whether legislative or administrative, and to develop the human resources which operate intellectual property systems.

3.3 Recently, however, there has been an evolution of the conditions in which these development aims are pursued. The numerous challenges of the new century call for new approaches. One such challenge is in information technology, notably in the worldwide spread of the use of the Internet, and all the issues it raises in copyright and related rights, as well as in fair practice in industrial property, most urgently in the use made of domain names. Another challenge is in the field of biotechnology, which has seen momentous breakthroughs in genetic engineering, giving rise to questions that are not only biological and technical, but also human and ethical. The use of traditional knowledge and genetic resources is also evolving in ways that particularly affect developing countries: it should bring rewards to the societies that produce it as well as to the users.

3.4 Intellectual property in itself has always been an integral part of general economic, social and cultural development worldwide, but these new challenges emphasize all the more how globally interlinked national and regional intellectual property systems have become. Fresh approaches to meet the challenges have become correspondingly global, with concerted action at the national, regional and international levels to enable developing countries to participate in and benefit from technological advances.

3.5 The framework of international legislative and administrative assistance to developing countries has been strengthened by the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") administered by the World Trade Organization (WTO) in cooperation with WIPO. Developing countries which are member States of WTO were given different periods of time to adapt their intellectual property systems before being obliged to apply the TRIPS Agreement. The last to be so obliged will be the least developed countries (LDCs) which have until January 1, 2006 (see chapter 5, The Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") and WIPO-WTO Cooperation): WIPO's program of assistance and support to the LDCs in particular has been intensified to help them meet this deadline, but other developing countries continue also to be so assisted.

3.6 In keeping with the more integrated approach to intellectual property as a key feature permeating society, WIPO has broadened its contacts and partnerships with all levels of society. WIPO now maintains constant and increasing contact not only with policymakers at the governmental level in the ministries immediately concerned, and with national intellectual property

offices, but also with other interested ministries, with non-governmental organizations concerned, with business communities at different stages of development, with the creators of intellectual property, with civil society interest groups involved in such questions as farming, public health and preservation of the environment, as well as with the general public to promote awareness of the wider issues and interests involved.

Industrial Property and Development

Industrial Property Protection and Development

Introduction

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

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

3.9 Industrial property rights make it possible for the creators of innovations (goods, processes, apparatus, etc.) to establish themselves more readily, to penetrate new markets with a minimum of risk, and to amortize the investments made in the research that led to the innovations in the first place. In a practical sense, these innovations become the spearhead of some of the most advanced technology. This is becoming more and more apparent in a modern world increasingly dominated by technology.

3.10 For example, the right to obtain a patent for an invention encourages the investment of money and effort in research and development; the grant of a patent encourages investment in the industrial application of the invention.

Awareness of the Industrial Property System

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

3.12 An essential task is to promote, among owners and users, as well as among potential owners and users, of industrial property, within the government and in the private sector, awareness of the nature of industrial property, and of how its main components can be developed

and successfully exploited in commerce and industry to enable the industrial property system to serve better the national interest and national goals of development.

Patents and Patent Information

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

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

3.15 The utilization of information available through this disclosure avoids wasteful duplication of effort and the multiplication of costs that research aimed at finding solutions to technical problems can entail; it acts as an inspiration or catalyst for further inventions, and this contributes to the advance of science and technology.

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

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

3.18 In this connection, it is necessary that the development objectives of the country concerned be reflected in the patent system of that country. In particular, the administration entrusted with patent matters must have the required capabilities and the mandate for undertaking and achieving the tasks and results provided for in the patent legislation. It may be mentioned that in many instances the inadequate utilization of the patent system in developing countries is merely a consequence of the lack of appropriate cooperation between the patent administration and the other relevant governmental bodies. The existence of appropriate links with the various related sectors could ensure the effective contribution of the patent system (patent laws and patent administration) to the development process.

Utility Models

3.19 One of the main advantages of a patent system is the encouragement of indigenous inventiveness and the stimulation of creativity among the peoples of the country. Such

encouragement and stimulation could result in a large number of inventive products some of which might not, however, meet all the requirements for patentable inventions. Creativity of this kind nevertheless deserves reward and should be encouraged. The protection of utility models serves this purpose by providing for a type of industrial property with less stringent requirements and a relatively short duration in comparison with a patent.

Industrial Designs

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

Trademarks

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

3.22 The growth, indeed the very survival, of any company, depends essentially on their ability to progress, not only in the national context but also internationally. As a result of the ever-growing pace of technological development, competitors are constantly launching new products and/or processes on a market which is in a perpetual state of change, improvement and renewal. Any company unwilling to compete in the modern marketplace is therefore bound to become vulnerable to challenges from national or international competitors in what it might have once thought was its own backyard.

Inventions, Technology and Development

3.23 Inventiveness and creativity are features which have favored the differentiation of mankind in the course of evolution from all other living species. The capacity to put these features to productive use continues to be of fundamental importance within the social and economic structures of human society. Indeed, the survival of any enterprise, organization, or even nation, may be said to depend essentially on its capacity to keep pace with development and progress.

3.24 One of the most widely used measures of economic progress (whether for a country or for an individual enterprise) is productivity, i.e. output per unit of input.

3.25 The principal significance of improved productivity is, of course, that it facilitates economic growth. If less inputs are required to produce the same amount of output, the resources which are liberated by the use of a more efficient process may be put to other productive uses, thus allowing overall expansion of output and economic growth to occur.

3.26 One of the important elements in the sound management of a science and technology policy based, *inter alia*, on encouraging invention and innovation is, undoubtedly, the patent system. An efficient patent system contributes to the stimulation of innovation in three main ways.

3.27 First, the existence of the patent system, with the possibility of obtaining the exclusive right to work an invention for a limited period of time, constitutes an important incentive to inventive and innovative activity.

3.28 Second, the limited period of time during which the holder of a patent is entitled to prevent others from using his invention creates an environment which facilitates the efficient development and utilization of patented inventions. It protects the inventor against uncontrolled competition from those who have not taken the initial financial risk. It thus creates conditions in which risk capital can be safely advanced for the transformation of an invention into an innovation. The inventor will be at ease to further develop the invention into a final, commercially polished, product or process that could be marketed and produce a benefit.

3.29 Third, the patent system provides the framework for the collection, classification and dissemination of the richest store of technological information existing in the world today. In other words it contributes to the dissemination of new knowledge since the right of the inventor to prevent others from using his invention for a limited period is not granted freely. In return for the grant of a patent, the inventor must disclose the details of his invention to society. Thus the information contained in a patent is available for research and experimental purposes (although not, of course, for commercial use) by all during the term of the patent grant. On the expiration of the patent term the information falls into the public domain and is freely available for full commercial use by all. The patent system thereby contributes to the evolution of the technological base of industry.

Government Support for Inventive Activity

3.30 The responsibilities of governments towards their inventors do not end with laws and treaties securing substantive protection of inventions. Their administration must be effective and not over-expensive, in order to avoid unnecessary obstacles between an inventor and his legal rights.

3.31 Certain countries have established special systems or structures to assist individual inventors, small enterprises and non-profit-making organizations in obtaining protection for their inventions and their effective management (for example, the payment of the various kinds of fee, free consultancy services, etc.).

3.32 Some provisions contained in financial or tax laws creating favorable conditions for inventors and inventive activity could be summarized as follows:

- reduced taxes in respect of income stemming from licensed patents and know-how;

- reduced fees for acquisition and maintenance of industrial property rights by individual inventors;

- special loans or subsidies, including interest-free or low interest loans;

- grants for development of certain inventions and innovations;

- possibilities for concluding governmentally or publicly financed "research contracts."

3.33 In an increasing number of countries, specialized governmental institutions have been created to encourage inventive activity and also to promote the development, exploitation and to

some extent the commercialization of local inventions, by providing the inventor with the relevant support.

3.34 For instance, in some countries individual inventors may get assistance and their inventions may be tested in government-owned or government-financed research and test laboratories and institutions. Usually it is done on a non-profit-making basis and in some cases repayment of the expenses is required if the invention has been successful on the market.

Rewards and Recognition for Inventors

3.35 An important means of action by governments for promoting inventive activity is the direct encouragement of inventors by public recognition. Non-material rewards (medals, diplomas) and sometimes financial rewards are granted not only to meritorious inventors, but also to potential inventors in the framework of youth science and invention contests. In some countries such moral awards and celebrations have been established by governmental acts. Another important support to inventors are exhibitions of inventions in that they highlight the inventions and facilitate the establishment of contacts with industry. In several countries, government agencies — including in some cases the industrial property administrations — organize or participate in the organization of such promotion activities.

3.36 Education is an important factor in that process. In many countries the promotion and encouragement of inventive activity among young people enjoys increasing attention. With a view to creating better opportunities for development of those talents as early as possible, several countries organize special exhibitions and contests for inventions made by schoolchildren, students and young people.

Cooperation Among Inventors

3.37 However important government support to inventors may be, it is necessary for the inventors themselves to realize better that they need to act collectively. They will be better heard, and their wishes will be better satisfied, if they form associations, if they are active in those associations and if their associations maintain closer relations with each other on the regional or international level.

3.38 At the international level the cooperation between organizations of inventors is either bilateral or in the framework of international organizations of inventors. Examples of international organizations of inventors are the International Federation of Inventors' Associations (IFIA), a global organization, and the African Federation of Inventors' Associations (AFIA), a regional organization.

The Promotion of Innovation

Introduction

3.39 At the beginning of our new millennium, worldwide economic development, with the creation of employment, economic growth and the reinforcement of the industrial network, cannot be realized without innovation at all levels. At the governmental level, innovation means effective policies to attract foreign investment, to promote applied worked-oriented research, to create an

innovation and entrepreneurial culture, to facilitate the integration of new technologies and to support small- and medium-sized enterprises (SMEs) and other creators in their efforts to innovate.

3.40 In fact, innovation is one of the key factors of the creation of new industries and the revitalization of existing ones, in both developed and developing countries. A recent study found that 20% of existing international trade relies on new patents. In a globalizing economy, the competitiveness of industries can only be maintained by continuous innovation.

3.41 It is not only large, multinational bodies and the results of national or international research and development programs that produce innovation or innovative products; SMEs and private research activities not only contribute, but should become a major force behind the innovations which promote economic growth. With the increasing complexity of market relations in the globalization of international trade and commerce, support structures and services to facilitate the transfer of technology or knowledge from creators to industry are of increasing importance.

3.42 The progress from an idea or initial research, to a marketable product or innovation is often difficult, long and costly. Unfortunately, in many cases, inventions and innovations are considered high-risk investment and do not obtain financial support easily. Consequently, the necessary funding to develop innovation or inventions into marketable products is rare and naturally more problematic in developing countries.

A Global Approach to Establishing Innovation and Invention Support Structures or Services

3.43 Innovation is often influenced by the environment in which innovators work. Factors that generate a favorable overall environment for inventions and innovation are:

- the state of science and technology;
- the legal, fiscal and general financial systems;
- the scientific and entrepreneurial culture;
- the technological and manufacturing infrastructure;
- human resources and their level of knowledge and education.

3.44 Specific factors that influence innovation are the relationships between universities, financial institutions, governmental offices and industry networks among others. Furthermore, the administrative and financial regulations governing the creation of new companies play an important role.

3.45 Since these factors can be influenced by national policies, the establishment of support services or a structure for invention and innovation should be considered as a governmental priority. Also, national innovation support structures and programs for services should be seen as a unified whole, with the main objective of increasing the capacity of society to generate inventions and innovations, including the transfer of technology, both nationally and internationally.

3.46 Technology transfer does not only consist of the transfer of intellectual property rights: the signing of license agreements, payment of royalties and transfer of intellectual property are only a

part of it. Unpatented know-how, ideas and suggestions often constitute information of considerable use, however difficult to evaluate, and furthermore other factors, such as conferences, meetings, and even personal relationships among technologists, make an important contribution. The promotion of a combination of all these modes of transfer assists all forms of creativity.

3.47 However, an evaluation of the prevailing environmental factors influencing innovation in a given country will be the first step to take to determine the innovation and invention structures and services that can be implemented there to increase its competitiveness in local, regional and international markets.

Implementing and Managing Innovation and Invention Support Structures and Services

3.48 Promoting innovation is a national policy objective, which can be attained only if all the economic players of a country participate in such a policy. Therefore, innovation support structures should be considered a public service for innovative minds, entrepreneurs and SMEs, as are other public services on offer, for example, health care or education. This public service should give incentives to and reinforce inventors, innovators and SMEs investing their ideas and transforming them into products, processes and technologies, which ultimately benefit society as a whole.

3.49 Innovation and invention support structures and services have to develop their own type of management, with planning and policies depending on the circumstances prevailing in each country. However, generally speaking, managing an innovation support structure needs the creation of an efficient and autonomous organism approved by the national authority.

3.50 It could be an organization, whose operations should be accountable to public authorities (for example, a board of governors or an executive committee, composed of representatives of all stakeholders), with the flexibility and adaptation capacity of an independent organism. It would be an organization for the development of new techniques and products and the valorization of intellectual property rights.

3.51 This organism would have the mission of advising the national authorities on the global environmental factors and the changes needed to set up innovation support structures, and notably innovation centers able to bridge the gap between creators and the market. The persons involved would have to prepare a technology development action plan based on evaluation of the weaknesses and strengths of the local realities, and considering funding to support the development phase, which could in some cases last several years.

3.52 This plan would have to be approved by all parties concerned. The first members of the organization should be drawn from the local authorities and interested private business, and could later be assigned to monitoring and providing budgetary and general oversight control of the program. WIPO and/or other international partners could provide advisory assistance.

Innovation Center or Innovation Support Network

3.53 An important element of these innovation structures is an organism — or a network of entities — which acts as the missing link on the one side, between researchers, individual inventors, research centers and universities and, on the other side, SMEs, investors, industries and those who

finally will bring the new products or services to the market. The organism can be called an "innovation center": its mission would be to assist individual inventors (including university researchers), SMEs, other creators and businesses to bring innovatory projects to completion. The offer of services of the innovation center should facilitate the development of their inventive and innovative ideas and assist them in commercializing or other dissemination on the market.

3.54 To realize that mission, the innovation center should offer certain major functions, in addition to administrative services. These functions, which can be performed either with in-house staff, a specialist network or through a cooperative structure (which last could be an attractive option in developing countries), are to provide:

- an information and promotion program to answer questions from inventors, researchers, entrepreneurs or anyone seeking adequate information on the necessary steps that have to be taken to realize innovation or invention projects, and notably on managing intellectual property rights;

- an evaluation program, including initial screening of submitted ideas or inventions to determine acceptability for evaluation. The center should be able to do preliminary evaluation, which provides expert opinions on the strengths and the weaknesses of an invention regarding its novelty, technical feasibility and market potential;

- a business assistance program to take the chosen projects through all stages of their development, including the market study, the technical research and development and prototypes, the intellectual property management and the filing of applications for protection of rights, the enterprise creation, the commercialization and decision-making, support to negotiate a licensing agreement with a third party, the preparation of the business plan, counselling to SMEs on the pre-production process, and help to individual creators to find industrial or other partners to commercialize their invention or innovation;

- prototyping services, which could produce operational models for demonstration purposes or organize pilot (test) production;

- a seminar and workshop program to generate knowledge in the community, in cooperation with experts such as patent attorneys and intellectual property public relations officers, on the evaluation and assessment of innovation and on the management of intellectual property rights;

- a brokering program of activities designed to acquire financial support for the development and the commercialization of selected projects supported by the Center;

- assistance in creating smaller offshoots (spin-offs) of large organizations or companies, particularly in countries where the industrial structure does not always have the capacity to integrate innovations with a high content of knowledge, research and development.

3.55 In some cases intellectual property offices and private experts in this field tend to see themselves as intermediaries, as examiners and attorneys only. They do not always realize their potential as a major influence in the global economic context, in which they can promote a national strategy to protect and valorize knowledge, inventions and innovation.

3.56 WIPO has established an online reference service that provides information on the activities of and services offered by innovation centers worldwide. The site http://www.wipo.int/icdir may be consulted.

Licensing and the Transfer of Technology

Introduction

3.57 One means for accomplishing economic development through the transfer of technology is the commercial transfer and acquisition of technology. Of course, technology can also be transferred and acquired by other than commercial methods. Personnel can be educated or trained at research and development institutions, technical institutes or centers of higher learning. Such personnel can in turn study books, periodicals or other publications on special scientific and technical subjects, or read patent documents, and in that way acquire knowledge of specific technology. But these methods will inevitably fall short of enabling those personnel or others to apply that knowledge, especially the inventions described in patent documents, to manufacture products, produce goods or render services.

3.58 This is true for two reasons. First, the exclusive rights to work an invention belong to the owner of that invention. Without the authorization of the owner, others should not put into practice the patented invention. Second, as has been mentioned, not all the knowledge — the know-how — which facilitates or is otherwise useful for the working of the invention is set forth in the description of the invention that is found in the patent document. Hence, it becomes necessary to buy those rights, or to buy the permission to use the invention, or to buy the know-how that enables the invention to be put into practice in the most efficient way.

The Commercial Transfer and Acquisition of Technology

In General

3.59 The sale and purchase of the exclusive rights to a patented invention or of the permission to use the invention or of the know-how, takes place through legal relationships between the owner of the exclusive rights or the supplier of the know-how, called the transferor — and the person or legal entity which acquires those rights or that permission or receives that know-how, called the "transferee."

3.60 Those legal relationships are essentially contractual in nature, which means that the transferor of the technology consents to transfer and the transferee consents to acquire the rights, the permission or the know-how in question.

3.61 There are three principal legal methods that can be used to bring about a commercial transfer and acquisition of technology.

The Sale: Assignment

3.62 The first legal method is the sale by the owner of all his or its exclusive rights in a patented invention and the purchase of those rights by another person or legal entity.

3.63 When all the exclusive rights to a patented invention are transferred, without any restriction in time or other condition, by the owner of the patented invention to another person or legal entity, it is said that an "assignment" of such rights has taken place. That concept of assignment is

recognized in the laws of many countries. It applies also to the exclusive rights in utility models, industrial designs and trademarks, as well as other objects of industrial property. For the sake of simplicity, however, the further explanation of this legal concept will be confined to the principles and characteristics of the assignment of the patented invention. Similar principles and characteristics apply to the assignment of other industrial property subject matter.

3.64 The legal act whereby the owner of the patented invention transfers those rights to another is evidenced by a writing in the form of a legal document generally referred to as an "instrument of assignment of patent rights" or "assignment of patent rights" or, more simply yet, as an "assignment." The transferor is called the "assignor" and the other person or entity, the transferee, is called the "assignee." When an assignment takes place, the "assignor" no longer has any rights in the patented invention. The "assignee" becomes the new owner of the patented invention and is entitled to exercise all the exclusive rights in the patented invention.

The License Contract

3.65 The second legal method is through a license, that is, the permission by the owner of a patented invention to another person or legal entity to perform, in the country and for the duration of the patent rights, one or more of the acts which are covered by the exclusive rights to the patented invention in that country. When that permission is given, a "license" has been granted. It may be recalled that those acts are the making or using of a product that includes the invention, the making of products by a process that includes the invention, or the use of the process that includes the invention. The concept of "license" is also recognized in the laws of many countries. It applies also to the exclusive rights in other objects of industrial property. Again, for the sake of simplicity, the remaining explanations of the principles and characteristics of the license will be limited to the patented invention.

3.66 The legal document evidencing the permission given by the owner of the patented invention is usually referred to as a "license contract" or, more simply yet, as a "license." The owner of the patented invention who gives that permission is referred to as "the licensor." The person or legal entity who or which receives that permission is referred to as "the licensee." The license is usually granted subject to certain conditions which will be set out in the written document by which the license is granted to the licensee.

3.67 One of the conditions will obviously be related to the payment by the licensee of money in return for the license that is granted. Another condition might be that the invention will be used by the licensee only for the manufacture of products destined for a specific use, as for example, the manufacture of a pharmaceutical product for use by humans but not for use on animals. Another condition might be that the licensee work the invention in certain factories only or sell the product embodying the invention in certain defined areas only.

3.68 It is also possible that the conditions may relate to promises to be made or action to be taken by the licensor. For example, the licensor may promise to defend in court a lawsuit brought by a third person against the licensee in which that third person claims that the working of the invention by the licensee violates the exclusive rights already conferred by the grant of another — a separate or distinct — patent for invention which is owned by that third person.

3.69 In a number of countries, the legal form of the document evidencing an assignment or a license contract and other formalities and requirements concerning an assignment or license are prescribed by the patent law or by the commercial law. Thus, a requirement may be imposed that an instrument of assignment of patent rights be executed in a particular manner, as for instance, it may be required that the instrument be signed not just by the assignor but also by the assignee.

3.70 In addition, in a number of countries, the patent law may require that an instrument of assignment of patent rights or a license contract be presented to the patent office for registration. By the act of registration, the assignee or the licensee is recognized by the Government as the transferee or holder of the rights transferred by the assignment or of the rights conferred by the license contract.

3.71 The law may also require that the terms and conditions set forth in the instrument of assignment or in the license contract be reviewed or examined and approved by one or more designated governmental authorities. For instance, where technology is to be acquired from abroad or where payments in foreign exchange must be made, the law might require the foreign investment commission or the central bank or both to review and approve the provisions of the assignment or the license contract.

The Know-How Contract

3.72 The third of the three principal legal methods for the transfer and acquisition of technology concerns know-how.

3.73 It is possible to include provisions concerning know-how in a writing or document that is separate from a license contract. It is also possible to include such provisions in a license contract. In the case where the know-how relates to a patented invention or a registered trademark or industrial design, the provisions are usually included in the license contract that deals with that patented invention or other object of industrial property. This is particularly so when the owner of the patented invention or other industrial property subject matter is also the developer and holder of that know-how. For a variety of reasons, however, even in such a case, the provisions concerning the know-how might be placed in a separate or distinct writing or document. Whenever provisions concerning know-how appear in a separate or distinct writing or document, that writing or document is normally called a "know-how contract.

3.74 Through such provisions, one party, the supplier of the know-how, undertakes or promises, to communicate the know-how to another party — the recipient of the know-how, for the use by that other party.

3.75 The know-how may be communicated in a tangible form. Documents, photographs, blueprints, computer cards and microfilm, among others, are illustrations of tangible forms. Examples of know-how that could be transmitted in such forms are architectural plans of the factory buildings, the diagrams of the layout of the equipment in the factory, drawings or blueprints of machines, lists of spare parts, manuals or instructions for the operation of machines or the assembly of components, lists and specifications of new materials, labor and machine time calculations, process flowcharts, packaging and storing instructions, reports on stability and environmental aspects and job descriptions for technical and professional personnel. Such know-how in tangible form is sometimes referred to as "technical information or data."

3.76 The know-how might also be communicated in an intangible form. Examples would be an engineer of the supplier of the know-how explaining a process to an engineer of the recipient or the manufacturing engineer of the recipient witnessing a production line in the enterprise of the supplier. Another example would be training in the factory of the recipient, or at the enterprise of the supplier, of personnel of the recipient.

3.77 Know-how in intangible form relating to the demonstration of, or advice on, manufacturing and other operations is sometimes referred to as "technical services." Know-how in intangible form relating to training is sometimes referred to as "technical assistance." Where the know-how

in intangible form is to consist in the actual direction of manufacturing operations, or other operations such as planning, or financial and personal administration, or marketing, it is sometimes referred to as "management services."

3.78 The possibility that the know-how to be communicated by the supplier to the recipient might be disclosed, accidentally or otherwise, to third persons, is a very real concern to the supplier of the know-how. The provisions concerning know-how in the contract will thus cover various measures to safeguard against the disclosure of the know-how to unauthorized persons.

Sale and Import of Capital Goods

3.79 The commercial transfer and acquisition of technology can take place with the sale, purchase and import of equipment and other capital goods. Examples of capital equipment are machinery and tools needed for the manufacture of products or the application of a process.

3.80 Raw materials, for example, crude oil or phosphoric acid, can also be considered as capital goods in that although they are products in themselves, they may be necessary for the manufacture of another product, such as gasoline or fertilizer, respectively. So also, intermediate goods, such as cotton or polyester fiber, or woven cloth and leather, which is to be cut and sewn into clothing, and parts or other components, such as tyres, batteries, radiators and engines, which are to be assembled into an automobile, may be regarded as capital goods in that they are needed in the manufacture of other products.

3.81 Such sales and purchases of capital goods and their import into the country can be considered, in a sense, technology transfer transactions. Contracts covering the sale and purchase and the import of capital goods are sometimes associated with a license contract or with know-how provisions or a know-how contract. In certain instances, provisions concerning the sale and purchase and the import of capital goods may be found in the license contract or the know-how contract itself.

Franchising and Distributorship

3.82 Commercial transfer of technology may also take place in connection with the system of the franchising or distributorship of goods and services.

3.83 A franchise or distributorship is a business arrangement whereby the reputation, technical information and expertise of one party are combined with the investment of another party for the purpose of selling goods or rendering services directly to the consumer.

3.84 The goods in question may be durable, as in the case of automobiles or home appliances. They may be consumable in use, as, for example, prepared food or beverages. The services may extend to the rental of capital equipment, for example, automobiles, trucks or other power equipment, or to hotel operations, or dry cleaning facilities, or secretarial help.

3.85 The outlet for the marketing of such goods and services is usually based on a trademark or service mark or a trade name and a special décor (the "look") or design of the premises. The license of such a mark or name by its owner is normally combined with the supply by that owner of know-how in some form, either technical information, technical services, technical assistance or management services concerning production, marketing, maintenance and administration. The owner of such a mark or trade name and know-how is called a "franchisor" or "licensor." The party to whom the license is granted and the know-how is supplied is called the "franchisee," "distributor" or "dealer." The franchisee, distributor or dealer may own the premises or contribute

money and time as an investment in the business firm. Other aspects of the business relationship of the parties to the contract, including sharing of the profits of the franchise or distributorship, will be agreed to between the franchisor or licensor and the franchisee or distributor or dealer and set forth in a document called a "franchise agreement" or "distributorship agreement."

3.86 As in the case of an assignment, a license contract and a know-how contract, the law may require that such franchise or distributorship agreements be registered and reviewed or examined and approved by one or more designated government authorities.

The Consultancy Arrangement

3.87 The help of an individual consultant or a firm of consultants that will give advice and render other services concerning the planning for, and the actual acquisition of, a given technology can be useful, if not indispensable, for such enterprises, entities and governments that wish to acquire technology from enterprises in other countries.

3.88 In such a business arrangement not only is help received in acquiring the technology but the experience gained and the lessons learned in engaging and working with the individual consultant or firm of consultants will be valuable knowledge that can serve to better carry out future projects.

3.89 As concerns planning, the advice or services may relate to the choice of the product to be manufactured or improved upon and the technology to be used, to the investment required, to the type of business organization or other relationships to be established, and to the suitability of each for the objective or objectives to be attained.

3.90 The consultancy services might extend also to the implementation of a project. "Design and engineering" services are a typical example. Such services concern the preparation of the plan for the site of the plant, the design of the factory building, the design of machinery and other equipment, the preparation of tender documents for the construction of the building or the equipment and for civil engineering work, the evaluation of bids and advice on the award of contracts, the supervision of the construction of the factory, including the installation of the equipment, the supervision of the start-up and testing of the equipment and making findings on the state of performance of the process utilized, as well as giving advice in the initial period on the operation of particular equipment or the entire factory.

3.91 One or more individual consultants or firms of consultants might be engaged to render the services in question. Usually, however, such an individual or firm specializes in a particular type of service, such as investment planning, design and engineering, environmental impact, marketing or business organization and management. In a sense, the consultancy services are forms of know-how. They can thus be considered within the framework of the know-how contract, more particularly, the technical services contract or agreement.

The Turn-Key Project

3.92 In certain instances, two or more of the business arrangements, and hence the legal methods that they reflect, can be combined in such a way as to entrust the planning, construction and operation of a factory to a single technology supplier, or to a very limited number of technology suppliers.

3.93 Thus, the "turn-key project" may involve a comprehensive arrangement of certain of the legal methods, whereby one party undertakes to hand over to his client — the technology recipient — an entire industrial plant that is capable of operating in accordance with agreed

performance standards. More usually, the turn-key project involves the undertaking by one party to supply to the client the design for the industrial plant and the technical information on its operation. In the latter event, supplementary arrangements might also be made for the acquisition of rights to the technology, for civil engineering work and for provision of technical services and assistance concerning the construction of the plant, the purchase and installation of equipment, raw materials or parts and components, training and supervision of the operation of the plant, at least in its initial stages.

3.94 It is called a "turn-key" project because the end result is to "turn" over to the client the "key" to the door of the industrial plant. That is a symbolic way of expressing the completion of the tasks agreed to between the parties.

3.95 Both the consultancy arrangement and the turn-key project arrangement have their shortcomings. The first does not usually entail the responsibility of the consultant for the results. In the second, the technology supplier or suppliers are so responsible. Neither the first nor the second provides means for a continuing involvement of the technology supplier so that access to later advances in its technology can be more readily facilitated. This is because neither contains a commitment to the technology acquirer to provide further advice or services or to provide improved or additional technology. Neither contains measures to provide money or other resources that may be needed for further growth.

3.96 Because of these shortcomings and for other reasons, joint venture arrangements can be more attractive means of industrial or commercial cooperation.

Joint Venture Arrangements

3.97 The nature of a "joint venture" is briefly referred to under "Territorial Franchises" in chapter 2. The subject is further developed here as to the forms of joint ventures possible, and the legal methods applicable.

3.98 There are two fundamental forms of joint venture, the equity joint venture and the contractual venture.

3.99 The equity joint venture is an arrangement whereby a separate legal entity is created in accordance with the agreement of two or more parties. The parties undertake to provide money or other resources as their contribution to the assets or other capital of that legal entity. That entity is usually established as a limited liability company and is distinct from either of the parties that participated in its creation. That company becomes the owner of the resources that are contributed by each party. Each of the parties in turn become the owners of the company, that is, each is said to have "an equity" in the company.

3.100 Where one or more of the parties is a foreign enterprise or entity, such a party is, or such parties are called a "foreign participant" or "the foreign participants." The parties or participants, as they are called, will agree on the purposes and functions of the limited liability company, the proportion of the capital each will contribute to, and the share of each in the profits of, the limited liability company, and on such other matters as its management, operation, duration and termination.

3.101 On the other hand, the contractual joint venture might be used where the establishment of a separate legal entity is not needed or where it is not possible to create such an entity. This may be the case where the project involves a narrow task or a limited activity or is for a limited time or where the laws of the country in which the business operation is to be conducted do not recognize

the ownership of property by foreigners. The relationship between the parties will be set forth in the contract or agreement concluded between them.

3.102 The different legal methods for the commercial transfer and acquisition of technology can be used in either form of joint venture arrangement.

3.103 An assignment of the exclusive rights to a patented invention, a utility model, industrial design or trademark by one of the participants could constitute a portion of that participant's contribution to the capital of the joint venture company. It is also possible, of course, for one of the participants to grant a license of a patented invention or other object of industrial property or to supply know-how as part of that participant's contribution to the joint venture company. More commonly, however, such a license or the supply of know-how in one or more of its forms will be the subject of one or more contracts made after the joint venture company is established. Those contracts will be concluded between one of the participants as the transferor of the technology in question and the joint venture company. Through such contracts the technology in question can be transferred to the joint venture company which will thus acquire the means to enable it to carry out its operations.

3.104 Whether one or more of the legal methods are used in the establishment of the joint venture company, or whether one or more of those legal methods are used and when so as to enable the joint venture to carry out its operations, will be matters for negotiation between the prospective participants. The result of their negotiations will be reflected in the joint venture agreement. The license contract, the know-how contract, the technical services or the technical assistance contract, the franchise contract and contracts covering other commercial matters might even form annexes to the joint venture agreement. They would be signed once the joint venture company was established.

3.105 Needless to say the joint venture agreement, whether it be for the establishment of a limited liability company or not, and the different contracts of the various legal methods that may be used, must be concluded in accordance with laws and regulations applicable to such companies and to the tax laws concerning those companies or to the laws relating to agency or partnership, as well as to other economic laws, including laws relating to labor, sales of goods, insurance and foreign economic and trade contracts.

Negotiation of Licensing Agreements

Introduction

3.106 Any technical licensing contract may be analyzed in respect of the following basic elements:

- the subject of the contract;
- the licensor's obligations;
- the obligations common to both parties.

3.107 The following topics are typically the subject of the negotiations leading to the conclusion of the license contract or which require special attention in drafting its provisions. These provisions are discussed from the point of view of the licensing of patents but they apply also to the other forms of intellectual property.

Identification of the Parties

3.108 One of the first points of concern to the negotiators of the license contract will be the identification of the entities or persons which or who will become the parties or, in other words, will sign the license contract and become legally bound to carry out its provisions.

3.109 The objective in describing the parties to a license contract is to identify each of them with sufficient certainty, so that their identity will not later become a subject of controversy.

3.110 This objective assumes particular significance in complex business transactions between more than one entity or person on either side and between entities or persons in different countries.

3.111 For example, one side in the negotiations leading to the conclusion of the license contract may be a grouping of legal entities, all organized and located in one foreign country or each organized and located in separate countries, but in either case, with a common ownership, control or other interest. In such cases, it may be contemplated that the patent license will be given by one of the legal entities in the group (or perhaps even by a legal entity outside the group) and that other performances will be undertaken or received by one or more of the other legal entities in the group.

3.112 Similar questions will arise where the other side to the negotiations is likely to involve a number of governmental authorities — ministries, commissions, bureaus or administrations or other governmental units — or public entities, state enterprises or private entities, including those established as a result of a joint venture with a foreign legal entity.

3.113 Further, consideration will have to be given to whether one document setting forth all the terms and conditions and commitments should be prepared and executed between all the parties on both sides or whether several documents, each containing distinct terms and conditions and commitments, should be drawn up and signed by the different parties on each side.

Objectives of the Parties: Scope of the License

3.114 When the parties are negotiating a license contract, they usually proceed on the basis that certain technology is necessary for the manufacture of a particular product or the application of a particular process from which a product or other result is to be obtained. In other words, the ultimate objective of the parties in concluding a license contract is the transfer by the licensor, and the acquisition by the licensee, of a given technology and of the right to exploit that technology in the making, or in the use or sale of a given product or in the application of a given process through which a product or other result will be obtained.

3.115 Their objective will be reflected in a general way either in a preambular part of the license contract, consisting of a series of provisions often referred to as "recitals" or "whereas clauses," or directly in an operative element of the license contract, consisting of a particular article entitled "background information."

3.116 The objective of the parties to the license contract will be expressed more specifically in subsequent provisions that delineate the "scope" of the license contract. One set of those provisions identifies the technical subject matter of the license contract (that is, the product or the process, the invention or inventions and the know-how and technological advances, if any). Another group of those provisions will determine which of the parties may perform one or more acts of exploitation, designate the place or places where that act or those acts may take place, establish the duration of the exploitation and specify the purpose or purposes for which the

technology may be exploited. Other provisions will prescribe the level of working of the invention or inventions, specify the means, if any, to assist in the exploitation, fix the remuneration for the exploitation and state the consequences of a failure of or of an interference with the exploitation of the technology or with other commitments agreed upon.

Subject Matter

3.117 These provisions describe the product to be made, used or sold, or the process to be applied and from which a product will be obtained and in turn used or sold; they will also identify the invention or inventions included in that product or process, describe the know-how, if any, that is to be supplied and identify the technological advances of one party or the other, and the conditions under which those advances will be made available by that party to the other.

Identification of Product or Processes

3.118 Since the ultimate objective of the licensee concerns a product or process, one of the provisions in the license contract will identify in concise terms that product or process. In the typical case, that provision is set forth in the part of the license contract dealing with definitions.

3.119 The product might be identified somewhat broadly, as for example, "instruments for the purpose of writing," which would include, for instance, fountain pens, ball-point pens and felt-tipped pens. The product might be defined more specifically, as for example, only one or more but not all of those kinds of pens.

3.120 The process might be identified as a chemical formula according to which certain chemical substances interact when a specified catalyst is introduced resulting in a specified product.

3.121 The title and the abstract included in the application for the grant of a patent for the invention that is embodied in the product or the process may be a useful starting point in providing the requisite information to describe the product or the process.

Identification of the Invention

3.122 The provision that identifies the invention or inventions included in the product or process usually refers to the number of the patent for invention or the application for the grant of a patent for invention, the country where the patent was granted or registered or where the application was filed, the date of the patent grant or the filing date of the application, and in some cases the title of the invention and the status of the application. Where the product or the process in question includes a number of inventions, the relevant information in respect of each invention is usually grouped together and set forth in a schedule attached to the license contract.

Description of the Know-How

3.123 Under the standard requirements of most patent laws, the description of the invention claimed in an application for the grant of a patent for invention must disclose the invention in a manner sufficiently clear, detailed and complete to permit a person having ordinary skill in the art to carry out the invention. Some patent laws go further, and require also that the best mode contemplated by the inventor for carrying out the invention be described. But those patent laws do not extend to requiring a description of additional means that may facilitate the carrying out of the invention. Such additional means may consist of the use of technical information and expertise acquired through long experimentation with the invention.

3.124 As regards the description of such know-how, technical information can be identified in terms of the relevant documentation, as for example, diagrams of the layout of the plant, drawings or blueprints of machines, lists of spare parts, manuals or instructions for the operation of machines or the assembly of components, specifications of raw materials, labor and machine time calculations, packaging and storing instructions and information on stability and environmental aspects. Job descriptions can be drawn up for each expert whose technical or professional expertise is needed. This information can be set forth in one or more annexes, appendixes or schedules attached to the license contract.

Confidentiality

3.125 Know-how is acquired or developed by the licensor in the course of research and development activities or through the application of industrial and business techniques in the operations of the licensor's enterprise. The know-how may often be the reason for the current competitive position, if not superiority, of the licensor in the field of technology concerned. As such, it is a valuable asset of the licensor to be preserved. At the same time, it is a resource which the licensor is willing to part with in exchange for an agreed price from the licensee or others who wish to use it. Its supply to the licensee is consequently the result of a bargain in which the price is not just the payment of a monetary remuneration fixed by the license contract but also the commitment by the licensee not to disclose that know-how to third persons except under certain conditions or with the consent of the licensor.

Access to Technological Advances

3.126 The technological advance of immediate concern to the parties to the license contract will normally be one which significantly or substantially affects, for example, in the case of a given product, the volume of its production, the cost of its manufacture or the efficiency of its use, or, in the case of a given process, the material conditions under which that process is applied, or the cost of its application, or the efficiency of its application.

3.127 The parties might decide that the mutual exchange of information on technological advances is in their best interests, and that each shall be free to exploit, free of charge, the technological advance of the other. This is called cross-licensing. They might also decide that if either party makes available the technological advance of the other to a third person for a remuneration, then the other shall be entitled to share in that remuneration in some agreed manner and amount. It is usually provided further that the party making the technological advance should apply for patent protection. In the event that it does not elect to do so, the other party may apply, in the name of either and at the expense of the party applying.

Limitations of the License and Anti-competitive Practices

3.128 The license can have several contractual limitations regarding permissible activities (to make, to sell, the fields of use, etc.), restrictions to part of the claims on them as well as territorial or quantity restrictions or limitations on the sale prices.

3.129 However, any provision conflicting with the prohibition of antitrust or anti-competitive practices is usually to be considered null and void. The main requirement is that as a rule exclusive intellectual property rights represent a pro-competitive monopoly for a limited duration only, so that their owner should not exercise his right by abusing his monopoly, e.g., by imposing anti-competitive obligations on the licensee. The most important forms of such abuse can be, for example, tie-in clauses, export bans, minimum royalty clauses, exclusive grant-back, conditions preventing challenges to validity and coercive package licensing. Tie-in clauses provide that the

licensee may purchase materials only from certain sources; grant-back clauses secure exclusive rights to improvements in favor of the licensor.

3.130 Under the TRIPS Agreement Members agree that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology.

3.131 Nothing in the TRIPS Agreement prevents Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights, with an adverse effect on competition in the relevant market. A Member may adopt, consistently with the other provisions of the Agreement, appropriate measures to prevent or control such practices, in the light of the relevant laws and regulations of that Member.

Territorial Exclusivity

3.132 Which of the parties to the license contract will be able, by virtue of its provisions, to perform what act or acts of exploitation, in what territory or territories, and with what effects on arrangements with third persons in relationship with the licensor or the licensee, who are also interested in exploiting the technology, are distinct but related questions. They are related because each concerns the exclusive right of the licensor under the patent for invention granted to the licensor which will be the subject matter of the license contract. A decision on each of these questions must be clearly reflected in the license contract.

Permitted Field of Use

3.133 A provision on the field or fields of use or activity specifies the purpose or purposes for which the invention or the know-how may be applied. It serves to define the scope of that application by the licensee. At the same time, depending on that defined scope, the licensor may be able to grant a license or supply know-how to each of a number of other licensees, each specializing in different applications of the invention or the know-how in question. That permits the most practical way of exploiting the invention or know-how, given the capabilities of each particular licensee.

3.134 In the long run, though, it may be desirable for the licensee to have the opportunity to apply the technology for all purposes. The price asked for in that case, however, must be compared to the lower price which may be asked for if a limited purpose is agreed to. The comparison becomes all the more relevant if the licensee is not currently, nor in the future likely to be, in a position to exploit the technology beyond the limited purpose.

Exploitation

3.135 The licensor expects that the licensee will not only exploit the invention and apply the know-how but will do so to the fullest extent permitted by the terms and conditions of the license contract.

3.136 The parties might wish to specify that the licensee will make, use or sell the product that includes the patented invention or will apply the know-how in a certain manner with a view to obtaining a certain result and to exploiting the technology at a certain level. The parties might wish also to set forth the commitments of the licensor, the performance of which will assist the licensee in achieving the expected manner and extent of working or other exploitation.

3.137 The questions that usually arise in respect of the manner and extent of exploitation are concerned with the following matters: the quality of the product, the volume of production, the making of part of the product by third persons to be authorized by the licensee, the import of the product to meet local demand in the absence of sufficient working in the country itself and the use of the distribution channels of the licensor.

3.138 The licensee may seek an assurance that the know-how supplied will be adequate to attain the objective agreed with the licensor. Such an assurance is referred to as a guarantee of know-how. In this context, a guarantee is an assertion that a given fact or event concerning the know-how exists or that a given performance will take place if the know-how is applied; that assertion is accompanied by a promise that if the fact or event does not exist or the performance does not take place, a correction will be made or some other act will be done in its place.

3.139 The guarantee provision of the license contract might be phrased in terms of the conformity of the know-how supplied to the agreed description of what was promised to be supplied. It might be phrased in terms of the results to be attained by the application of the know-how. It might be phrased in terms of the suitability of the know-how to meet the technological requirements of the licensee.

Settlement of Disputes

3.140 When non-performance is likely to or does occur, and there is no provision in the license contract which fixes the agreed consequences in respect of that failure of performance, one party might propose a solution that is satisfactory to the other. That solution might be the allowance of additional time to render the performance or the substantial correction of the flaw or flaws in question. It might mean that some other performance in lieu of the defective performance would be acceptable. In these ways, an amicable way of settling the dispute between the parties could be arrived at without recourse to legal remedies in the courts or other tribunals.

3.141 Normally, the law of the country where a given act or performance is to take place governs the disputes arising out of that act or performance and the competent courts are the courts of that country. In the case of a license contract involving a foreign licensor and a domestic licensee, the law of the licensee's country would be applicable and the courts of that country would be competent since most, if not all acts or performances take place in that country. However, the contract may stipulate, subject to possible limitations under the law of the licensee's country, that disputes arising under the contract will be subject to arbitration rather than to judicial proceedings.

3.142 Yet circumstances could arise when the party injured by the default in the performance of the other is not offered a satisfactory solution. It could be also that the party alleged to have defaulted, denies that there has been a failure to perform as agreed. In either event, some machinery for the settlement of the dispute should be provided for before recourse is had to the courts or other tribunals. Thus, recourse might have been to the advice of independent experts, or the findings and recommendations of a group consisting of representatives of each side, or to conciliation or to arbitration proceedings or, ultimately, to the courts or other tribunals competent in the matter. In particular, a clause designating the WIPO Arbitration Center as the forum for settling disputes may be added to a license contract.

Duration of the License Contract

3.143 The time-scale of a licensing contract, that is, its commencement, duration and termination, must be stipulated in the contract. An intellectual property right can be licensed for the maximum period of time during which it is in force (for patents, for instance, the maximum is generally

20 years). Shorter licensing periods may also be agreed upon and the parties may reserve the right to terminate the contract with future effect in case of specified circumstances.

Remuneration

Introduction

3.144 The "price" or the "cost" of the acquisition of industrial property is dependent upon a number of factors, including the nature and duration of the industrial property rights and the technology and the relative bargaining power of the parties. The prospective transferor usually makes a careful assessment in terms of value or the need for the particular technology, the alternative technologies available, the prospect of technological advances and the likely production and profitability of the potential transferee. The prospective transferor also makes detailed projections of production and consequent income flow from other potential licensees or technology recipients.

3.145 The potential transferee assesses the total payments likely to be made for a particular technology and for advances in that technology against the profitability of the enterprise over a period of time and also evaluates such payments in relation to costs of alternative technology or payments made with respect to similar transactions.

Direct Monetary Compensation

3.146 Direct monetary compensation for industrial property rights or for technology may take different forms: (a) "lump-sum payment", a pre-calculated amount to be paid once or in installments, (b) "royalties", post-calculated, recurring payments, the amount of which is determined as a function of economic use or result (production units, service units, sales of the product, profits), and (c) "fees," compensation for services and assistance rendered by technical or professional experts, fixed at a specified amount or calculated per person and per period of service.

3.147 These forms of remuneration may be combined in a given industrial property license or technology transfer agreement. In some instances, the lump-sum payment form may replace the system of royalties altogether, while in other instances the two might be combined one way or another, as where the licensee or technology recipient may elect to make a lump-sum payment in lieu of one form of royalty or another. In other instances, the licensee or technology recipient may be given the opportunity to elect to pay royalties on production units rather than on sales. The fees for technical services and assistance may be determined separately, either stipulated in advance or negotiated as rendered.

3.148 It is to be noted, however, as elaborated below, that under the laws in certain countries governing the transfer of technology, the various rights or elements of technology may have to be separately priced or valued and even made the subject of distinct licenses or agreements.

Lump-Sum Payment Compared with Royalties

3.149 The lump-sum payment is characterized by the fact that the obligation is fulfilled immediately or fairly shortly. Further, the parties do not have to make continuous accounts or control the calculation or the remittance, as in the case of royalties.

3.150 The lump-sum payment, when compared with royalties, may or may not have certain tax advantages. The continuous payment of royalties is considered to be income to the licensor or technology supplier from the viewpoint of taxation and, as such, royalties are subject to income tax. The single lump-sum payment, and even the lump-sum payable in instalments, may be considered the counterpart to, or the financial result of, a sale or purchase operation, with the assignment or transfer of the industrial property rights and the supply of the know-how considered analogous to the sale of commercial goods. The licensor or technology supplier will also have to pay taxes on the lump-sum payment. The single lump-sum payment, however, may be subject to a different (often higher) tax rate than income in the form of royalties. Under some tax laws, it may be possible to alleviate the higher or progressive rates on the lump-sum payment if it is split into instalments and paid over several tax years and thus subject to lower tax rates.

3.151 Where a more or less single performance is the counter value, the lump-sum payment may lead to results economically more justified between the parties. If, for example, unexpected high sales are reached, especially under the influence of monetary fluctuations or other economic circumstances, the system of royalties leads to unexpected and unjustified returns to the licensor or technology supplier. Upon the payment of a lump-sum, the licensor or technology supplier would receive only the counter value of the single performance which was thought justified at the time the agreement was concluded.

3.152 On the other hand, the lump-sum payment may also entail risks for the licensee or technology recipient if production or sales of the product lag behind expectation and if the lump-sum payment is disproportional to the economic value of the performance of the licensor or technology supplier.

Lump-Sum Payment and Royalties Combined

3.153 In many cases, the remuneration for industrial property rights or know-how is a combination of a lump-sum payment and royalties.

3.154 The lump-sum payment is often treated as an initial payment for disclosing information that enables the potential licensee or technology recipient to evaluate the technology. The actual initial payment varies a great deal from transaction to transaction and may range from a small sum for the delivery of initial technical information to a very large amount for sophisticated technology that has required much research and development. In some instances, the initial lump-sum payment may be viewed as a minimum payment or regarded as a down payment or advance against royalties. Further, the licensee or technology recipient may be given the opportunity to make an additional lump-sum payment, stipulated in advance or negotiated at the time of the election to make that payment, in lieu of royalties, with a credit against the payment of the royalties already made.

3.155 In negotiating remuneration in the form of a combined lump-sum payment and royalties, the licensee or technology recipient will need to evaluate carefully the total outflow and incidence of the payments that may be likely for various combinations. The burden of interest charges, for example, is important in determining the size of the lump-sum figure, while projections of production estimates and of cash-flow from sales during the period of the license or agreement are essential in assessing the percentage rate of royalties.

Fees for Technical Services and Assistance

3.156 Specific technical services and assistance, to be provided by the licensor or technology supplier, may be necessary in connection with the transfer of the technology or the marketing of the product under a trademark, and may have to be paid for separately.

3.157 The fees for specific technical services and assistance related to a patent or trademark license or a technical know-how agreement include: (a) the cost of training programs for the personnel of the licensee or technology recipients; (b) fees for technical services and assistance to be rendered by technical experts of the licensor or technology supplier to the licensee or technology recipient at the latter's industrial plant during the period of the license or agreement; (c) fees for technical services and assistance which concern machinery, equipment or other capital goods needed in the utilization of the technology at the industrial plant of the licensee or technology recipient.

Indirect and Non-Monetary Compensation

Income from Related Operations

3.158 The licensor or technology supplier may receive income from various operations. These may be commissions on the sales of the product made on behalf of the licensee or technology recipient through the distribution channels of the licensor or technology supplier, profits from the sale of the product supplied to the latter under exclusive purchase arrangements, profits from the sale to the licensee or technology recipient of related products which complete its marketing program, profits from the sale to the licensee or technology recipient of raw materials, intermediate goods, parts or other components and rentals from machinery, equipment or other capital goods released by the licensor or technology supplier to the licensee or technology recipient.

Dividends

3.159 If the licensor or technology supplier assumes a financial participation in the enterprise of the licensee or technology recipient or if they enter into a joint venture, the licensor or technology supplier will obtain, in the event of successful commercial operations, dividends from the financial participation. If an essential part of the commercial operations depends upon the industrial property rights or technology of the licensor or technology supplier, there may be a direct dependency between the amount of the royalties and the amount of the dividends: the higher the royalties, the lower the dividends, and vice versa. The degree of participation and financial and tax factors may dictate the relevant amount to be assigned to each and the formation of reserves or the holding back of profits, which may lead to an increase in the value of the financial participation.

3.160 In this context, attention is directed to the laws in certain countries governing the transfer of technology which treat as profits payments in respect of the price of industrial property rights or technology made between a subsidiary and its parent, or between subsidiaries; or where there exists economic unity or community of interests between the parties, or where effective technical, administrative, financial and commercial management of the technology transferee is exercised by the technology transferor; or where the technology transferor supplies raw materials or intermediate products used in the process in an amount equal to more than a specified percentage of the total cost of the product. Some of these laws also provide that in such cases the lump-sum payment or royalties may neither be treated as a contribution to capital nor constitute shares in the profits or in the capital of the enterprise of the licensee or technology recipient nor be deducted for the purpose of calculating the tax on its income.

3.161 Under the laws in certain other countries governing the transfer of technology, although royalties may be paid by the licensee or technology recipient to the licensor or technology supplier even where the latter has a financial participation in the former, the amount of the royalty payments must be reduced substantially in the event that the licensor or technology supplier has a majority participation in the licensee or technology recipient; in addition royalty payments by a wholly owned subsidiary to its foreign parent company are ordinarily not permitted.

Cost Shifting or Sharing Measures

3.162 Certain cost shifting or sharing measures, for example, the expenses in maintaining or defending rights under the patent or the trademark, that are adopted, may have the effect of reducing the expenses of the licensor or technology supplier and increasing the cost to the licensee or technology recipient of the technology transfer transaction.

Feed-back of Technical Information

3.163 The technical know-how of the licensee or technology recipient which is to be turned over to the licensor or technology supplier can also constitute a form of income to the latter.

Acquisition of Market Data

3.164 The licensor or technology supplier may benefit from data provided by the licensee or technology recipient concerning the marketing of the product in the local area, including new sales promotion techniques, which may prove useful to the marketing of the product in other areas.

Cost Reductions and Savings to the Licensee

3.165 Some elements of a given technology transfer transaction may have the effect of reducing the operating expenses of the licensee or technology recipient or otherwise lead to savings on the part of the technology transferee.

3.166 Mention may be made of such measures as the utilization by the licensee or technology recipient of the channels of sales distribution of the licensor or technology supplier, the use without payment of the trademark of the licensor or technology supplier, access for the licensee or technology recipient to information concerning improvements to existing inventions, developments in know-how, new inventions of the licensor or technology supplier or rights in respect of such technological advances, and the opportunity to benefit from the marketing information and other technical services and assistance of the licensor or technology supplier.

Description of the Currency of the Obligation and of Payment

3.167 It is necessary to distinguish two aspects of the question of currency designation. The first concerns the determination of the currency which will serve as the measure of the obligation to pay, and the second relates to the choice of the currency in which payments will be made to discharge that obligation. The currency of obligation and the currency of payment may be one and the same, but may also be different, as is often the case in an international commercial transaction.

Currency of Obligation

3.168 The currency of the obligation in the case of the lump-sum payment may be the currency of either the country of the licensor or technology supplier, or the country of the licensee or technology recipient or a third country.

3.169 In the case of royalties, if the royalty amount is linked to the volume of production and does not depend on the value of the unit produced, the currency chosen may be either that of the country where production takes place or that of another country. If the royalty amount is linked to sales, the currency chosen may be that of the country where sales take place. If export sales are likely, more than one currency may be chosen — the currency of the country of the licensee or technology recipient where production and domestic sales occur, and the currency or currencies of

the country or countries where the export sales are made. If royalties are linked to the profits of the enterprise of the licensee or technology recipient, then the currency of the country where that enterprise is legally organized may be chosen.

3.170 As concerns fees for technical services and assistance, the determination will most likely be between the currency of the country of the expert and the currency of the country where the services are performed; however, in the case of services performed by experts sent to the country of the licensee or technology recipient, the amount of the fees will normally be determined in the currency of the country of the expert, with payment in whole or in part in the currency of that country and the remainder, if any, plus the portion attributable to living expenses and other facilities in the country of the licensee or technology recipient.

3.171 Under the laws in certain countries governing the transfer of technology, it is provided that the currency of the obligation must be currency of the country of the licensee or technology recipient, though remittance abroad may be made in the equivalent foreign currency; whereas, under the laws in some other of these countries, though the currency of the obligation may be expressed in a foreign currency at least the expenses connected with the maintenance of experts in the country of the licensee or technology recipient must be paid in the currency of that country.

3.172 Many factors may play a role in the choice of the currency of payment. These are whether the currency of obligation can be utilized in the country of that currency by the licensor or technology supplier, the inflation rate in the country of the currency of obligation, the stability in the international money markets of that currency in relation to other currencies, the existence of currency exchange controls in the country of the currency of obligation or where the income of the licensee or technology recipient is generated, and the applicability of tax laws which may provide special benefits for one party or the other.

Rate of Exchange

3.173 In the event of the currency of payment chosen differing from the currency of obligation, the rate of conversion will normally figure as a provision in the license or agreement. Any one of a number of different exchange rates may be selected; for example, the official rate established by national or international monetary authorities, or an average of the said rates or a commercial rate, such as the telegraphic transfer selling rate or other selling rate or other rate of a specified domestic or foreign commercial bank.

Types of Intellectual Property Licenses

Introduction

3.174 The typical provisions of an intellectual property license are discussed above in general terms. Some provisions are particular to the type of intellectual property being licensed. Some of the more important of these provisions are listed below.

Patent Licenses

3.175 Under a patent license, the purpose of the contract is to authorize the use of an invention protected by a patent. The patent involved is identified by stating the name of the country in which it has been granted, together with its number. Generally, the technical subject matter of the invention is briefly stated in the preamble or in the article defining terms used in the contract.

Reference is also frequently made to a separate annex when the license concerns a number of patents issued in differing countries. It is advisable to state exactly those countries in which patent applications are still pending and to stipulate which of the parties is responsible for complying with the administrative and legal formalities required for the upkeep of the patent.

3.176 A patent affords a set of exclusive rights: to use the invention, to manufacture it, to sell it or place it on the market. Generally, a license provides an authorization for the licensee to carry out all those acts.

3.177 A license may be an exclusive license, a sole license, a non-exclusive license or a simple license. An exclusive license guarantees that the licensee will have no competition, not even that of the licensor or of the latter's subsidiaries. This must be stipulated in the agreement. A sole license guarantees the licensee that the licensor will afford no licenses to other manufacturers within the contractual territory. A simple license provides no guarantees in that respect, but simply constitutes an authorization to use the invention. A non-exclusive license means that another license for the creation has been granted in the contractual territory.

3.178 In such cases, it is recommended to include in the contract what is known as the "most favored licensee clause." Such a clause ensures that the licensee will enjoy the most favorable conditions that may subsequently be granted to a second licensee (for the same territory). This clause thus avoids any distortion of competition that would result from differing contractual conditions for the supply of technology.

3.179 The right to sue infringers is normally the privilege of the licensor as owner of the patent. However, an exclusive licensee can sue for infringement in the name of the patent owner.

3.180 Any licensee is protected against the inaction of the patent owner in case of infringement, and has the right to institute infringement proceedings in his own name if the owner of the patent, after being called upon to do so by the licensee, does not do so within the specified period.

3.181 In a contractual license, a licensee may be granted the right to institute infringement proceedings without having to request the owner of the patent to do so, or, the licensee may be completely barred from instituting infringement proceedings.

3.182 A person licensed to use a patent may challenge the validity of a patent. So-called "no-challenge clauses" which prohibit the licensee from contesting the validity of the licensed patent are anti-competitive.

Trademark Licenses

3.183 Trademark licensing is of fairly recent origin in trademark history. Since the original function of a trademark was to indicate trade origin, goods emanating from a source other than the trademark owner could not, without deception, carry a licensor's mark. Indeed the grant of a trademark license rendered a licensor vulnerable to a claim of non-use and so to invalidation of his mark. The exercise by a licensor of quality control over the products sold by a licensee to which the mark was affixed opened the door to the fiction that such control was a manner for the user to avoid the expungement of the mark. This fiction formed the basis of the registered user provisions inserted into most trademark statutes for more than forty years.

3.184 Most registered user provisions require the license parties to submit their agreements to the Registrar who scrutinizes them to ascertain the nature and extent of the quality controls to be exercised by the licensors. The Registrar is obliged to ensure that registration of such agreements

accord with the national interest, and the Registrar is required to refuse registration to agreements which appear to him to facilitate trafficking. It should be noted, however, that registration has been considered not to be essential for validity of a trademark license. The registration provisions have been described as permissive and not mandatory. Provided a licensor maintains control over the quality of the licensed products and the licensor is perceived as retaining a connection with the licensed products, invalidation can be avoided.

3.185 It should be noted in this context that in September 2000, the WIPO General Assembly and the Assembly of the Paris Union adopted a Joint Recommendation Concerning Trademark Licenses providing a maximum list of information and elements that an Office may require for a license to be recorded (Article 2(1)). The Recommendation also attempts to limit the effect of non-compliance with recordal requirements to the license agreement itself by stipulating that non-recordal of a license should not affect (i) the validity of the trademark which is the subject of the license (Article 4(1)), (ii) any right that a licensee might have under the legislation of Member States to join infringement proceedings initiated by the holder (Article 4(2)(a)) and (iii) the question whether use of a mark by a third person can be considered use by the trademark holder which can be relevant in the context of use requirements (Article 5).

3.186 Trademark licenses may be granted as adjuncts to or separately from patent and know-how licenses. Among the provisions particular to most trademark licenses are the following:

3.187 *Permission to Use*. The grant of permission to use the relevant mark or marks is the first-stated provision of most license agreements. The particulars of the mark or marks are usually listed in a schedule to the license agreement, together with the products in respect of which the mark is to be used.

3.188 *Number of Licensees*. It will be important for the licensee to know how many other licensees will be appointed to service the license territory. It will also be important to ascertain whether the licensor intends to distribute within the territory. Finally, it will be important to a licensee where others are to be appointed to ensure that its rivals are appointed on comparable terms.

3.189 *Quality Control*. As mentioned above, at the heart of any registered user agreement is a provision that the licensee will not use the marks on products which do not attain the standard of quality prescribed by the licensor. Quality control provisions will provide that the user receives, on a confidential basis, all specifications, technical data and know-how of the licensor to allow the prescribed quality standards to be met. Policing of this clause will usually require the user to send sample products to the licensor and to permit inspections of the user's factory and warehouses and of methods of production, materials used, storage and packing of finished products. The agreement should permit the user to dispose of products which do not meet the quality standard, provided they do not carry the trademark.

3.190 *Marketing*. The license will designate the territory in which the trademark may be used. This will usually contain prohibitions against trading outside the designated territory as well as provisions keeping the licensor out of the license territory. Advertising material employed by the licensee may have to receive the licensor's approval.

3.191 *Financial Arrangements*. In addition to a fee or royalties for being permitted to use his trademarks, a licensor may also require payment in respect of the provision of skilled persons to instruct employees of the licensee in the materials required to achieve the prescribed quality standards required in the agreement. Arrangements also have to be made to allocate the cost of

the sampling procedure. Finally, the licensee is usually required to keep detailed books and records of sales of the trademarked products.

3.192 *Infringements.* The licensee is normally required to report to the licensor all particulars of infringements that occur, and the licensor is usually responsible for conducting infringement proceedings.

Copyright Licenses (Publishing)

3.193 In the case of a publishing contract, the owner of copyright does not need and usually does not intend to part with his copyright or even his right to control the publication of his work. Under certain copyright laws, which consider the author's economic rights inseparable from his moral rights, assignment of the author's right to publish the work may not even be possible. When entering into a publishing contract, the owner of the copyright usually only undertakes to restrict the exercise of his right in the work to be published and restrict it to the extent necessary for the publisher to be able to use the work. At the same time, the ownership of copyright does not change but remains with the author or other owner of the copyright.

3.194 Thus, a characteristic publishing contract is a mere license granted to the publisher by the owner of copyright. To be of value to the publisher, a license must also enable him to protect his publishing activity against third persons.

3.195 A license is generally understood in the field of copyright as the authorization given by the author or other owner of copyright (licensor) to the user of the work (publisher or other licensee) to use it in a manner and according to conditions agreed upon between them.

3.196 The publisher should be granted a license comprising all the rights necessary for optimum realization of the planned publication. Generally, he acquires an exclusive license (providing him with an exclusive right) to reproduce and publish the work concerned — or, if appropriate, to provide, reproduce and publish its translation — in a standard trade edition, comprising a reasonable number of copies.

3.197 The license can be granted for one edition only, or also for subsequent ones. The size of a single — or the first — edition is usually determined in the contract either by fixing the number of copies it should comprise, or by stipulating a minimum and/or maximum number of copies ("the print run"). The agreement on the size of a single — or the first — edition usually takes into account the need to comply with the presumable demand of the public, at costs permitting sales at the usual retail price per copy prevailing in the given book market as regards similar publications.

3.198 In the case of a license to publish the work in translation, the language (or languages) of the authorized edition (or editions) must be specified.

3.199 In order to promote the dissemination of the work published, and with regard to possible further exploitation of the publication under the contract, the licensee may acquire also certain so-called "subsidiary rights." Such rights serve the purpose of reproducing or communicating to the public, or licensing others to reproduce or communicate to the public, the work (or its translation) in specified forms other than the standard trade edition.

3.200 Such subsidiary rights may for instance comprise: the right of previous and subsequent publication in the press of one or more extracts from the work; serial rights, that is, the right to publish the entire work or parts of it in one or more successive issues of a newspaper or periodical, before or after publication of the work in the standard trade edition; the right to read extracts from

the work in sound or television broadcasting; the right to include the published work or a part of it in an anthology; the right to arrange for pocket book or book club editions subsequent to the standard trade edition.

3.201 Publishers often request the licensor to confer on them, in the framework of subsidiary rights, the right also to license the reproduction of the published work by means of making microfilms or other reprographic reproductions thereof, for purposes beyond the limits of fair use allowed by the law. The publisher may also request the right to license storage of the work in a computer, accessible to the public. Again, publishers may request the licensor to entitle them to license the reproduction of the work in the form of sound recordings as well. Sometimes, also the right of licensing the reproduction of filmstrips is requested. All these kinds of reproduction by means of modern technology are often referred to in contemporary publishing contracts as "mechanical reproduction" of the work, and the rights involved as "mechanical reproduction rights." This term should not be confused with the notion of the "musical mechanical right," which means the right to reproduce a musical work in the form of sound recordings.

3.202 It is a reasonable and usually accepted position not to confer on the publisher rights to exploit the work in any manner involving its adaptation, such as dramatization rights for stage or film production, or for sound or television broadcasting, or translation rights in general. Strictly speaking, the exploitation of such rights goes beyond the scope of the promotion or direct exploitation of the publisher's own publication of the work.

3.203 The grant of "digest rights" (the right to publish an abridgment or shortened form of the work), or of the so-called "strip cartoon rights", is often made subject to special authorization in each case, in view of the moral interests of the author relating to the integrity of his work.

3.204 With regard to the integrity of the work to be published, special stipulations can be incorporated in the contract. This may prove useful especially in countries where no appropriate "moral rights" provisions are established by legislation. For example, it may be agreed that "the publisher shall reproduce the work without any amendment or abbreviation thereof, or addition thereto."

3.205 As regards translation of the work, it is usual to agree that "the publisher shall have a precise and faithful translation made at his own expense. The title of the translation is subject to the written approval of the copyright licensor. On request, the final text of the translation shall also be submitted to him for approval."

3.206 It can also be stipulated that "the Publisher shall ensure that the title of the work and the name of its author shall appear with due prominence on every copy produced." Depending on the circumstances, it also can be added that "the Publisher undertakes to print the name of the original publisher (that is, ...) as well as the year(s) of the previous edition(s) of the work on the verso of the title page."

3.207 With regard to certain formalities required in a few States (mainly in the United States of America) as a condition of the full enjoyment of copyright in published works, it is generally stipulated in publishing contracts that an appropriate notice of copyright shall be printed on the title page. The notice consists of the symbol C, or ©, the year of the first publication of the work and the name of the owner of the copyright in the work.

3.208 As regards distribution of the copies published, it is often stipulated that "the Publisher shall provide for efficient promotion of the work at his own expense." In cases where his license has not been confined to one edition only, it is often added that "he shall see to it that the book is

continuously available, and that new editions are printed in due time so as to comply with actual demand."

Government Control of Licensing Agreements

3.209 In many developing countries, the inflow of technology is subject to a variety of controls as a means of ensuring that contracts concerning transfer of technology are consistent with the economic aims of the government. In some countries, these controls are part of a more comprehensive system of laws dealing with foreign investment in the country. In others, the controls result from the foreign exchange regulations which are directed at the flow of payments abroad, whether as dividends, royalties, or income in other forms or as the return of capital. Indirectly, import regulations, particularly lower tariff rates or exemptions on products embodying needed technology, may also have an effect on the inflow of technology. In still other developing countries, legal systems have been devised specifically to control the transfer of technology to, or within, the country. These systems include the requirement that industrial property licenses and technology transfer agreements be notified to government authorities or be registered or approved by them in accordance with criteria established by the legislation or set forth in regulations or guidelines issued by appropriate governmental bodies.

3.210 The failure of the responsible party to submit for registration or approval an industrial property license or technology transfer agreement or its modification, amendment, extension or termination, to the appropriate government authorities within the time limits and under the other conditions prescribed has a number of legal consequences. Under the relevant laws, the failure to comply may render the license or agreement void or unenforceable and subject the party responsible to a penalty or to the suspension of its right to trade or to loss of its business organization status. The registration or approval of the license or the agreement may be a prerequisite to giving evidence of actual exploitation of a patent or actual use of a trademark in the country, or obtaining an authorization from the fiscal authorities to make payments abroad or to receiving fiscal or other benefits designed to encourage or promote investment in certain sectors or industries.

3.211 The WIPO Model Law for Developing Countries on Inventions (Volume II), contains provisions establishing a legal and administrative framework for the examination and registration of such contracts in accordance with the policy of ensuring that such contracts do not impose unjustified restrictions on the acquirer of the technology ("the transferee") which would have the consequence that the contract, as a whole, would be harmful to the economic interests of the country.

3.212 The intent is not only to protect the local enterprise that is contracting to acquire the technology, which frequently is in a relatively weak bargaining position, but also, and even to a higher degree, to prevent the economic policy of the government being frustrated by certain contracts. It is of vital importance to a developing country that — even though badly needed — the acquisition of foreign technology should not impose an undue burden on its economy. If the cost of technology should exceed its value to the local economy, there may be serious consequences; for example, a decline in the industrial growth rate, depletion of natural resources, unfavorable balance of trade, misallocation of financial resources, etc.

3.213 The Model Law provides that the examination and registration of contracts is a task of the Patent Office. According to the organizational structure of the government, instead of the Patent Office, another government agency could be entrusted with this task.

3.214 In order to assist the Office concerned in the examination of such contracts the Model Law establishes a list of 17 terms that the Office must particularly take into consideration. The list of 17 terms is not exhaustive: registration of a contract can be refused even if that contract does not contain any of the terms listed; this can be the case if the contract contains a term not appearing on the list but which imposes certain restrictions upon the transferee so that the contract, taken as a whole, is harmful to the economic interests of the country. Secondly, the presence in the contract of any of the 17 terms listed does not necessarily entail a refusal to register the contract; registration of the contract can only be refused if the restrictions imposed upon the transferee are unjustified and if the contract, taken as a whole, is harmful to the economic interests of the country; indeed, depending on the circumstances of the case, the presence of the term in question might not entail detrimental effects to the economic interests of the country or, if it does entail such effects, these might be offset by positive effects for the economic interests of the country brought about by the presence of other terms in the contract, since no codification of specific terms can anticipate the practically unlimited number of background factors (business, commercial, technological, etc.) which may enter into a determination of the effect a given contract will have within a given economic environment. In other words, the Office must apply the provisions with flexibility, while considering the particular merits of each contract in the light of the economic interests of the country.

3.215 The said 17 terms are those the effect of which would be:

- to import technology from abroad when substantially similar or equivalent technology may be obtained on the same or more favorable conditions without any importation of the technology from abroad;

- to oblige the transferee to make payments which are disproportionate to the value of the technology to which the contract relates;

- to oblige the transferee to acquire any materials from the transferor or from sources designated or approved by the transferor, unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced and provided that the said materials are supplied at a reasonable price;

- to restrict the transferee's freedom to acquire any materials from any source unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced;

- to restrict the transferee's freedom to use any materials which are not supplied by the transferor or by sources designated or approved by the transferor, unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced;

- to oblige the transferee to sell the products produced by him exclusively or principally to persons designated by the transferor;

- to oblige the transferee to make available to the transferor, without receiving appropriate payment, any improvements made by the transferee with respect to the technology to which the contract relates;

- to limit the quantity of the products produced by the transferee;

- to restrict the transferee's freedom to export or his freedom to allow others to export the products produced by him, provided that if the transferor owns, in a country to which such

a restriction applies, a patent which would be infringed in case of importation of the said products into the said country; if the transferor has a contractual obligation not to allow others to export the said products to such a country; or if the transferor already supplies the market in such a country with the same products, such facts shall be taken into account;

- to oblige the transferee to employ persons designated by the transferor not needed for the efficient transfer of the technology to which the contract relates;

- to impose restrictions on research or technological development carried out by the transferee;

- to restrict the transferee's freedom to use any technology other than the technology to which the contract relates;

- to extend the coverage of the contract to technology not required to achieve the objective of the contract and to oblige the transferee to give consideration for such technology;

- to fix prices for the sale or resale of the products produced by the transferee;

- to exempt the transferor from any liability resulting from any defect inherent in the technology to which the contract relates or unreasonably to restrict such liability;

- to restrict the transferee's freedom to use, after the expiration of his contractual obligations, the technology acquired as a result of the contract, subject, however, to any right of the transferor under a patent;

- to establish the duration of the contract for a period which is unreasonably long in relation to the economic function of the contract, provided that any period which does not exceed the duration of the patent to which the contract relates shall not be regarded as unreasonably long.

3.216 The system provided for by the Model Law, although it enumerates some of the most important clauses to be considered, recommends a flexible approach which allows the examination of each contract on its merits within the general economic and technological context of the country concerned.

Copyright and Development

3.217 Copyright has a special role in the context of development. Particularly since the 1950s, when the political map of the world changed considerably, and several States progressively became independent and other States were newly created, developing countries have had to cope with the enormous problems of educating the vast masses of their peoples. Some developing countries, racing against time in order to provide mass education by methods both formal and non-formal, are facing acute challenges in respect of encouraging and fostering intellectual creativity and satisfying the urgent need for promoting knowledge, particularly in the field of science and technology, in their countries.

3.218 Most developing countries, on attaining independence, have given priority to the training of their peoples and to education, in order to meet the need for staff and management personnel to

design and implement development policies and plans. Progressively, emphasis had to be placed on the need to give an essentially national character to the training of the people.

3.219 It is indeed important that people be trained in a manner that is in keeping with their natural environment. Consequently, teaching material, including literary, artistic and scientific works, has to be created by authors originating in the community to which the works are addressed, and the community has in turn to see and recognize its reflection in them. A reasonable level of recourse to foreign works will continue to remain desirable, in order to facilitate cultural interchange and the reciprocal flow of ideas.

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

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

3.222 Developing countries may need to introduce such legislation also in order to protect the traditional manifestations of their culture which are the expression of their national identity. Once the law has been enacted, the infrastructure for its application has to be established.

The Development Cooperation Program of WIPO

Introduction

3.223 WIPO's development cooperation aims to assist developing countries — including the least developed countries (LDCs), for which a special unit has been established in the WIPO Secretariat — to attain levels of socio-economic development through their intellectual property systems, which enable them to enter into effective partnership with more developed countries and generally to take their place in the world.

Objectives

3.224 The objectives of WIPO's cooperation for development program are achieved either directly, by providing legal, practical and administrative information, advice and training for governments and organizations in developing countries, or indirectly, by facilitating their contacts with public and private bodies worldwide which can also thus assist them.

3.225 The major objectives of the cooperation for development program are to assist developing countries in:

- the establishment of intellectual property systems which are modern and function well, with regard to legislation and administration, and with personnel adequately trained and using up-to-date equipment;

- the development of human resources, especially by the WIPO Worldwide Academy;

- the adoption of timely and informed policies to meet existing and new intellectual property challenges such as the preservation, conservation and dissemination of biological diversity, the use of traditional knowledge to benefit the holders of it, the improved protection of expressions of folklore and the implications of electronic commerce;

- the promotion of cooperation among developing countries, in particular by the use of the WIPO Global Information Network (WIPONET), in order to pool all available useful technological information resources at sub-regional and regional levels;

- the development and adjustment of information technology, in both its legal and practical aspects, to harmonize and enhance its intellectual property application worldwide.

3.226 The creation and use of intellectual property through the setting up of innovation support structures and technology transfer.

3.227 In order to carry out activities to fulfil these aims, WIPO undertakes projects and activities tailored to the needs of particular groups of developing countries.

3.228 A single Permanent Committee on Cooperation for Development Related to Intellectual Property was established in 1999, to direct Permanent Programs in the fields of both industrial property and copyright and related rights. Its membership is open to any Member State of WIPO, as well as to intergovernmental and non-governmental organizations with observer status.

3.229 The Permanent Committee is a forum for debating policy and practice in intellectual property matters of particular concern to developing countries. It has focused on all the new challenges described above (see at the beginning of this chapter the section on the Objectives of Developing Countries). Its sessions have especially reviewed WIPO's newer initiatives to help developing countries to meet those challenges: the major subjects of discussion have been, among other things, the development of human resources in the context of the work of WIPO's Worldwide Academy, assistance to the Least Developed Countries (LDCs), the promotion and development of collective management of copyright and related rights (notably in connection with the development of a regional system), the promotion of innovation in all fields of intellectual property to stimulate economic growth and culture, new approaches to traditional knowledge, genetic resources and folklore and, in support of all these and other activities, measures required to enable developing countries to benefit fully from the latest information technology. The Permanent Committee will continue to meet biennially.

Development Cooperation in Relation to Intellectual Property

3.230 WIPO's development cooperation activities in the field of intellectual property are aimed at helping developing countries in the following respects:

- training of government officials and representatives of the private sector, such as lawyers, agents and staff of collective management organizations working in the fields of copyright and related rights;

- providing legal advice and assistance in drafting new, or revising existing, intellectual property legislation;

- establishing or strengthening intellectual property offices and other related institutions;

- promoting indigenous innovative, inventive and creative activities;

- using the technological information contained in patent documents;

- establishing programs for legislators and the judiciary;

- promoting awareness of intellectual property protection in local enterprises and educational institutions.

Training

3.231 WIPO's training program consists of various regular general and specialized courses organized each year, in a number of developed and developing countries, for the collective training of government officials and others, and periodical seminars, workshops and other types of meeting at national, sub-regional and regional level in which government officials and other personnel from developing countries participate. In addition, government officials are attached to intellectual property offices and other institutions in developed or developing countries for practical training, and middle and senior level officials are sent on observation visits to such offices. WIPO also organizes on-the-job training in some countries by international experts. The level of training ranges from basic, introductory courses to refresher or specialization courses for officials in responsible positions in intellectual property administrations.

3.232 Training programs have been extended to other categories of beneficiaries, in addition to the government officials working in the national intellectual property administrations. These categories include private lawyers and practitioners, staff of research and development institutions, of enterprises and of collective management organizations, representatives of the judiciary, officials of enforcement agencies such as police and customs, of ministries of trade and foreign affairs and other persons dealing with questions related to intellectual property matters.

3.233 It is also desirable that the teaching of intellectual property law should be developed in a number of universities in developing countries. The International Bureau has already awarded fellowships for this purpose to university teachers from developing countries to enable such personnel to examine the course and curriculum content in order to introduce or strengthen teaching at the university level. This means a more intensive involvement in the training of trainers.

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

Legal Advice and Assistance

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

3.236 For this reason, WIPO has received many requests for advice in drafting intellectual property laws where they do not exist, and in revising existing laws that are inadequate for the country's economic needs and priorities. In addition, adherence to international treaties oblige countries to adapt their legislation in order to meet the protection requirements established in those treaties.

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

3.238 Legal assistance is provided by the International Bureau of WIPO in two forms — the drafting of model laws and assistance in the drafting of national legislation. The International Bureau has already drawn up a number of model laws for the use of developing countries. These texts are prepared by meetings of experts from developing countries and developed countries, working on the basis of drafts prepared by the International Bureau and, in all cases, submitted to the States for their comments and subsequently adopted by meetings of governmental experts.

3.239 In addition, WIPO has produced model laws or guides for developing countries dealing with such subjects as patents, trademarks, industrial designs and industrial property licensing, copyright and related rights, the implementation of treaties, the implementation of licensing procedures for translation and reproduction licensing under the Berne Convention, and the protection of traditional knowledge and expressions of folklore.

Institutional Assistance

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

3.241 Here again, WIPO has considerable expertise to offer governments and institutions. WIPO experts are sent, at the request of countries, in order to give on-the-spot advice, on such matters as the establishment, streamlining and automation of procedures, preparation of organigrams, acquisition of appropriate equipment including computer hardware and software, acquisition of the required technical documentation, establishment of links with external institutions, assessment of staff requirements and training needs, utilization of office space and the determination of suitable fee schedules. In the copyright and related rights fields, WIPO has paid special attention to the establishment and reinforcement of collective management systems, which undertake the safeguarding of the rights and interests of authors, composers and performers, and the collection and distribution of their royalties, and which also contribute to the promotion of education and culture, as well as assisting in participation in international cultural exchange.

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

3.243 For an intellectual property administration system to be useful, it must serve the public. In many countries, the intellectual property system has not been used to full advantage partly because the public, including creators and business circles, are unaware of the advantages the system has to offer and its role in the development process. WIPO therefore organizes meetings which aim at building, to start with, awareness of intellectual property by answering such basic questions as what is intellectual property, what are its constituent elements, how does intellectual property help trade, technological development and cultural development, and how to use and protect intellectual property rights at the national level?

Promotion of Indigenous Creativity, Innovation and Inventiveness

3.244 As observed earlier, the role that the intellectual property system can play in technological, economic and cultural development has long been recognized in developing countries. The protection afforded by intellectual property laws results in more creations, innovations and inventions, more investment and effort in research and development (R&D) in technical fields, leading to technological improvements, and thereby to improvement in the quality of industrial output, and by greater access to creations of foreign origin, in an educational and cultural climate that promotes development in general.

3.245 Without a national intellectual property system, it is difficult for a country to stimulate and protect the results of indigenous creativity and innovation. Governments can, with the help of WIPO experts, devise ways and means of encouraging local entrepreneurs and enterprises, the creation of national associations in the field, the provision of legal advice on protection procedures, financial support and incentives, public recognition of creators and inventors, the award of prizes through competitions, etc. Through mass participation in nationwide events and competitions, and in clubs in schools, public consciousness and use of the intellectual property system is stimulated. One example is that since 1979, WIPO has established an award for inventors and innovators that is widely used by developing countries to encourage inventive activity.

3.246 Following this, since 2001 two new Awards were added to the Awards program. First, the WIPO Creativity Award gave due recognition to individuals or groups of individuals whose creativity, artistic skills and imagination have resulted in original works, performances or productions connected with the field of copyright and related rights, including original works developed and used in the digital environment and related fields. There is also the WIPO Trophy for Innovative Enterprises, which encourages enterprises and companies in all Member States to actively use the intellectual property system in their production and commercial activities.

Use of Patent Information

3.247 One of the activities of WIPO in assisting the development process in developing countries is directed at improving access by those countries to the technological information contained in patent documents, by the provision of the necessary patent documentation and training in methods of retrieval and dissemination.

3.248 A program, now called the WIPO Patent Information Services for Developing Countries, began in 1975. Its aim is to provide free-of-charge patent information services to institutions in developing countries under agreements concluded between the International Bureau of WIPO and

contributing industrial property offices in some 20 countries (both industrialized and developing countries).

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

Programs for Legislators and the Judiciary

3.250 WIPO cooperates in promoting the exchange of experience and other information among legislators so that they are better prepared to consider the needs of their own countries, and find solutions to such needs, when engaged in the adaptation of their intellectual property legislations to the changing economic and technological situation, both on the domestic level and in international relations. This cooperation may take the form of national and regional seminars and study trips.

3.251 In addition, WIPO works to promote the exchange of experience and information among members of the judicial branch (judges of courts of all levels) so that they are better prepared to interpret and apply domestic laws and international treaties in the field of intellectual property law and to order measures that would prevent the continuation of infringement of intellectual property rights. Such cooperation may also take the form of national and regional seminars, simulated trials and study trips.

Promotion of Awareness in Local Enterprises and Educational Institutions

3.252 It is increasingly recognized that efficient use of the intellectual property protection system can significantly contribute to economic growth. The Small and Medium-Sized Enterprises (SMEs) Division, established in October 2000 following unanimous support by WIPO's General Assembly, seeks to raise awareness of the relevance of intellectual property for small business and promotes initiatives to make the intellectual property system more accessible, less cumbersome and more affordable for SMEs.

3.253 The activities carried out by the SMEs Division of WIPO recognize the important role played by such enterprises in strengthening the economic wellbeing of a country. Research has shown that SMEs can and should contribute considerably to employment creation and trade, which ultimately promote economic growth. It has also been shown that, given the opportunity, SMEs are innovative and competitive. However, SMEs need to be encouraged to take full advantage of the existing intellectual property protection system in order to compete more successfully in the global economy.

3.254 One of the priorities of this program is to raise awareness of the potential benefits for SMEs so that they effectively use this system. The awareness-building activities are for government institutions responsible for SMEs, other institutions supporting SMEs and, through information made available on the Internet, for SMEs themselves. These include international, regional and national seminars organized by WIPO, distance learning courses offered by the WIPO Worldwide Academy and joint activities in cooperation with other international or regional organizations or institutions which deal with matters concerning SMEs.

3.255 WIPO has already been active in raising awareness of the value of the intellectual property system in higher education, through cooperation activities with universities and similar institutions

to include intellectual property in teaching programs. A number of cooperation agreements have been concluded with universities and regional training centers towards this aim (see under the WIPO Academy below).

The WIPO Worldwide Academy

3.256 The WIPO Worldwide Academy (WWA) was established in March 1998. It is WIPO's central coordinating institution for human resources development. The overall objective of the Academy is to serve as an educational institution providing teaching, training and research services in intellectual property, particularly for developing countries. In order to meet its objectives, the Academy carries out its programs both at its Headquarters in Geneva, and in different parts of the world, and cooperates with several academic institutions and intellectual property offices.

3.257 Owing to the rising level of activities related to intellectual property in member countries, the demand for tailor-made programs has continued to increase steadily. In response, the Academy expanded the scope of its training programs in 2000 to include courses and seminars on the legislative, administrative and enforcement aspects of intellectual property systems.

3.258 The programs of the WWA comprise three main categories, namely, Professional Training, Policy Training and Distance Learning.

3.259 The *Professional Training Program* offers intermediate and advanced training courses for managers and technical staff of intellectual property offices and other professional users of the system. These courses are not only for persons working in intellectual property offices, but also for those involved with research work in universities and Research and Development (R&D) institutions, as well as for those in chambers of commerce and industry.

3.260 Under the *Policy Training Program*, the Academy organizes sessions for decision-makers, policy advisers, development managers, diplomats and other groups, to promote policy debate and a deeper understanding of the practical implications of the intellectual property system. These sessions are also designed to provide a forum for sharing information and exchanging views on the experience of other countries in using the intellectual property system as a tool for development. In addition, special Academy sessions are organized for specific interest groups and also to deal with special or topical issues, such as strengthening the teaching of intellectual property for professors and the enforcement of intellectual property rights for the judiciary.

3.261 The *Distance Learning Program* is an advance in teaching methodology, with the attendant advantages of flexibility of time and space, cost effectiveness and the capacity to reach the unreached. Distance learning courses are a complement to traditional training methods, as well as a means of increasing the range of training beneficiaries. These courses are delivered via the Internet, using a format that allows for online registration, student-teacher interaction, student tests and course monitoring and evaluation systems. In addition to a General Course on Intellectual Property, five specialized advanced distance learning courses which focus on specific aspects of intellectual property are to be launched.

3.262 The Academy also organizes diploma programs on intellectual property law in cooperation with universities and other institutions, such as an intellectual property law program with the University of South Africa (South Africa), a Master Course joint degree on intellectual property with the University of Turin (Italy) and the qualification of Master of Intellectual Property Law and Human

Rights with the Raoul Wallenberg Institute of Human Rights and Humanitarian Law, University of Lund (Sweden).

3.263 The WWA works closely with the WIPO Knowledge Management Center and e-Library. That Center is the catalyst of WIPO's knowledge management initiatives and incorporates the WIPO Library, which specializes in intellectual property matters and is designed to support the research and information needs of WIPO and UPOV staff, students of the WWA and external researchers. It has approximately 35,000 monographs and nearly 300 periodicals. Its collection is enriched by a number of electronic journals and electronic books and is completed by electronic resources (most of them acquired under a United Nations inter-agency consortium agreement). Databases like Proquest, Oxford Reference, Britannica Online and Lexis-Nexis are available through the reading room services of the Library.

Chapter 4

Enforcement of Intellectual Property Rights

Enforcement of Industrial Property Rights, Copyright and Related Rights

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Enforcement of Patent Rights
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WIPO Internet Domain Name Dispute Resolution

Enforcement of Industrial Property Rights, Copyright and Related Rights

Introduction

General

4.1 Accessible, sufficient and adequately funded arrangements for the protection of rights are crucial in any worthwhile intellectual property system. There is no point in establishing a detailed and comprehensive system for protecting intellectual property rights and disseminating information concerning them, if it is not possible for the right-owners to enforce their rights effectively in a world where expanding technologies have facilitated infringement of protected rights to a hitherto unprecedented extent. They must be able to take action against infringers in order to prevent further infringement and recover the losses incurred from any actual infringement. They must also be able to call on the state authorities to deal with counterfeits.

4.2 All intellectual property systems need to be underpinned by a strong judicial system for dealing with both civil and criminal offenses, staffed by an adequate number of judges with suitable background and experience. Intellectual property disputes are in the main matters to be decided under civil law and the judicial system should make every effort to deal with them not only fairly but also expeditiously. Without a proper system for both enforcing rights and also enabling the grant of rights to others to be resisted, an intellectual property system will have no value.

Avoiding Litigation

4.3 A competitor whose operations are obstructed by earlier rights will usually seek to avoid or overcome the problem in a legitimate way, e.g. by inventing around the protected area in the case of an earlier patent. Another approach is to seek a license or to negotiate some other agreement in a friendly way. In coming to agreements with competitors, of course, companies must be careful not to contravene competition policy rules aimed at avoiding distortion of competition. This normally means that the terms of any license must not contain anti-competitive or unreasonable provisions.

4.4 A company affected by another's right will carefully assess what its scope is and whether or not it is valid. This highlights a point of particular importance to the owners of patents, namely that claims must be well drafted and properly supported by the disclosure of the invention. They must clearly distinguish the protected subject matter from the prior art and must be neither over-covetous nor too modest. A well drafted patent will often be enough in itself to deter potential infringers. Similar arguments can apply to other rights such as trademarks and designs.

4.5 It is up to a right-owner to act as his own policeman. He must keep an eye on the industrial and commercial markets in which he sells his products, or provides his services, or in which his processes might be used. He must keep abreast of his competitor's activities. If he becomes aware of an apparent infringement he should not necessarily assume that the infringement is deliberate (though if the infringing item is an exact copy or counterfeit, infringement will almost certainly have been deliberate). He should first contact the competitor to point out the existence of his right. Laws in a number of countries concerning patents, designs and trademarks, provide that a right-owner may not make groundless threats against competitors or their distributors, for example threatening a court action when there is no ground for alleging infringement or when the right

relied upon has expired, but he can send a simple letter drawing attention to the right so that the infringer cannot subsequently argue ignorance.

4.6 Negotiation is an important aspect of protecting and enforcing rights. In negotiation, an infringer might well be persuaded to change what he is doing. During the attempts to negotiate, the supposed infringer may claim that he is not infringing; or he may allege that the right is of little value and does not justify significant royalties; or he may argue against the proposed license terms. It may well be worth suggesting that the services of a mediator be used or that the issue should be decided by arbitration. Of course, both sides need to agree to accept an arbitrator's decision and a contract to that effect may be needed.

Enforcement of Industrial Property Rights in General

Action Before an Industrial Property Office

4.7 Industrial property offices frequently have quasi-judicial functions in the administration of industrial property systems, and provide a forum for procedures for contesting rights under consideration or granted by the office. Those procedures are often referred to as opposition procedures.

4.8 The expression "opposition" may be construed widely, as referring to all possibilities open to third parties to intervene before the industrial property office both in proceedings leading to the grant of a right and in proceedings for contesting the grant after it has occurred. The possibilities for opposition arise particularly in relation to registrable rights such as patents and trademarks, because the registration can be disputed. The possibility of opposition rarely arises in relation to copyright and related rights, since these rights in the great majority of jurisdictions arise automatically on the creation of the protected work.

4.9 Why do States provide for opposition? With even the most rigorous examination system, the State cannot guarantee that the rights which it grants are valid — there is always the possibility that a prior right has been overlooked or a specification misunderstood. Many systems are not particularly rigorous, which makes it all the more likely that rights might be granted in conflict with earlier rights. Thus the owners of earlier rights must be able to object at some stage. This could of course be before a court. However, in everyone's interests, opposition should be a relatively straightforward, speedy and inexpensive matter, handled as early as possible in the life of the right. Thus many systems provide that opposition can be considered by the national industrial property office acting in a quasi-judicial role, as well as by courts. Pre-grant opposition is invariably before the office.

4.10 The first opportunity that others, for example competitor enterprises producing goods of the same character as those covered by the patent application, have to become aware that a patent which could affect their business is being applied for, is at the first publication stage, 18 months after the priority date. Enterprises, particularly those which own patents, should keep their eye on the activities of competitors and what is happening in the marketplace, and in particular on patent applications made in their areas of interest, for instance by scrutinizing patent office journals and published applications. Not only is it important to know if competitors are seeking to protect developments which come within the scope of one's own patents, but it is also important to be warned if they are seeking to protect known technology or technology patented by others. One can also learn from the search report, published with the application, of the prior art which will be considered at the examination stage.

4.11 Some systems allow for formal opposition before the grant of the patent or an opportunity for third parties to become a party in arguments about whether or not the patent should or should not be granted. The problem with such pre-grant opposition is that there is often very considerable delay in achieving a grant. Delay means that a patentee who needs a granted patent in order to pursue an infringement could not settle an action against the infringer quickly.

4.12 It can be important to bring post-grant opposition proceedings in good time. If too long a delay occurs, the user of the later patent might argue that the owner of the earlier one has acquiesced in the grant of the later one and as a result should not be allowed to take action. This might make it difficult to enforce the earlier patent against products or processes covered by the later one.

4.13 In some countries, such as the United States, there is no provision for opposition. However, third parties concerned about a granted patent can ask for it to be re-examined by the patent office. Such parties do not become direct parties to the procedure, but may draw prior art, which may have been overlooked in the first examination, to the attention of the examiner. Re-examination may result in refusal or in a more tightly drafted patent.

4.14 In many countries there is no provision at all for opposition because the industrial property office lacks the expertise. This can be the case in those countries, such as France, where no substantive examination is carried out. In such situations, revocation before the courts is the only possibility for securing cancellation or amendment of a competitor's patent.

4.15 Many countries provide for pre-registration opposition to trademark registration. Trademarks are published in the form in which they are to be registered, and a short period is allowed for opposition. In general, considerations are much more straightforward than those for patents and procedures can be much more rapid. In the United Kingdom, there are few oppositions of trademarks, probably because there is a rigorous examination involving search of earlier rights. In other countries, for example Germany, there are more oppositions because there is no official search against prior rights during examination; so opposition is the only way in which the owner of an earlier trademark can induce the industrial property office to take account of this earlier right.

4.16 After registration of a trademark, in many countries it is possible for an aggrieved party to apply to the office for removal of the mark from the register, or to seek its modification. One of the main grounds for this would be non-use of the mark.

4.17 As for registered designs, where there is no provision for pre-registration opposition, interested parties may seek cancellation of registrations by the office.

Civil Court Procedures

4.18 Despite efforts to achieve friendly settlement, circumstances can and do arise where the owner of a right feels that he must take action against an infringer in order to protect his markets, present or future. In most jurisdictions this will be handled in the civil courts. In most situations, there will be considerable dispute as to whether for example the claims in a patent to be enforced should be of the scope claimed, and as to whether the alleged infringement actually falls within the valid scope. With trademarks, arguments also concern the scope of the registration and whether the allegedly infringing mark is confusingly similar to the earlier mark. Infringers may genuinely believe that they have a plausible case on such aspects. Most patent infringements are not slavish imitations but, arguably, take advantage of the protected inventive concepts of the patent and will have to be resolved on the basis of expert opinion.

4.19 In an action for patent infringement in common-law countries (the procedure and terminology in civil-law countries differs to some extent), the patent owner, acting through his immediate lawyers (solicitors), arranges for a writ or complaint to be served on the alleged infringer. In the writ the patent owner, as plaintiff, will specify the nature of the alleged infringement and the remedy sought. Almost always, an injunction restraining the alleged infringer, the defendant, from continuing with what he has been doing, will be requested, as well as damages. The defendant will usually acknowledge the writ and give notice that he intends to defend. If he does not, the plaintiff may be entitled to a final or interlocutory ruling (one which decides the issue but leaves open the question of damages, etc.) forthwith. If the defendant does defend, and the issue is not settled out of court or dealt with summarily, pleadings will be exchanged, on the one hand stating the material facts of the claim and on the other the defenses or counterclaims. The purpose of pleadings is to define precisely the issues in dispute and eliminate agreed or irrelevant matters. They go back and forth and can take several months. A counterclaim may be an allegation that the patent is invalid; this will have to be defended by the patent owner. Once the pleadings have been completed the plaintiff will issue a summons for directions. Such directions, given by the judge, will deal with discovery and inspection of documents and in general with the trial preparations. Notice to inspect documents may be served on the other side by leave of the court. So may interrogatories, which take the form of written questions which the other side must answer under oath, e.g. by sworn affidavit, before the trial.

4.20 It is noteworthy that only a small minority of cases actually get to the trial stage, and the rest are settled along the way, for reasons of time, effort and expense.

4.21 Cases involving complex technology can take a very long time in court with expert witnesses being called and subjected to examination and cross-examination by both sides. In issuing his reasoned decision, the judge can make various awards. In addition to injunctions, the court may also award damages in respect of the infringement, namely compensation for sales and markets lost as a result of the infringing activity. As an alternative to damages, the owner of the patent can be awarded an account of profits. All the profits derived by the defendant as a result of the infringement may be surrendered to the patent owner. An order requiring the defendant to deliver up to the patent owner, or to destroy, any products or articles incorporating the patented invention can also be made. Finally, the patent owner can secure a declaration that the patent is valid and infringed.

Criminal Actions: Counterfeiting

4.22 As already mentioned, patent actions are essentially civil actions for infringement. In the case of trademarks and copyright, much of what has been explained about procedures in relation to civil actions applies to ordinary actions for infringement, but the serious criminal offenses of counterfeiting and piracy can also arise. A trader may knowingly manufacture, distribute or sell goods marked with a trademark where the marking has been done without the permission of the owner or where the goods have been illicitly copied.

4.23 There are several ways that counterfeits can come to the attention of the authorities. Right-owners themselves may become aware of distributors or retailers trading in counterfeit goods and bring the trade to the attention of the police. Also counterfeits may be detected by law enforcement officers who are specifically empowered under trademark legislation to take action against traders in counterfeit goods. Their powers may be extended to enable them to deal with copyright offenses. On conviction, traders in counterfeit goods can face stiff penalties, and seizure of all offending products is normal. In respect of items protected by copyright, such as sound recordings on tape or compact disk, the police are the normal enforcement authority and will take

action on the basis of a complaint by the lawful right-owner. They often need little more than 24 hours' warning in order to secure warrants and make checks.

4.24 Another way in which action against counterfeit goods can be taken occurs at ports of entry of imports. If a mark owner becomes aware that consignments of counterfeit goods are on their way to the country, he can alert the customs authorities, who will keep watch for the goods and impound them when they arrive. Action can then be taken against the importer.

Enforcement of Patent Rights

4.25 In most systems, a patent is the right enforceable in a court, usually to prevent the manufacture, sale and use of a patented invention. It is not, as many people think, permission to practice the patented invention, which may be subject to restrictions for other reasons such as security or public health. Application is made to the court to stop the unauthorized manufacture, sale or use of the invention, so that the court may grant the appropriate order and stop the infringement. In practice, however, the process is less straightforward than it sounds.

Assessing the Scope of Patent Rights

4.26 When thinking about patent enforcement, a patentee must first assess what he has patented. It is now a feature of just about all patent systems that a patent must include either a specification containing claims or a description, claims or any required drawings (depending on the terminology of the particular law). In most systems, the claims are decisive, as they define the scope of protection sought and eventually granted through the patent. The specification or the description and drawings may be used to interpret the claims, which must be fully supported by them.

4.27 Most inventors use the services of a patent attorney to write the specification for them. An inventor may not fully understand the specification, and particularly may have difficulties in understanding the claims. Even where the patentee has some idea of the exclusive right granted to him in his own country, it is very rare for him to know with any precision what rights he may have in corresponding patents in other jurisdictions. The patentee's first real understanding of the extent of his patent rights often only comes to him when he is considering enforcement.

4.28 Thus the basis for enforcement of patent rights is established at the start of the patenting process when the patent specification is written by the inventor or the inventor's patent attorney. The examination process in the Patent Office can modify the original wording. The inventor will normally try to avoid any modification which will result in a limitation of the scope of protection, for any reduction in the scope of protection makes it easier for a competitor to avoid infringement. If a competitor can easily supply the market with something that is equivalent to the invention, but does not infringe the patent, then the patent may be of limited commercial value. Patent Office examiners should try to remember this when an applicant for a patent steadfastly resists amending his claims in order to overcome an objection, but instead tries to deal with the objection by argument. While acceding to an amendment might lead to the early grant of a patent on the application, it may also lead to a patent right of doubtful commercial utility.

Evaluating Validity and Infringement of a Patent

4.29 Having assessed the scope of the patent right, the next task is for the patentee to decide if there is infringement. Before committing himself to the financial risk of a patent case — which can

be among the most time-consuming and expensive of all forms of litigation — a patentee, unless he is very wealthy and relaxed about money, must make some attempt to forecast whether he can be successful.

4.30 The issue of infringement is very rarely considered on its own. Patents, like other forms of intellectual property, do not only affect the parties to a dispute; they have an effect on the public at large. This being the case, it is normally considered that a patent which can be shown to be invalid cannot be enforceable. In spite of the examination of patent applications during prosecution, no patent system guarantees the validity of a granted patent. In a patent enforcement action, therefore, a defendant will usually add to any defense of non-infringement a further defense, often in the form of a counterclaim, that the patent is invalid and hence not enforceable even if infringed. In some jurisdictions, the issues of infringement and validity are heard together. In others, the question of validity is heard separately by a different court or it may be referred to the Patent Office.

4.31 Because of the principle that no invalid patent should be enforceable, the defendant in a patent action is usually allowed to bring in evidence of invalidity at any stage of the proceedings, and in some jurisdictions even during the trial itself. As a result, the position of the patentee during patent enforcement proceedings tends to deteriorate as a defendant makes searches and often finds evidence which is relevant to validity.

4.32 As already stated, the task of the court in the determination of infringement is the assessment of the scope of protection defined by the patent and whether the alleged infringement falls within that assessed scope. In the determination of validity, the court (or whatever tribunal is considering validity) should take the same scope of protection as has been defined for the purposes of infringement, and consider whether the evidence produced by the defendant renders the patent invalid with respect to, and to the extent of, the scope of protection claimed by the patentee. Different issues will almost always arise in these two assessments. The starting point for both, however, is almost always the wording of the claims.

4.33 Frequently, there will be a problem as to whether the actual wording of the claims, if necessary interpreted in light of the specification (or the description and any drawings), defines an invention which includes the allegedly infringing subject matter. For example, the claim may include as a feature "a spring." If the allegedly infringing device does not include a spring, but instead has a solid rubber tube which in some respects acts like a spring, can that be infringement? Different jurisdictions may handle this kind of question differently, depending on the way in which their law has developed the procedure for the definition of an invention. In addition, many courts require or expect the assistance of an expert to give guidance as to the technical merit of an argument, such as, based on the example above, that a rubber tube can be considered to fall within the term, "spring."

4.34 The technical content in many patent cases can be very complex indeed, and the resolution of the technical points of dispute may not only involve one or more expert witnesses, but may need experimental evidence as well. For instance, in a case concerning the alleged infringement of a patent granted for an invention consisting of an air plasma cutting torch, the claim included a feature which defined what was happening within the torch when it was operated. To prove infringement, an experiment was necessary to define the temperature gradient of the plasmagenic air within the torch itself. A probe inserted into the torch has the effect of modifying the air flow through the torch, which in turn will affect the temperature gradient. A better means of evaluation is thermal imaging, but it is expensive to set up. No sooner has one side carried out experiments, than the other side may feel obliged to carry out experiments themselves to check the worth of the first set of experiments or with the aim of disproving the first experiments.

4.35 Assisted by arguments, which in turn are supported by expert evidence and experimental evidence, the court will reach a conclusion about whether or not an infringement has occurred. But most patents contain more than one claim. The inclusion of a number of claims is to give the patentee extra chances of preventing an infringement. If one claim is held invalid, the patentee may still succeed in restraining infringement if it is held that another claim is valid and an infringement has occurred with respect thereto. Where the patent in suit has a number of claims with respect to which the patentee alleges an infringement, the court will have to consider each claim separately to see if it is infringed.

4.36 Similar expert evidence and experiments may be needed in order to deal with validity. Using the "spring" example given above, it may be that the defendant can show that it was known before the date of the patent to use a member having elastic properties in some respects similar to a spring. As with the determination of infringement, the court will need to decide whether the known information is sufficient to invalidate the claims; and that exercise needs to be carried out for all the claims.

The Cost of Patent Litigation

4.37 Whether the submission and evidence concerning infringement and validity are made in writing or given orally at a hearing, or a combination of both, the parties to a patent dispute will find themselves involved in lengthy consideration of the issues and preparation of material for the court. It is mainly the borderline cases that go to trial. This has the effect of extending the arguments by which each side hopes to secure a decision in its favor. Where the patent dispute occurs in a field of high commercial value, and most disputes are because of their high cost, the parties may be inclined to drag any point into the dispute, however peripheral, if it appears to help their case. The costs arising from all of this can become outrageous.

4.38 This is really the key point about patent enforcement. However carefully one makes an estimate of the costs at the start of the litigation, they almost invariably have to be revised upwards as new issues come to light during the development of the case. Patent enforcement, or defense against enforcement, occurs because someone wishes to receive a commercial advantage, in other words, to make money. That advantage must constantly be reviewed against the cost of the litigation.

Enforcement of Copyright and Related Rights

Introduction

4.39 The evolution of international standards for the enforcement of copyright and related rights has been dramatic in recent years, and this evolution has been driven principally by two factors. The first is the advance of technological means for the creation and use (both authorized and unauthorized) of protected material, including, most recently, the advent of digital technology, which makes it possible to transmit and make perfect copies of any information existing in digital form, including works and productions protected by copyright and related rights. The second factor is the increasing economic importance of goods and services protected by intellectual property rights in the realm of international trade; simply put, trade in products embodying protected intellectual property rights is now a booming, worldwide business.

Provisions on Enforcement of Rights in International Copyright and Related Rights Conventions

4.40 While the international copyright and related rights conventions administered by WIPO do not contain extensive provisions dealing with enforcement of rights, the obligation of States to provide adequate means for enforcement of rights is clearly present in these conventions. The Berne Convention contains two specific provisions on the enforcement of rights, on the one hand Article 16(1) and (2), which provides that infringing copies of a work are subject to seizure in any country of the Berne Union where the work enjoys protection, even when the copies come from a country where the work is not or no longer protected, and on the other hand Article 13(3), which provides for seizure of copies of certain recordings of musical works imported without permission of the author or other owner of copyright in the country of importation.

4.41 The Berne, Rome and Phonograms Conventions also contain provisions indirectly requiring appropriate enforcement measures in any country party to the conventions. For example, Article 36(1) of the Berne Convention provides that "Any country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention"; paragraph (2) of the same Article provides that "It is understood that, at the time a country becomes bound by this Convention, it will be in a position under its domestic law to give effect to the provisions of this Convention." Similar provisions are found in Article 26(1) and (2) of the Rome Convention. Article 2 of the Phonograms Convention obligates each Contracting State to protect producers of phonograms against the making of duplicates (copies) without the consent of the producers and against the importation and distribution of such duplicates; Article 3 of the Convention leaves the implementation to the Contracting States, which may choose one or more of the following: copyright or other specific ("related" or "neighboring") rights, unfair competition or penal sanctions.

Evolution of International Standards for the Enforcement of Rights

4.42 It is obvious that the above provisions of the Berne, Rome and Phonograms Conventions cannot be respected without appropriate measures for the enforcement of rights provided under the national laws of their member States. It has become obvious that such provisions alone do not provide national governments with the necessary guidance concerning appropriate and modern standards for the enforcement of rights. Thus, evolution of new standards for enforcement of rights has taken place in a number of contexts, including the activities of WIPO.

4.43 Since the beginning of the 1980s, WIPO has devoted ever greater attention to questions relating to the enforcement of rights. A short list is illustrative: two WIPO Worldwide Forums on Piracy were held in 1981 and 1983; extensive and detailed recommendations for measures to combat piracy of audiovisual works, phonograms and the printed word were developed in the series of meetings on categories of works (1986 to 1988); a committee of experts was convened in 1988 to elaborate measures against both piracy and counterfeiting, which were included by reference in the draft WIPO Model Law on Copyright prepared by the International Bureau and discussed by a Committee of Experts in 1989 and 1990; a detailed chapter on enforcement of rights was included in a draft WIPO Model Law on the Protection of Producers of Sound Recordings considered by a Committee of Experts in 1992, which, in addition to provisions on conservatory measures, civil remedies and criminal sanctions, contained proposed sanctions against the abuse of technical means applied for the protection of copyright.

4.44 The experience gained in all of the above activities since the 1980s has been reflected in the work of a Committee of Experts towards development of a Protocol to the Berne Convention, which began in 1991, and on the development of a possible international instrument on the protection of the rights of performers and producers of phonograms, which began in 1993.

Naturally, provisions on enforcement of rights have figured prominently in the discussions of both Committees. These deliberations were part of a process leading to a Diplomatic Conference in 1996, which resulted in the adoption of the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, dealt with in chapter 5; both contain provisions on the enforcement of rights.

National Legislation Concerning Enforcement of Rights

4.45 The availability of appropriate provisional (conservatory) measures is an indispensable element of any efficient mechanism for the enforcement of copyright. The most important objectives of such measures are the prevention of acts of infringement and the seizure of infringing copies, reproducing equipment and other implements that could be used for (further) infringements, constitute essential evidence and could disappear if not brought under the control of the court. These measures must be available on an *ex parte* basis where giving the defendant prior notice would be counterproductive.

4.46 In particular, it should be possible for right-owners to be granted temporary preliminary injunctions to prohibit the committing, or the continuation of the committing, of infringements. Also, courts must be able to order the search, temporary seizure and temporary impounding of suspected unauthorized copies of works and other protected subject matter, packaging materials, implements for the making of such copies and documents, accounts or business papers relating to such copies.

4.47 The purposes of civil remedies are (i) to provide compensation for the prejudice caused by infringements, (ii) to dispose appropriately of the infringing copies (typically through destruction or other disposal outside the normal channels of commerce), (iii) to dispose appropriately of implements used for infringing activities and (iv) to grant injunctions to prohibit further infringements. Such remedies should always be available irrespective of whether the infringement has been committed willfully and/or for profit-making purposes.

4.48 Civil remedies are not always sufficient deterrents. Where infringement becomes a business, the closing down of one plant with the assistance of courts and law enforcement authorities may only mean that the plant will re-open somewhere else. Infringements committed willfully and for profit-making purposes should be punished by criminal sanctions, and the level of the sanctions must make it clear that such infringements of copyright are serious offenses. It is normally preferable that criminal sanctions are also applicable in case of infringements committed through gross negligence, for profit-making purposes, because it may be difficult to prove that infringements are committed willfully. Increased punishments in cases of recidivism are also justified. The criminal sanctions available should comprise both fines and imprisonment, and, where merited by the case, courts should be able to impose both these sanctions on the infringer.

4.49 In certain cases, the only practical means of preventing copying is through so-called "copy-protection" or "copy-management systems", that is, systems containing technical devices that either entirely prevent the making of copies or render the quality of the copies made so poor that they are unusable. Technical devices are also used to prevent the reception of encrypted commercial television programs except with the help of decoders, which would-be viewers have to buy or rent. However, it is technically possible to make devices by means of which copy-protection and copy-management systems as well as encryption systems may — although illegally — be circumvented. Where such devices are manufactured or imported and distributed unlawfully, the normal exploitation of the works is undermined and may cause serious prejudice to the authors of, or other owners of copyright in, those works. Such activities are violations of the protected rights and should be sanctioned in a way similar to that of other kinds of infringements.

Border Measures

4.50 Piracy is by no means an exclusively national activity, i.e., the production in a country of infringing copies for sale in that country. It is also very much an international operation, with vast quantities of infringing copies being manufactured in one country and shipped to others, often on the other side of the world; quantities of infringing copies which are shipped to other countries substantially undermine legitimate business to the extent that international companies often withdraw from the market, and investment in recording and producing local talent virtually dries up. For this reason, the power to stop infringing copies entering a market is of vital importance, and provisions that make this possible are an essential feature of modern copyright legislation. Much attention has been given to this subject: Articles 51 to 60 of the TRIPS Agreement (see chapter 5 below) deal with border measures. Also, the World Customs Organization has developed a model law for the enforcement of such measures.

4.51 Border measures are intended to prevent infringing copies — or lawful copies in violation of the right of importation — from being brought into the country concerned. They constitute an effective way to counter acts of infringement, because it is frequently easier to prevent the distribution of infringing copies at the border than after the copies have already been brought into the country and put into circulation. Border measures are usually carried out by administrative authorities (customs authorities) and not by judicial authorities. In national legislation on this issue, a number of safeguards and appropriate procedural rules are normally found which ensure the fairness and effectiveness of measures applied by such authorities.

4.52 Providing for the availability of various enforcement measures may not be entirely sufficient. It is, of course, necessary that national legislation also provide general safeguards to ensure due procedures for the application of those measures in keeping with the principles of justice and fairness and with the need for efficiency. For example, national legislation must ensure that procedures for the enforcement of copyright are fair, equitable, transparent, expeditious, not unnecessarily complicated, costly or burdensome, and do not impose unreasonable time limits, and both plaintiffs and defendants must have equal access to information and equal possibilities to present their case.

Anti-Piracy Measures for Phonograms, Audiovisual Works and Computer Programs

4.53 The notion of piracy covers a number of different phenomena. For example, in the field of music, three expressions are used in common parlance which are all covered by the wider notion of piracy as used here. Those expressions are "counterfeits," "bootlegs" and "pirate copies." "Counterfeits" are usually exact copies of a sound or video disc or tape with, for instance, exactly the same packaging as the original, usually including even the trademark. The copies could be either tapes or — more sophisticated — industrially manufactured CDs. "Bootlegs" are copies of recordings of a live performance or a broadcast, if the recording was made without the authorization of the right-owner concerned. "Pirate copies," finally, are unauthorized copies of a sound or video recording which do not attempt to imitate the original but are generally of low quality, with handwritten labels, etc. Those are becoming rarer because in general people prefer recordings of higher quality. The use of the notion "piracy" in the following covers all three kinds of infringements now mentioned.

4.54 Generally speaking, five categories of works, performances or productions are the most exposed victims of piracy, namely:

- sound recordings;
- video recordings;

- computer programs;
- broadcasts;
- books.

4.55 Particularly the first three categories of works or productions have been hit by piracy in recent decades because they are, with modern digital reproduction technology, very easy to copy. It takes, for instance, no great effort to make copies, by means of a personal computer, of computer programs of the same quality as the original and with high speed and efficiency; as computer programs are very costly to develop, uncontrolled copying hurts considerably the interests of the right-owners.

Reasons for Taking Action Against Piracy

4.56 There are several reasons for a State to take efficient measures against piracy activities.

4.57 The first and perhaps most important reason is that the rights under copyright law are violated, which means that authors, performers and phonogram and videogram producers, publishers, broadcasters and others suffer considerable economic loss. This is detrimental not only to the personal economic interests of the beneficiaries but also to society as a whole because it hampers creativity and is contrary to the interests which copyright law is there to serve, including that of establishing domestic cultural industries.

4.58 It should be noted that piracy generally hurts the most those productions which are successful; they are the only ones which are of interest for pirates. In the phonographic industry only a small proportion of the productions are economically successful and it is the income from those that makes it possible for the industry to support less successful but perhaps more valuable productions. If this incentive is lost, the industry may not be able to continue those productions and the output will be qualitatively lower, something which is, in the long run, detrimental to the interests of consumers and of society as a whole.

4.59 The reasons for fighting piracy should be seen both in a short and a long-term perspective. It is sometimes said that piracy is not a bad phenomenon because it supplies the market with popular products at low prices. Occasionally it is added that the pirates employ a considerable workforce and thus give increased job opportunities. Also, it is said that there are more urgent priorities in society than combating piracy. These arguments are, naturally, not valid if a State wants to maintain its international reputation and participate in the international exchange of culture, information and entertainment.

Anti-piracy Measures

4.60 Various practical measures can be undertaken in order to combat piracy. To some extent protection can be obtained through various types of copy-protection systems, that is, that mechanisms ("spoiler signals" or "water marks" in sound or video recordings) are built in which prevent unauthorized copying. Another measure is to have an efficient collective administration in respect of musical works; if it is easy for users to contact and obtain authorization from the right-owners through such an organization, the temptation to engage in piracy activities may be less.

4.61 The system of copyright and related rights is a branch of private law in that it grants personal exclusive rights to the individual beneficiaries. Therefore, the basic approach in most countries, is, or has been, that it is for the injured party himself to take action. Consequently, the basic possibility for him is to take civil action.

4.62 However, there is a change in the attitude in many countries, mainly in view of the alarming growth of the piracy activities. A number of countries have introduced heavy penal sanctions for at least certain kinds of infringement of copyright, in particular such which would be considered as piracy.

4.63 Penal sanctions should — and in most countries do — include both fines and imprisonment, the maximum of which may be up to several years. If penal sanctions are to work satisfactorily, the objective criteria for the infringement must be clearly defined. This means, in particular, that the rights should be framed and described in a clear and unequivocal way so that it is obvious which the act or acts are which must not be undertaken without the authorization of the author or other right-owner. Also, the so-called subjective criteria must be determined clearly. At least in some national laws the penal provisions for copyright violations apply not only to acts which are committed willfully but also to those committed with gross negligence. The sanctions should be applicable not only to the person who directly committed the violation but also to those who contributed to it, for instance by providing equipment used for unauthorized reproduction with full knowledge of the intended use of that equipment.

4.64 Penal sanctions have mainly a repressive function. While such a function is very important in the interest of society and authors too in order to ensure respect for the law (and this is of course particularly obvious in cases of piracy) at least equally important from the individual author's point of view is the compensatory aspect. The law has to provide the beneficiaries with real and effective possibilities to obtain compensation for the injury caused to them by the violation of their rights. That compensation should not be limited to a mere reparation of the direct losses inflicted on the specific right-owner. He should also be compensated, for example, for loss of market share for the work, possible violation of his moral rights and also other relevant elements; in short, account has to be taken of the material and moral prejudice caused. It may sometimes be difficult to establish the exact size of the remuneration. In many national laws there are, however, special provisions aiming at making an equity assessment of the amount to be paid; otherwise, it has to be left to the judges' discretion.

4.65 If copies exist which have been produced through unlawful acts, it is important that action is taken to prevent those copies, and their packaging, from being brought on to the market without the consent of the copyright owner. This is particularly important in the case of pirate copies. The desirable principle should be that such copies should be destroyed unless the injured party requests otherwise. Alternatively, they should be surrendered to the injured party. Also, equipment used for the manufacture of unauthorized copies should, by court order, be either destroyed or surrendered to the injured party, at least if there is a real risk that they may be used for continued acts of infringement. In this latter case there should exist possibilities for the courts to issue orders expressly prohibiting the continuation of the acts, with mention of the fine to be paid in case the order is not respected.

4.66 Another important aspect in this context are the conservatory measures which should be available particularly in cases of piracy, where the existence on the market of the unlawful copies can cause considerable damage. Such measures are intended to freeze or conserve the situation as it is when the measure is ordered or taken. More specifically the purpose of such measures is twofold: to prevent the committing, or the continuation of the committing, of acts of piracy, and to secure evidence as to the nature, quantity, location, source and destination of the pirated copies or the identity of the person who is suspected of having committed or being likely to commit acts of copyright violation.

4.67 Usually such measures have to be taken only at the request of the person or legal entity who claims to be injured or to be threatened by injury in an act of piracy. Under most laws the

requesting party will be liable for damages caused by the measure and, where necessary, he should be ordered to post a bond. The measures should include the following:

- seizure of the goods suspected to be unauthorized copies;

- sealing the premises where the unauthorized copies are being manufactured, packaged, stored or offered for sale, rental, lending or other distribution;

- seizure of the tools that could be used to manufacture or package the unauthorized copies, and of business documents referring to the copies;

- ordering the termination of the manufacture or distribution of the unauthorized copies;

- ordering the disclosure of the source of the copies suspected to be unauthorized copies.

4.68 Because of the recognized need to take efficient action against copyright piracy, some countries have set up special enforcement units either in the Ministry responsible for copyright law matters or within the police or customs forces. Also, in some countries, special State bodies, have particular responsibilities in the field of enforcement. They can act on behalf of their members, initiate investigations and bring matters to court. In most countries however the enforcement is entrusted to the ordinary enforcement authorities, that is, the courts, the police, the public prosecutors and the customs authorities.

Activities within WIPO Concerning Enforcement

4.69 The repression of activities such as piracy and counterfeiting, which are factors of major economic importance, is a crucial task for WIPO.

4.70 WIPO administers many international conventions and treaties relating to intellectual property. This aspect of WIPO's work consists basically in ensuring the proper operation of the bodies that govern these various international agreements and in obtaining the accession of the largest possible number of States to them; indeed for any repression to have proper effect it is necessary that the most uniform legal framework possible be established, comprising high-level provisions well adapted to new circumstances and the new technological facilities available to "pirates."

4.71 WIPO also develops new legislative provisions, both to adapt existing provisions to the new technologies and to reflect the progressively emerging consensus in favor of increasing the level of these provisions. For example, the impact of digital technology on copyright and related rights is enormous. The ability to transmit by electromagnetic waves, by cable or by satellite, musical works that are incorporated in sound or audiovisual recordings, increases the problem of unlawful reproduction and also of private copying, since works stored in digital form can be reproduced any number of times without loss of quality when compared with the original from which the copies are made.

4.72 Another basic aspect of WIPO's activities, but not the least important, is the transfer of know-how required to administer the international conventions. Indeed, it is of prime importance that the provisions drawn up at the international level be applied at the national level, since promotion of creativeness first requires suitable management and the implementation of provisions

adopted in favor of creators. WIPO's development cooperation activities are particularly important in this respect.

4.73 From the late 1990s until 2001, there were initially two WIPO Committees on enforcement – the Advisory Committee on Enforcement of Industrial Property Rights and the Advisory Committee on the Management and Enforcement of Copyright and Related Rights in Global Information Networks. The Advisory Committee on Enforcement of Industrial Property Rights held a meeting in October 2001, in which Member States asked the Secretariat of WIPO to initiate studies and activities to promote more effective enforcement of industrial property rights worldwide, and the identification of good practices and procedures with which to do so, while keeping the time and cost burden on administrative infrastructures to a minimum. In September 2002 it was decided that these two Committees would be merged into a single Advisory Committee on Enforcement, responsible for all intellectual property enforcement issues. Full membership is open to Member States of WIPO and/or the Paris and Berne Unions. It met for the first time in June 2003.

Enforcement Provisions of the TRIPS Agreement

4.74 It is worth recalling that the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which forms part of the overall Agreement establishing the World Trade Organization (WTO), requires the members of the WTO to ensure that effective enforcement procedures are available. The TRIPS Agreement also includes provisions requiring action by customs authorities against suspected counterfeit or pirated goods.

Intellectual Property Litigation

Introduction

4.75 In many intellectual property systems, it is common to have some form of internal appeal against a patent or trademark examiner's decision. Boards of Appeal exist for instance in the European Patent Office and the United States Patent and Trademark Office. While in the United Kingdom Patent and Trademark Office there is no formal internal appeal, a dispute between the applicant and examiner can be taken to a hearing before a senior officer.

4.76 Whatever the arrangement for internal appeal may be, in most intellectual property systems the courts play an important role in hearing appeals from decisions of the Industrial Property Office and in adjudicating infringement actions.

Review of Industrial Property Office Decisions

Introduction

4.77 The functions of Patent Offices in most countries are administrative in character rather than judicial. However, because Commissioners and Registrars are obliged to interpret the law in order to carry out their functions properly, and because third parties' rights and the public interest must

be taken into account, there is at times a tendency to treat office decisions as sacrosanct. In a number of countries, the Commissioner or Registrar is able to summon witnesses, administer oaths, require the production of documents or articles and award costs. His functions are therefore often referred to as "quasi-judicial." It must not be forgotten, however, that a Patent Office decision is administrative in character, notwithstanding that certain functions of the Commissioner or Registrar have quasi-judicial features.

4.78 Generally speaking appeals can be lodged against decisions taken during or at the end of the procedure relating to an application for a patent for invention — in the case of the former, "pre-grant appeals," and in the case of decisions taken after the grant of a patent for invention, "post-grant appeals." "Pre-grant appeals" only involve a third party, in addition to the owner of the patent for invention and the Patent Office. Similar appeals exist in relation to decisions of the Trademark Office.

Pre-Grant Appeals

4.79 Chronologically, the first decision of the Patent Office is the decision by which it does or does not accord a filing date. The applicant may disagree with the date accorded and may wish to appeal against a decision. As an example, supposing the payment of the application fee in a particular country is one of the requirements for according a filing date, and the Patent Office and the applicant disagree as to when the application fee was actually paid. The Patent Office alleges that the application fee was paid two days after the date on which the documents constituting the application were filed, whereas the applicant claims that it was paid on the same day the application itself was filed. If the invention claimed in the application was published the day after the application itself was filed, the decision of the Patent Office according a filing date is crucial. If the applicant is not able to convince the Patent Office that the application fee was paid before the publication of the invention, the application will eventually be rejected for lack of novelty of the invention. Therefore, it is important for the applicant to have the right to appeal against the decision according a filing date.

4.80 Another decision against which the applicant may appeal to the court is the decision, taken during the preliminary (or formal) examination, by which the Patent Office declares that the application is deemed to be withdrawn. Such a decision may be taken, for example, on the ground that a formal defect in the application has not been eliminated in due time or that the invention claimed in the application is contrary to public order or morality.

4.81 The most frequent decision against which the applicant may appeal to the court is the decision, taken as a result of the examination of the application as to substance, by which the Patent Office rejects the application. Such a decision may be taken, for example, on the ground that the invention claimed in the application is not new, does not involve an inventive step or is not industrially applicable. Another possible ground for rejection of the application might be that the claims or the description contain substantive defects which have not been eliminated by the applicant.

Post-Grant Appeals

4.82 After the grant of the patent for invention, there may also be cases where an appeal may be lodged against a decision of the Patent Office. For example, the Patent Office may have declared that the patent for invention has lapsed because an annual fee has not been paid in due time. On the other hand, the owner of the patent for invention may allege that the annual fee was paid in due time and, as a consequence, may wish to appeal to the court against the declaration of lapse. In such a case, the appeal only involves the owner of the patent for invention and the Patent Office.

4.83 Another example of a "post-grant appeal" would be against a decision by the Patent Office to grant a compulsory license. Where the law so provides, a similar appeal would also be possible against a decision by the Patent Office to refuse to grant a compulsory license. In both cases, the appeal would involve three parties, namely, the owner of the patent for invention, the party requesting the grant of a compulsory license and the Patent Office.

Appeal Procedure

Introduction

4.84 Appeal procedures are usually determined by regulations or rules which may be provided for in the patent law, in the rules of the specific court, or in the general rules of procedure of the country.

4.85 In Japan, Germany and France, the respective intellectual property laws together with the codes of civil procedure prevail; in common law countries such as the United Kingdom and Canada, the rules of procedure of the appropriate courts apply.

4.86 Normally, the industrial property law sets out the time limit within which an appeal should be filed. The rules of procedure determine when and how each step should be taken. These rules usually give the court wide discretion so that the parties can put forth their best case. For example, if amendment to refused claims is permitted, it is frequently possible to resolve the dispute without a hearing.

4.87 Usually, the rules of procedure will establish the time periods for the completion of each step of the procedure. For example, the evidence may be required to be filed with the court one month after the "notice of appeal," and the memorandum (or brief) on appeal may be required to be filed within a further month.

4.88 At common law the rules of procedure will require each party — the appellant (the one who is appealing) and the respondent (the one whose decision is being appealed) — to give the other notice of each step it takes and to give the court proof that notice has been given. If a third party is involved in an appeal, the same rule should apply with respect to that third party.

4.89 The rules of procedure will also usually provide for the possibility to deviate from the rules to permit the parties to present their cases properly. For example, extensions of time may be required if the appellant cannot give proper instructions on time. Usually, there are also rules which compel the parties to proceed under penalty of dismissal of their case.

4.90 Whether or not deviation is permitted in each case is within the discretion of the court. Under the common law practice, a request for the court to permit deviation is made in writing with supporting evidence, and notice is given to the other side. The other side may consent or may appear in court and oppose the request. A similar process exists in the continental system.

Pre-Hearing Conference

4.91 Often, under common law, provision is made for the convening of a pre-hearing conference to resolve any question as to the procedure which is to be followed at the hearing; the question may then be settled by the court. At the pre-hearing conference there may be questions as to who will have the opportunity to speak and in what order, the material to be considered and what facts will be admitted by either side.

4.92 In this regard the court may perform a useful function which is sometimes unofficially called "banging heads together." The intervention of a third party with authority, the court, may resolve differences between obstinate parties.

Evidence

4.93 The word "evidence" as used in judicial proceedings usually means that which may be placed before the court to enable it to determine the issues of fact. For example, a document executed by an inventor transferring a patent for invention to another entity or person duly registered by the Patent Office is the best evidence that the other entity or person is the owner of the patent for invention. This is also called "direct" evidence. If the document is lost, then a statement by a witness that he or she saw the inventor sign such a transfer may be sufficient. This is secondary evidence. If the document is available, then it should be submitted. If it is not, then there is no option but to follow the second course.

4.94 The evidence put forward in pre-grant appeals will in most cases be quite different from the evidence presented in post-grant appeals. In a pre-grant appeal where the appealed decision was to reject the application, the main issue is usually whether what is claimed in the application is or is not a patentable invention. The evidence on that issue will be highly technical.

4.95 In a post-grant appeal where the appealed decision was to grant or to refuse a compulsory license, the evidence will tend to be almost exclusively commercial, relating to competition in the marketplace, market demand or need, costs of production, research, selling or marketing, profits and royalty rates. The requesting party will also probably submit evidence as to his technical personnel, facilities, market costs, proposed market and selling price.

4.96 Three forms of evidence may be distinguished — "documentary evidence," namely evidence supplied by writings and documents of all kinds, "real evidence," namely evidence supplied by things themselves rather than by a description of them, and "expert evidence," namely oral evidence supplied by an expert. To the extent possible, all evidence should be introduced in writing. Oral testimony, if any is given, is usually taken down verbatim and recorded in print for review by the authority; however, if a hearing of oral testimony is requested, it will normally be granted.

4.97 As a general rule, statements made by parties are usually accepted as true unless they are uncorroborated or contested. If this is the case, the court may call for further evidence. A requirement may be made for money to be deposited to cover the costs of these proceedings prior to their commencement. These proceedings may include hearing the parties, requests for information, production of documents, hearing witnesses, opinions by experts, inspection and sworn statements in writing.

4.98 In the case of oral evidence, the party or witness testifying will have to be prepared to be subjected to questioning by the adversary or the court.

Documentary Evidence

4.99 Documentary evidence can be subdivided into three elements, namely the file history, statements and other documentary evidence.

4.100 The file history usually comprises the patent application, including the description, drawings and claims, the objections or observations made by the Patent Office and the observations made by the applicant.

4.101 If the Patent Office had rejected the application because there is in the state-of-the-art a publication which destroys the novelty of the invention, the observations by the Patent Office will normally include that publication, together with the Patent Office comment on its significance, and of course the decision of the Patent Office and its reasons.

4.102 The observations made by the applicant will normally include observations on the publication, that is, comments on the structure, the mode of operation and result of the solution disclosed in it, together with comments on how the applicant's invention differs on each of these points from that solution.

4.103 Sometimes the "supposed" evidence may also include statements by the inventor. The word "supposed" is used intentionally because frequently this "evidence" is not proof but rather argument. Statements which indicate nothing other than that the subject matter of the application is a patentable invention are merely self-serving and are consequently not persuasive. Such statements are no more than mere unsubstantiated opinions.

4.104 There may be other documentary evidence, for example, experimental reports, market surveys, photographs, sales figures, unsolicited testimonials. Again, all these materials should be introduced by showing the source, what they show, why they are presented and an explanation as to their technical significance.

Real Evidence

4.105 Real evidence such as models, actual machines described in the state of the art and the subject matter of the patent application, may also be shown.

Expert Evidence

4.106 In relation to the issue of validity in patent proceedings, general evidence is often received from expert witnesses as to prior use, the commercial success of the invention, the intelligibility and sufficiency of the patent specification to a competent technician, the utility or usefulness of the invention, the state of common general knowledge at material dates, the meaning of technical terms and the novel or surprising nature of the invention claimed when considered in the light of prior art and knowledge.

Market Survey Evidence

4.107 In trademark cases in particular, evidence of the "public mind" or the state of public opinion in relation to a particular trade name, mark or get-up is both relevant and admissible. In recent times there have been endeavors to put into evidence the results of market surveys and market research as evidence of the "public mind." There is some dispute as to the effect of such evidence. Evidence of a market survey may prove no more than that certain opinions were expressed by individual persons interviewed. It cannot show, in the absence of direct evidence to the court, that such opinions were genuinely held by them or how they arrived at them.

Presentation of Evidence

4.108 In common-law and some civil-law countries, evidence is presented in the form of sworn statements, or "affidavits," on the most important points. These statements or affidavits are written documents which are signed by the person making them before either an officer of the State or an officer of the court who ensures that the person signing knows the consequences and

penalties for making false statements. The general law makes provision for penalties where false statements have been made.

4.109 In the absence of a third party to any proceedings, these sworn statements are normally accepted as evidence of the facts to which they attest. One therefore has to be sure that they are relevant and true.

4.110 In some countries, when a third party is involved — for example, in the case of a compulsory license — the third party may be given the opportunity to "cross-examine" the party who gave the statement to test the validity of the facts set out. "Cross-examination" is a procedure in which an adverse party questions the person who gave the statement. The questions may be directed to any matter raised in the statement and are generally directed to the accuracy of and basis for the statement.

Final Disposition

4.111 When disposing of the appeal, the court normally has the following courses of action available: it may refuse the appeal, it may grant the appeal, it may refer the case back to the Patent Office for reconsideration, or, if the decision appealed against was a decision to reject the application, it may amend the claims and give directions to the Patent Office to grant the patent for invention. If the court refers the case back to the Patent Office, it may make recommendations for amendment of the claims, description or drawings to overcome positions one or both parties have taken unjustifiably. The basis for the court's authority to act is usually in the patent law or it may be found in other general legislative provisions.

Infringement Actions

Patent Infringement

4.112 The first task in any patent infringement action is to accurately assess the limit of the rights granted. This will require the court to construe the patent specification. In general it is not permitted to adduce expert evidence to construe words which are capable of an ordinary meaning in English. The only exception is when technical words are used for which the court may require a technical explanation. Similarly, considering the claims, it is not permissible to look into the body of the specification so as to try and twist or strain the meaning of ordinary English words so that they can "catch" the infringement. In fact, the court's first task in construing the specification is to have no regard to either the alleged infringement or what is called the "prior art."

4.113 The next task facing the court is to decide whether the alleged infringement falls within the scope of the claims which it has construed. This is often not easy, particularly when the defendant has been well advised. It is in this area that expert evidence is frequently required. Moreover, in patent infringement actions, the use of experiments is often resorted to in order to prove infringement, the burden of which always remains with the plaintiff.

4.114 The usual defense in an infringement action is that the alleged infringement simply does not fall within the scope of the patent in suit. But far more important than the defense will often be a counterclaim for revocation of the patent. As in trademark infringement, there are a number of statutory grounds by which a defendant can seek to impugn the validity of the patent: to mention some, he may rely upon anticipation, that is lack of novelty, that the invention is obvious, that the patentee has not sufficiently or fairly set out the manner in which the invention is to be worked,

that the invention is not useful, that it has been obtained on a false suggestion or misrepresentation or that it has wrongfully been obtained from another. Some or all of these grounds are available in most patent statutes in the Commonwealth. Again, this is an area where expert evidence is important and it is not unusual for the counterclaim in a patent infringement action to take more time than the claim itself. Naturally, the onus here is on the defendant seeking revocation of the patent.

Copyright Infringement

4.115 The first of the acts restricted by copyright is "reproduction." By reproduction is generally meant the right to multiply copies of the work, the production of even one copy being an infringement. Reproduction is not defined in any of the acts but its meaning is probably very similar to "copy." What is a copy will be a question of fact and degree. When the copy is not exact, the court must examine the degree of resemblance with this in mind: that for infringement to arise, there must be such a degree of similarity as would lead one to say that the alleged infringement is a copy or reproduction of the original — having, in other words, adopted its essential features and substance.

4.116 A causal connection between the copyright work or the alleged infringement is essential and is a major distinction between the protection afforded by patents and registered designs — both of which are full monopolies. The plaintiff must prove that directly and indirectly the defendant has copied from the work matter in which he claims copyright. He must show that this causal connection is the explanation of the similarity between the two. If, for example, they both copied from a common source or they arrived at their results truly independently, there will be no infringement.

4.117 Many statutes qualify "reproduction" with some such phrase as "or substantial reproduction." The question of what is "substantial" will again depend on the facts and circumstances of each case and will be for the court to assess. It has been said in a leading case that "the question whether the defendant has copied a substantial part depends much more on the quality than the quantity of what he has taken." And in another case "what is worth copying is *prima facie* worth protecting."

4.118 What the court must do is to assess whether, assuming a causal connection, the defendant has helped himself to too liberal a portion of another's labor or work. On the other hand, bearing in mind particularly that copyright does not protect ideas (which may or may not be the proper subject of a patent) but rather the way in which ideas are expressed and articulated, the court will by way of balance always be mindful not in effect to give a plaintiff the benefit of a 50-year protection for an idea under the guise of copyright. The two species of protection are very different.

4.119 In view of the foregoing it is clear that the most obvious defense is that the impugned work was independently arrived at. Other defenses may be:

- that, although there has been some degree of copying, a substantial part of the work in issue has not been taken;

- that the work is no longer in copyright;

- certain other statutory defenses such as fair dealing and use for educational purposes.

Trademark Infringement and Passing-Off

4.120 These two topics are closely related. If infringement of a registered trademark exists in a particular case, the plaintiff will usually also plead passing-off. Historically, the action to restrain a defendant from passing off his goods as the goods of the plaintiff was a generalized form of an action to restrain the infringement of a trademark. When the possibility of registration of trademarks first became available at the end of the last century, the distinction between the two types of action arose. In spite of the co-existence of these two forms of action, passing-off has never been abolished or allowed to slip into disuse.

Trademark Infringement

4.121 This is a statutory tort arising by virtue of registration of the trademark in issue at a national Trademarks Registry. Trademarks may of course only be registered after satisfying specific conditions imposed by statute and enforced by the Registry. Registration involves consideration of such topics as distinctiveness of the proposed mark, whether it is an invented word, whether it has any direct reference to the character or quality of the goods in respect of which registration is sought, whether it has a geographical signification, whether it has signification as a surname, etc. In several countries trademark registration is available in respect of both goods and services. In some Commonwealth countries, there still exist two categories of trademark — those falling under so-called Part A and Part B of the Register, in respect of which different considerations arise. The concept of Part B marks was introduced so as to satisfy a somewhat lower standard of distinctiveness for registration and as a consequence, to give a somewhat lower level of protection in litigation.

4.122 Evidence of ownership of a trademark will generally be adduced by a duly certified copy of the entry in the national Trademark Register. The copy certificate should, however, be scrutinized with care for at least the following information:

- the mark itself and the exact manner in which it is represented, particularly if it is a device mark;
- the goods in respect of which registration has been secured;
- the name and details of its proprietor;
- the date of the registration;
- whether it has been registered in Part A or Part B of the Register.

4.123 An important distinction between the action for trademark infringement and passing-off is that whereas in passing-off it is essential that the plaintiff should by evidence prove his reputation, this is not necessary for the purposes of proving trademark infringement. Registration may take place before any reputation has been acquired in the mark through actual use; to secure registration, it is enough that the mark is inherently distinctive and that the plaintiff has a bona fide intention to use it as a trademark for the goods in question. Once registered, the registered proprietor may proceed against infringers without the uncertainty and expense of having each time to prove his actual trading reputation. This is the main respect in which protection of goodwill has been made easier and more efficacious by registration.

4.124 In trademark infringement actions, the court is often faced with the likelihood of a counterclaim for rectification of the Register of Trademarks by expunging therefrom the trademark

in issue. The various national trademark laws establish grounds on which a trademark may be so removed and these involve in part the grounds available to an opponent at the registration stage. In addition, further grounds are available such as the non-use of the mark.

Passing-Off

4.125 Passing-off can arise in respect of a common law trademark, a trading name or style for either goods or services or through presentation, that is, by the addition to an article of something that gives it a distinctive appearance — be it color, shape or packaging. In essence passing-off concerns the wrongful appropriation of the benefit of the reputation or goodwill of another.

4.126 Any misrepresentation calculated to injure another in his trade or business may provide the basis for a passing-off action. But in each case the plaintiff must establish two propositions before he can succeed: the first is that he has a legal right, in the nature of a monopoly; in other words, he must show that he has an exclusive right to a particular name for his goods or a particular trade description or particular presentation, and secondly, that the defendant has infringed that right by selling goods under a name or description or with a presentation which is likely to lead to confusion, so that consumers are likely to buy the defendant's goods in the belief that they are the plaintiff's goods. It should be noted that the second proposition does not arise unless and until the plaintiff has established the first.

Registered Designs Infringement

4.127 Registered designs have a close analogy with patents. They consist of an exclusive right of limited duration.

4.128 The United Kingdom, for instance, has the following definition of design:

> "In this Act, 'design' means the whole or a part of a product resulting from the features of, in particular, the lines, colours, shape, texture or materials of the product or its ornamentation" (Section 1(2) of the United Kingdom Registered Designs Act, 1949, as amended by Article 2 of the Registered Designs Regulations 2001).

4.129 In other words the proper subject of a registered design consists of what the eye can appreciate in its application to an article, except such features as are functional. Like a patent the design has to be construed by the court prior to considering issues of infringement and validity. By its nature the entire exercise here is done by the eye, that is the eye of the court. It will seldom be appropriate to adduce evidence to assist the eye in this respect.

4.130 Apart from the obvious defense that the product in issue does not fall within the scope of the design, the defendant will invariably counterclaim for rectification of the register of designs. As with patents, he may choose to rely on lack of novelty, which is a fundamental requirement for a valid design, in the light of prior art. But he may also wish to impugn the design by showing it to be or consist of features or shapes or configurations which are dictated by the function above.

Remedies

4.131 The remedies typically available in intellectual property infringement actions are injunctions, damages and account of profits. Most actions start with an application for some form of preliminary or interlocutory relief, and in most cases do not get beyond this preliminary stage.

Preliminary Relief: The Interlocutory Injunction

4.132 Preliminary remedies are of the utmost importance to the protection of all these intellectual property rights. The period from the time of commencement of proceedings to the final determination of a case can allow significant damage to be done to sales and profits and to reputation, due to other exploitation of material and/or information. Furthermore, the nature of the infringement or other unlawful conduct may be such as to make damages or an account of profits an inadequate remedy. One of the reasons for this is that the defendant may be impecunious or may disappear. But these will not be the only reasons why, in a particular case, damages may not be an adequate remedy. More often, this is because of the nature of the intellectual property right in question and the difficulty of reaching a precise estimate of the loss suffered as the result of an infringement. If, in such a case, the defendant's unlawful conduct is restrained at the outset, the problem of damages may either disappear from the case altogether or be very much less difficult than otherwise would be the case.

4.133 The most useful and widely used preliminary remedy is the interlocutory or interim injunction, the main purpose of which is usually described as being to preserve the *status quo* until the hearing of the main action. Although preserving the *status quo* as at the time of making an application is usually the most appropriate order, this is not the main concern of the interlocutory injunction. The primary matter with which the court is concerned in granting an interlocutory injunction is the maintenance of a position that will most easily enable justice to be done when the final determination is made. Thus, a court will sometimes order that an earlier position be restored, or that the parties arrange their affairs in some other way that is more in accordance with the requirements of justice.

4.134 In an increasing number of cases interlocutory injunctions are not sufficient to protect intellectual property rights against the threat of continuing infringement. This is often because the evidence needed to sustain an application for both interim and final relief is not readily available and will not become available through the usual processes of discovery. In such a case the plaintiff will be unlikely to obtain an interim injunction because he will not have the necessary evidence. Sometimes the defendant will remove or destroy the infringing material. In recent years a speedy and effective means of obtaining and preserving such evidence has been developed by courts in the United Kingdom. The relief granted is an *ex parte* order for entry and inspection of premises and removal of evidence. These orders are known as Anton Piller orders, and may be a necessary step before an interlocutory injunction can be obtained.

4.135 Similarly, the collection of evidence and even a final judgment in favor of a plaintiff may be to no avail if the defendant has no assets which can be used to fund any damages ordered. This is a serious problem given the increasing resourcefulness of those attempting to avoid their obligations, the ease with which money can be moved from one country to another and advances in technology. In order to address this problem the courts of common law countries have formulated and developed the Mareva injunction which operates to prevent defendants from removing assets from the jurisdiction or from disposing or dealing with them within the jurisdiction in such a way as to frustrate any judgment that may be entered against them.

Final Injunction

4.136 In the normal course, a successful plaintiff in an industrial property action will be entitled to a final injunction. The grant of injunctions is discretionary and only used in unusual situations, (for example, where the defendant is the sole source of a life-giving drug or, in a copyright case, where there has been extreme delay) will a permanent injunction be refused. If an injunction were not granted, for example, to a successful patent proprietor, the result would be tantamount to enabling

the defendant to take a compulsory license under the patent without having to go through the statutory provisions relating to compulsory licenses. Should the injunction be breached, the plaintiff can move for contempt of court, and in the field of industrial property experience shows that such action on the part of a plaintiff is not at all infrequent.

Damages or Account of Profits

4.137 The assessment of damages in industrial property cases invariably demands as a first step an election by the successful plaintiff as to whether he will take an inquiry as to damages on the one hand, or an account of profits on the other. These alternatives are of course mutually exclusive since by electing to go for an account, the plaintiff has adopted the defendant's acts as his own. The choice in each case will depend on the facts. Sometimes, for instance, time may be of the essence and the trial as to liability may have itself generated enough material evidence to enable a plaintiff to move speedily for an account. Sometimes a defendant may have been able to secure more sales of the product in issue during the infringing period than the plaintiff could possibly have done. In such cases, the plaintiff will again be likely to choose an account rather than an inquiry — which will incidentally be for net profits.

4.138 Usually, however, a successful plaintiff will ask for an order that an inquiry as to damages be taken. When this is done, in a difficult case, the plaintiff may have to endure a fresh trial almost as substantial as the trial as to liability. For this reason, fully litigated industrial property cases seldom go as far as a full inquiry as to damages; they tend to settle when liability has been established.

4.139 The assessment of appropriate damages in industrial property cases vary somewhat between the several causes of action. Passing-off and trademark infringement may be considered together as may patents and registered designs. Judicial views on the correct approach to damages for breach of confidence have been divergent, and in copyright cases special statutory provisions exist. There is however no universally appropriate test or formula for assessing damages. Damages in any of these fields are notoriously difficult to assess with any degree of accuracy, and the courts have sensibly taken this into account by declining to lay down general rules.

4.140 A common approach has been to assess damages on the basis of a notional arm's length license: this will arise for example when the parties are competitors and is usually appropriate to patent and registered design cases. Damages for past infringement are then based upon a payment of a royalty in respect of, for example, each infringing article. But problems do arise here — particularly when in reality the plaintiff would never have granted a license. This approach has also been used in breach of confidence and copyright infringement cases. Another approach which is more difficult to prove is through consideration of sales lost to the plaintiff; in this case the plaintiff is entitled to the entire lost profit.

Arbitration and Mediation of Intellectual Property Disputes

Alternative Dispute Resolution

4.141 Alternative Dispute Resolution, or ADR, refers to methods of resolving intellectual property disputes without having to start court proceedings. There are many forms of ADR. The most common are arbitration and mediation. Intellectual property disputes are also resolved on the basis of expert opinions.

Arbitration

4.142 Arbitration has a long history, particularly in certain areas of commerce.

4.143 Arbitration is consensual: it requires that the parties agree to have their dispute referred to an arbitrator. The parties usually do this by including in their agreement a clause providing for the submission of disputes to arbitration. The parties have flexibility in the powers that they permit the arbitrator to exercise and may choose the applicable procedures, usually by including reference to the rules of an arbitration institution.

4.144 The advantages of arbitration are generally regarded to be the speed with which a decision can be reached, the lower cost at which this can be done, the confidentiality of the procedure, its informal character and the facility with which an arbitral award can be enforced internationally. The time and cost advantages of arbitration are based in part on the resolution of a multi-jurisdictional dispute in one single forum, instead of a variety of courts, and on the absence of institutional appeal. The arbitral award is final.

4.145 Arbitration is a less formal procedure than litigation, but still shares some of the elements of a court procedure. An arbitration will normally include an exchange of written memorials, including witness and possibly expert statements, and a hearing allowing oral argument, witness and expert testimony, and questions by the arbitrators and the parties.

Mediation

4.146 Another form of ADR is mediation, sometimes also called conciliation. A mediator is a neutral person who assists the parties in resolving their dispute. Again the agreement of the parties to submit their dispute to mediation will be required. This voluntary character also applies once the mediation is under way: each party may terminate its participation at any stage. If the mediation is successful, the settlement has the effect of a contract between the parties.

4.147 Mediation is particularly attractive where the parties wish to preserve or develop their relationship and resolve a dispute privately. Mediation takes account of the parties' respective interests, more than their legal positions.

Expert Determination

4.148 In particular in technology transfer agreements it is not unusual to find that the parties have agreed to refer any technical disputes to an expert. Such an expert will be an independent third party with the necessary expertise in the relevant technology field.

Enforcement in the International Context

4.149 Many technology transfer agreements are international. In the context of dispute resolution this raises an important difficulty. If parties to an agreement are relying on the courts to resolve their disputes, they must ensure that a judgment will be enforceable in any jurisdiction where that is required.

4.150 The enforcement in the defendant's jurisdiction of a court judgment obtained in the claimant's jurisdiction can be difficult. This problem can be overcome by initiating proceedings in the respondent's jurisdiction, but this may not be an acceptable option to the would-be claimant

because he is probably less familiar with the law, legal culture, courts and language of that jurisdiction. Moreover, it would not solve the problems raised by the possible need to enforce such a judgment in a third jurisdiction where the respondent has assets.

4.151 Generally, no such enforcement problems exist with regard to arbitral awards. Under the terms of the widely accepted New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, contracting States are obliged to recognize and enforce arbitral awards subject to a limited number of specified exceptions.

WIPO Arbitration and Mediation Center

4.152 In September 1993, the WIPO General Assembly unanimously approved the establishment of the WIPO Arbitration Center, now called the WIPO Arbitration and Mediation Center. The Center offers services for the resolution of intellectual property disputes between private parties through arbitration and mediation. The Center also administers special administrative procedures for the resolution of disputes arising out of the registration of Internet domain names (see section below).

4.153 The Center was created to bridge two areas which have recently undergone considerable changes in parallel to, rather than in conjunction with, each other. These areas are arbitration, or more generally ADR, on the one hand, and intellectual property on the other hand.

4.154 The number of institutions administering arbitration throughout the world has grown considerably, as have the numbers of arbitration proceedings initiated. At the same time, particularly in the United States of America, the types of ADR procedures available have evolved beyond traditional arbitration and mediation to include new forms adapted from the classical model of arbitration, mini-trials, and various combinations of procedures.

4.155 The increasingly technological basis of production, the emphasis on image and marketing for the distribution of goods and services, and the proliferation and variety of media of communication have all contributed to giving unprecedented prominence to intellectual property. The increase in the number of intellectual property titles sought is mostly due to the increase in foreign-origin applications. This reflects the internationalization of markets; as enterprises seek to penetrate a wider geographical area, they seek wider protection for their intellectual property.

4.156 The increased resort to international protection of intellectual property opens new possibilities for the use of ADR. The existence of more rights raises the potential for a larger number of conflicts involving those rights. Often, however, those negotiating the licenses and other contractual arrangements pay more attention to the successful conclusion of a potential business arrangement than to the consequences of any breakdown thereof. The developments in the area of arbitration have not necessarily found expression in contractual provisions directed at the efficient resolution of possible disputes.

4.157 In addition, the existence of a multiplicity of national and regional rights covering the same subject matter indicates the need for dispute resolution procedures which avoid recourse to different national court actions. Even if a multiplicity of separate national claims is not involved, the opposition of two foreign parties might require neutral dispute-resolution procedures that avoid the court system of one of the parties.

4.158 Besides the recent evolution of intellectual property protection, many of the traditional advantages in favor of ADR apply particularly to intellectual property. The frequently multi-jurisdictional character of intellectual property disputes, and the opportunity to resolve such disputes in a single forum, have been mentioned above. Furthermore, the possibility to choose neutrals with specialized expertise is of great importance in the highly technical and scientific subject matter covered by patents, trade secrets, copyright and plant variety rights. While specialized courts exist in a number of countries, and may call on expert assistance, it may be more efficient to submit a dispute to an arbitral tribunal composed of at least one expert with specialized, relevant knowledge. In addition, the confidentiality of arbitration and other procedures offers advantages where know-how or other confidential information may be exposed in the course of a dispute.

4.159 Established in recognition of the developments described above, the WIPO Arbitration and Mediation Center offers services in relation to four dispute-settlement procedures:

4.160 *Mediation:* a procedure in which a neutral intermediary, the mediator, at the request of the parties to a dispute and without the power to impose a settlement, endeavors to aid the parties in reaching a mutually satisfactory settlement on the basis of their respective interests.

4.161 *Arbitration:* a procedure involving the submission of a dispute, pursuant to an agreement of the parties, to a mutually acceptable arbitrator or a tribunal of arbitrators, in accordance with the law and procedure adopted by the parties, resulting in a binding and internationally enforceable award.

4.162 *Expedited Arbitration:* an arbitration procedure where the rules limit the procedural steps in the proceedings, in order to obtain a quicker result at a lower cost than in conventional arbitration proceedings. The registration and administration fees are lower than those applicable to an arbitration conducted under the WIPO Arbitration Rules. Fixed arbitrators' fees apply to disputes of up to 10 million US dollars. This procedure may be practical, particularly for disputes which do not justify, in terms of personnel or financial costs, recourse to court litigation or conventional arbitration.

4.163 *The above procedures may also be combined*: parties agree to try first to resolve the dispute through mediation; if this does not produce a settlement, either party may submit the dispute to arbitration or expedited arbitration for a binding decision.

4.164 The services that the WIPO Center provides in relation to the four procedures are essentially of two types. The first type involves making available to parties the instruments for the resolution of a dispute pursuant to one of the procedures administered by the WIPO Center. Model contract clauses can be included in agreements to submit future disputes to such procedures. Alternatively, submission agreements can be used to submit existing disputes to one of the procedures, the WIPO Arbitration Rules, the WIPO Expedited Arbitration Rules, and/or the WIPO Mediation Rules.

4.165 The second type of service provided derives from these rules. The rules envisage that certain functions will be performed by the WIPO Center with respect to the conduct of the dispute-resolution procedure, such as the following:

- assistance to the parties in selecting and appointing the mediator(s) or arbitrator(s), if necessary with reference to the Center's database of more than 1,000 arbitrators and mediators from more than 100 countries with experience in commercial, intellectual property and information and communications technology dispute resolution;

- guidance regarding the application of the relevant procedural rules;

- liaising between the parties and the tribunal or mediator with a view to ensuring optimal communications and procedural efficiency;

- assisting the parties in organizing any other support services that may be needed, such as translation, interpretation or secretarial services;

- fixing the fees of the arbitrators and mediators, in consultation with them and with the parties;

- administering the financial aspects of the proceedings, by obtaining a deposit from each party of the estimated costs and paying out of the deposit the fees of the arbitrators and mediators and any other support service or facilities, such as fees for interpreters, where they are required;

- when the proceedings take place at WIPO in Geneva, providing a meeting room and party retiring rooms free of charge;

- when the proceedings take place outside Geneva, assisting the parties in organizing appropriate meeting rooms and other required facilities;

- providing such other services or functions as may be required to ensure that the arbitration or mediation procedures are conducted efficiently and expeditiously.

4.166 The services described above may be used anywhere in the world. While the WIPO Rules are especially suitable in an intellectual property context, such as for a licensing dispute, they lend themselves to the resolution of all types of commercial disputes. The procedures may be applied in any legal system in the world, in any language and under any law chosen by the parties.

4.167 In addition to offering arbitration and mediation services, the WIPO Arbitration and Mediation Center organizes conferences on arbitration and mediation, as well as workshops for arbitrators and mediators.

WIPO Internet Domain Name Dispute Resolution

Uniform Domain Name Dispute Resolution Policy

4.168 As a result of their growing popularity and of their commercial application, Internet domain names have increasingly come into conflict with trademarks and other intellectual property rights. In December 1999, the WIPO Arbitration and Mediation Center became the first provider of dispute resolution services under the Uniform Domain Name Dispute Resolution Policy (UDRP). Adopted by the Internet Corporation for Assigned Names and Numbers (ICANN), on the basis of recommendations made by WIPO in the Report of the First WIPO Internet Domain Name Process, the UDRP provides holders of trademark rights with an administrative mechanism for the efficient resolution of disputes arising out of the registration and use in bad faith by third parties of domain names corresponding to those trademark rights. The UDRP applies to registrations in generic top-level domains (gTLDs), .com, .net and .org and the more recently introduced new gTLDs, .aero, .biz, .coop, .info, .museum, .name and .pro. Being administrative (and not arbitration), the procedure is optional for trademark owners: instead of or in addition to availing themselves of the UDRP, they

may go to court. By contrast, domain name registrants must submit to the UDRP procedure, once a complaint has been filed concerning the domain name held by them; however, losing registrants may also go to court.

4.169 The UDRP is limited to cases of registration and use in bad faith. For a complaint to succeed, the complainant must establish that the following three cumulative criteria are met: (i) the domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and (ii) the registrant of the domain name has no rights or legitimate interests in respect of the domain name; and (iii) the domain name has been registered and is being used in bad faith. The UDRP lists several examples of such bad faith, for example, indications that the domain name has been registered for the purpose of selling it to the trademark owner or attracting visitors to the registrant's site by creating a likelihood of confusion with a third party's trademark.

4.170 Under the UDRP, the respondent has 20 days to file a response from the date the WIPO Center notifies the respondent of a complaint filed with the Center. The WIPO Center then appoints an independent one- or three-member panel to decide the case. A reasoned decision is taken two weeks later by the panel. If the panel orders the transfer or cancellation of the domain name (these are the sole remedies available, since monetary damages in particular are excluded), the registrar is obliged to implement the decision, except if the losing domain name registrant files a court case against the complainant within ten days of the panel decision. The Center posts notice of the filing of a case and the full text of decisions on its website. All WIPO UDRP decisions are also searchable through the online index of WIPO UDRP Decisions, which allows structured access to the large quantity of legal and other data contained in those decisions. The index, publicly available at the Center website, allows decisions to be searched by case number, domain name, text of decision and legal keywords.

4.171 The WIPO Center has established services especially designed for the submission and conduct of UDRP cases. It has adopted Supplemental Rules regulating such aspects as the applicable fees. The Center website provides parties with an efficient online infrastructure for WIPO's domain name dispute-resolution services. It offers extensive biographical information about the neutral persons on the Center's roster of panelists, who are independent trademark and Internet specialists from a multitude of jurisdictions. In addition to source documents, a procedural flowchart and a practical guide, the Center makes available model forms for the filing as well as the defending of a case. These forms can be submitted to the Center as an e-mail attachment or online through the Center website. The entire WIPO procedure is conducted and managed largely online, providing significant time (the average case duration is less than two months) and cost benefits to all concerned.

4.172 The simplicity of the system also extends to WIPO's non-profit schedule of fees. The costs of the procedure are normally borne in full by complainants, who pay a fixed amount that covers both the Center's services and the remuneration of the panel. Under the WIPO schedule, the actual level of the fee depends on the number of domain names concerned and on whether the case is to be decided by a single- or three-member panel.

<u>New gTLDs</u>

4.173 Registries of new gTLDs (.aero, .biz, .coop, .info, .museum, .name and .pro) have for the most part implemented, in addition to the UDRP, dispute resolution procedures specifically geared to conflicts arising during the initial registration phase. The purpose of these procedures is to provide trademark owners with additional means to ensure the protection of their rights on the introduction of these new domains. The .info Sunrise Registration Challenge Policy and the .biz

Start-Up Opposition Policy are examples of such procedures. Furthermore, registries that are restricted to certain purposes (for example, .biz for commercial purposes) provide special proceedings to resolve disputes concerning compliance with their respective registration conditions.

Developments

4.174 The WIPO domain name dispute resolution services are meeting with significant demand. The Center has processed, up to the end of 2003, some 21,233 cases under the UDRP and other applicable domain name dispute resolution policies. The possible expansion of the scope of the UDRP to encompass domain name disputes affecting other rights related to intellectual property, the introduction of further gTLDs, the possibility of registering domain names in different languages and the introduction of similar dispute-resolution services at the request of certain countries' top-level domain (ccTLD) registrars make it likely that the role of the Center in relation to domain name disputes will expand further.

Chapter 5

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The Paris Convention for the Protection of Industrial Property

History

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

5.2 During the second half of the last century the development of a more internationally oriented flow of technology and the increase of international trade made harmonization of industrial property laws urgent in both the patent and the trademark field.

5.3 When the Government of the Empire of Austria-Hungary invited the other countries to participate in an international exhibition of inventions held in 1873 at Vienna, participation was hampered by the fact that many foreign visitors were not willing to exhibit their inventions at that exhibition in view of the inadequate legal protection offered to exhibited inventions.

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

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

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

5.7 A Diplomatic Conference was convened in Paris in 1883, which ended with final approval and signature of the Paris Convention for the Protection of Industrial Property. The Paris Convention was signed by 11 States: Belgium, Brazil, El Salvador, France, Guatemala, Italy, the Netherlands, Portugal, Serbia, Spain and Switzerland. When it came into effect on July 7, 1884, Great Britain, Tunisia and Ecuador had adhered as well, bringing the initial number of member countries to 14. El Salvador, Guatemala and Ecuador later denounced the Paris Convention to join again in the 1990s. It was only during the first quarter of the 20th century and then particularly after World War II that the Paris Convention increased its membership more significantly.

5.8 The Paris Convention has been revised from time to time after its signature in 1883. Each of the revision conferences, starting with the Brussels Conference in 1900, ended with the adoption of

a revised Act of the Paris Convention. With the exception of the Acts concluded at the revision conferences of Brussels (1897 and 1900) and Washington, D.C. (1911), which are no longer in force, all those earlier Acts are still of significance, although the great majority of the countries are now party to the latest Act, that of Stockholm of 1967.

Principal Provisions

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

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

- a second category establishes another basic right known as the right of priority;

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

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

National Treatment

5.10 National treatment means that, as regards the protection of industrial property, each country party to the Paris Convention must grant the same protection to nationals of the other member countries as it grants to its own nationals. The relevant provisions are contained in Articles 2 and 3 of the Convention.

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

5.12 This national treatment rule guarantees not only that foreigners will be protected, but also that they will not be discriminated against in any way. Without this, it would frequently be very difficult and sometimes even impossible to obtain adequate protection in foreign countries for inventions, trademarks and other subjects of industrial property.

5.13 The national treatment rule applies first of all to the "nationals" of the member countries. The term "national" includes both natural persons and legal entities. With respect to legal entities, the status of being a national of a particular country may be difficult to determine. Generally, no nationality as such is granted to legal entities by the various national laws. There is of course no doubt that State-owned enterprises of a member country or other entities created under the public law of such country are to be considered as nationals of the member country concerned. Legal entities created under the private law of a member country will usually be considered a national of that country. If they have their actual headquarters in another member country, they may also be considered a national of the headquarters country. According to Article 2(1), the national treatment rule applies to all advantages that the various national laws grant to nationals.

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

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

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

5.17 Article 3 provides for the application of the national treatment rule also to nationals of non-member countries, if they are *domiciled* or have an industrial or commercial establishment in a member country.

5.18 The term "domiciled" is generally interpreted not only in the strict legal sense of the term. A mere residence, more or less permanent as distinct from a legal domicile, is sufficient. Legal entities are domiciled at the place of their actual headquarters.

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

The Right of Priority

5.20 The right of priority means that, on the basis of a regular application for an industrial property right filed by a given applicant in one of the member countries, the same applicant (or its or his successor in title) may, within a specified period of time (six or 12 months), apply for protection in all the other member countries. These later applications will then be regarded as if they had been filed on the same day as the earliest application. Hence, these later applications enjoy a priority status with respect to all applications relating to the same invention filed after the date of the first application. They also enjoy a priority status with respect to all acts accomplished after that date which would normally be apt to destroy the rights of the applicant or the patentability of his invention. The provisions concerning the right of priority are contained in Article 4 of the Convention.

5.21 The right of priority offers great practical advantages to the applicant desiring protection in several countries. The applicant is not required to present all applications at home and in foreign

countries at the same time, since he has six or 12 months at his disposal to decide in which countries to request protection. The applicant can use that period to organize the steps to be taken to secure protection in the various countries of interest in the particular case.

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

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

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

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

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

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

5.28 The effect of the right of priority is regulated in Article 4B. One can summarize this effect by saying that, as a consequence of the priority claim, the later application must be treated as if it had been filed already at the time of the filing, in another member country, of the first application the priority of which is claimed. By virtue of the right of priority, all the acts accomplished during the time between the filing dates of the first and the later applications, the so-called priority period, cannot destroy the rights which are the subject of the later application.

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

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

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

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

Provisions Concerning Patents

Independence of Patents

5.33 Patents for invention granted in member countries to nationals or residents of member countries must be treated as independent of patents for invention obtained for the same invention in other countries, including non-member countries. The rule concerning the "independence" of patents for invention is contained in Article 4*bis*.

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

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

5.36 A special feature of the principle of independence of patents for invention is contained in Article 4*bis*(5). This provision requires that a patent granted on an application which claimed the priority of one or more foreign applications, must be given the same duration which it would have

according to the national law if no priority had been claimed. In other words, it is not permitted to deduct the priority period from the term of a patent invoking the priority of a first application. For instance, a provision in a national law starting the term of the patent for invention from the (foreign) priority date, and not from the filing date of the application in the country, would be in violation of this rule.

The Right of the Inventor to be Mentioned

5.37 A general rule states that the inventor must have the right to be mentioned as such in the patent for invention. This is stated in Article 4*ter*.

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

Importation, Failure to Work and Compulsory Licenses

5.39 The questions of importation of articles covered by patents, of failure to work the patented invention and of compulsory licenses, are dealt with in Article 5A of the Convention.

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

5.41 This Article applies to patentees who are entitled to benefit from the Paris Convention and who, having a patent in one of the countries of the Paris Union, import to this country goods (covered by the patent) which were manufactured in another country of the Union. In such a case, the patent granted in the country of importation may not be forfeited as a sanction for such importation. In this context, the term "patentee" would also cover the representative of the patentee, or any person who effects the importation in the name of such patentee.

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

5.43 Finally, it may be mentioned that the term "forfeiture" in Article 5A(1) includes any measure which has the effect of definitively terminating the patent. Therefore it would cover the concepts of invalidation, revocation, annulment, repeal, etc. Whether "forfeiture" may, in the light of the purpose of this Article or the spirit of the Paris Convention, be construed as covering also other measures that would have the effect of preventing importation (fines, suspension of rights, etc.) is left for the national legislation and courts to decide.

5.44 With respect to the working of patents and compulsory licenses, the essence of the provisions contained in Article 5A is that each country may take legislative measures providing for

the grant of compulsory licenses. These compulsory licenses are intended to prevent the abuses which might result from the exclusive rights conferred by a patent for invention, for example failure to work or insufficient working.

5.45 Compulsory licenses on the ground of failure to work or insufficient working are the most common kind of coercive measure against the patent owner to prevent abuses of the rights conferred by the patent for invention. They are expressly dealt with by Article 5A.

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

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

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

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

5.50 All these special provisions for compulsory licenses in Article 5A(4) are only applicable to compulsory licenses for non-working or insufficient working. They are not applicable to the other types of compulsory licenses for which the national law is free to provide. Such other types may be granted to prevent other abuses, for example, excessive prices or unreasonable terms for contractual licenses or other restrictive measures which hamper industrial development.

5.51 Compulsory licenses may also be granted for reasons of the public interest, in cases where there is no abuse by the patent owner of his rights — for example, in the fields of military security or public health.

5.52 There are also cases where a compulsory license is provided for to protect the public interest in unhampered technological progress. This is the case of the compulsory license in favor of the

so-called *dependent patents*. If a patented invention cannot be worked without using an earlier patent for invention granted to another person, then the owner of the dependent patent, in certain circumstances, may have the right to request a compulsory license for the use of that invention. If the owner of the dependent patent for invention obtains the compulsory license, he may in turn be obliged to grant a license to the owner of the earlier patent for invention.

5.53 All these other types of compulsory licenses can be grouped together under the general heading of compulsory licenses *in the public interest*. National laws are not prevented by the Paris Convention from providing for such compulsory licenses, and they are not subject to the restrictions provided for in Article 5A. This means in particular that compulsory licenses in the public interest can be granted without waiting for the expiration of the time limits provided for compulsory licenses that relate to failure to work or insufficient working.

5.54 It should be noted, however, that Article 31 of the TRIPS Agreement further provides a number of conditions with respect to the use of subject matter of a patent without the authorization of the right-holder.

Grace Period for the Payment of Maintenance Fees

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

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

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

Patents in International Traffic

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

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

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

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

Inventions Shown at International Exhibitions

5.62 A further common rule of a substantive nature is the provision concerning temporary protection in respect of goods exhibited at international exhibitions, contained in Article 11 of the Convention.

5.63 The principle stated in Article 11 is that the member countries are obliged to grant, in conformity with their domestic legislation, temporary protection to patentable inventions, utility models, industrial designs and trademarks in respect of goods exhibited at official or officially recognized international exhibitions held in the territory of any member country.

5.64 Temporary protection may be provided by various means. One is to grant a special right of priority, similar to that provided for in Article 4. This priority right would start from the date of the opening of the exhibition or from the date of the introduction of the object at the exhibition. It would be maintained for a certain period from that date, say 12 months, and would expire if the application for protection does not follow the exhibition within that period.

5.65 Another means which is found in a number of national laws, in particular with respect to patents for invention, is that of prescribing that, during a certain period of, say, twelve months before the filing or priority date of a patent application, a display of the invention at an international exhibition will not destroy the novelty of the invention. When choosing that solution, it is important to protect the inventor or other owner of the invention during the same period also against abusive acts of third parties. This means in particular that the person exhibiting the invention must be protected against any copying or usurpation of the invention for purposes of a patent application by a third party. The owner of the invention must also be protected against disclosure, based on the exhibition, by third parties.

5.66 Article 11 applies only to official or officially recognized exhibitions. The interpretation of that term is left to the member country where protection is sought. An interpretation corresponding to the spirit of Article 11 is to consider an exhibition "official" if it is organized by a State or other public authority, to consider it "officially recognized" if it is not official but has at least been recognized as official by a State or other public authority, and to consider it "international" if goods from various countries are exhibited.

Provisions Concerning Trademarks

Use of Trademarks

5.67 The Convention touches on the issue of the use of marks in Article 5C(1), (2) and (3).

5.68 Article 5C(1) relates to the compulsory use of registered trademarks. Some of the countries which provide for the registration of trademarks also require that the trademark, once registered, be used within a certain period. If this use is not complied with, the trademark may be expunged from the register. For this purpose, "use" is generally understood as meaning the sale of goods

bearing the trademark, although national legislation may regulate more broadly the manner in which use of the trademark is to be complied with. The Article states that where compulsory use is required, the trademark's registration may be cancelled for failure to use the trademark only after a reasonable period has elapsed, and then only if the owner does not justify such failure.

5.69 The definition of what is meant by "reasonable period" is left to the national legislation of the countries concerned, or otherwise to the authorities competent for resolving such cases. This reasonable period is intended to give the owner of the mark enough time and opportunity to arrange for its proper use, considering that in many cases the owner has to use his mark in several countries.

5.70 The trademark owner's justification of non-use would be acceptable if it were based on legal or economic circumstances beyond the owner's control, for example if importation of the marked goods had been prohibited or delayed by governmental regulations.

5.71 The Convention also establishes in Article 5C(2) that the use of a trademark by its proprietor, in a form differing in elements which do not alter the distinctive character of the mark as it was when formerly registered in one of the countries of the Union, shall not entail invalidation of the registration nor diminish the protection granted to the mark. The purpose of this provision is to allow for unessential differences between the form of the mark as it is registered and the form in which it is used, for example in cases of adaptation or translation of certain elements for such use. This rule applies also to differences in the form of the mark as used in the country of its original registration.

5.72 Whether in a given case the differences between the mark as registered and the mark as actually used alter the distinctive character is a matter to be decided by the competent national authorities.

Concurrent Use of the Same Trademark by Different Enterprises

5.73 Article 5C(3) of the Convention deals with the case where the same mark is used for identical or similar goods by two or more establishments considered as co-proprietors of the trademark. It is provided that such concurrent use will not impede the registration of the trademark nor diminish the protection in any country of the Union, except where the said use results in misleading the public or is contrary to the public interest. Such cases could occur if the concurrent use misleads the public as to the origin or source of the goods sold under the same trademark, or if the quality of such goods differs to the point where it may be contrary to the public interest to allow the continuation of such use.

5.74 This provision does not, however, cover the case of concurrent use of the mark by enterprises which are not co-proprietors of the mark, for instance when use is made concurrently by the owner and a licensee or a franchisee. These cases are left for the national legislation of the various countries to regulate.

Grace Period for the Payment of Renewal Fees

5.75 Article 5*bis* requires that a period of grace be allowed for the payment of fees due for the maintenance of industrial property rights. In the case of trademarks this provision concerns primarily the payment of renewal fees, since it is by renewal that trademark registrations (and hence the rights that depend on such registrations) may be maintained. A failure to renew the registration will normally entail the lapse of the registration, and in some cases the expiration of the right to the

mark. The period of grace provided by the Convention is intended to diminish the risks of a mark being lost by an involuntary delay in the payment of the renewal fees.

5.76 The countries of the Paris Union are obliged to accord a period of grace of at least six months for the payment of the renewal fees, but are free to provide for the payment of a surcharge when such renewal fees are paid within the period of grace. Moreover, the countries are free to provide for a period of grace longer than the minimum six months prescribed by the Convention.

5.77 During the period of grace, the registration remains provisionally in force. If the payment of the renewal fees (and surcharge where appropriate) is not made during the period of grace, the registration will lapse with retroactive effect to the original date of expiration.

Independence of Trademarks

5.78 Article 6 of the Convention establishes the important principle of the independence of trademarks in the different countries of the Union, and in particular the independence of trademarks filed or registered in the country of origin from those filed or registered in other countries of the Union.

5.79 The first part of Article 6 states the application of the basic principle of national treatment to the filing and registration of marks in the countries of the Union. Regardless of the origin of the mark whose registration is sought, a country of the Union may apply only its domestic legislation when determining the conditions for the filing and registration of the mark. The application of the principle of national treatment asserts the rule of independence of marks, since their registration and maintenance will depend only on each domestic law.

5.80 This Article also provides that an application for the registration of a mark, filed in any country of the Union by a person who is entitled to the benefits of the Convention, may not be refused, nor may a registration be canceled, on the ground that filing, registration or renewal of the mark has not been effected in the country of origin. This provision lays down the express rule that obtaining and maintaining a trademark registration in any country of the Union may not be made dependent on the application, registration or renewal of the same mark in the country of origin of the mark. Therefore no action with respect to the mark in the country of origin may be required as a prerequisite for obtaining a registration of the mark in that country.

5.81 Finally, Article 6 states that a mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin. This means that a mark once registered will not be automatically affected by any decision taken with respect to similar registrations for the same marks in other countries. In this respect, the fact that one or more such similar registrations are, for example, renounced, cancelled or abandoned will not, *eo ipso,* affect the registrations of the mark in other countries. The validity of these registrations will depend only on the provisions applicable in accordance with the legislation of each of the countries concerned.

Well-Known Trademarks

5.82 The Convention deals with well-known trademarks in Article 6*bis*. This Article obliges a member country to refuse or cancel the registration and to prohibit the use of a trademark that is liable to create confusion with another trademark already well known in that member country. The effect of this Article is to extend protection to a trademark that is well-known in a member country even though it is not registered or used in that country. The protection of the well-known

trademark results not from its registration, which prevents the registration or use of a conflicting trademark, but from the mere fact of its reputation.

5.83 The protection of well-known trademarks is deemed justified on the grounds that a trademark that has acquired goodwill and a reputation in a member country ought to give rise to a right for its owner. The registration or use of a confusingly similar trademark would, in most cases, amount to an act of unfair competition and be prejudicial to the interests of the public, who would be misled by the use of a conflicting trademark for the same or identical goods than those in connection with which the well-known trademark is registered.

5.84 The trademark that is protected by Article 6*bis* must be a "well-known" trademark, as determined in a member country by its competent administrative or judicial authorities. A trademark may not have been used in a country, in the sense that goods bearing that trademark have not been sold there; yet that trademark may be well-known in the country because of publicity there or the repercussions in that country of advertising in other countries.

5.85 The protection of a well-known trademark under Article 6*bis* exists only where the conflicting trademark has been filed, registered or used for identical or similar goods, as determined by the administrative or judicial authorities of the country in which protection is claimed.

5.86 The protection of a well-known trademark under Article 6*bis* results from the obligation of a member country to take *ex officio*, where its legislation so permits, or at the request of an interested party, the following type of action:

- first, refusal of the application for registration of the conflicting trademark;

- second, cancellation of the registration of a conflicting trademark, allowing at least a period of five years from the date of registration within which a request for cancellation of the conflicting trademark may be made, unless that trademark was registered in bad faith, in which event no time limit may be fixed;

- third, prohibition of the use of the conflicting trademark, the request for which may be within a period of time prescribed by a member country; however, no time limit may be fixed for such a request in the case of a conflicting trademark used in bad faith.

State Emblems, Official Hallmarks and Emblems of International Organizations

5.87 The Convention deals with distinctive signs of States and international intergovernmental organizations in Article 6*ter*. This Article obliges a member country, in certain circumstances, to refuse or invalidate the registration and to prohibit the use, either as trademarks or as elements of trademarks, of the distinctive signs specified in that Article of member countries and certain international intergovernmental organizations.

5.88 The purpose of Article 6*ter* is not to create an industrial property right in favor of the State or the intergovernmental organization in respect of the distinctive signs concerned, but simply to prevent the use of those signs as trademarks in industrial or commercial activities.

5.89 The provisions of Article 6*ter* do not apply if the competent authorities of the member country allow the use of its distinctive signs as trademarks. Similarly, the competent authorities of an intergovernmental organization may allow others to use its distinctive signs as trademarks. Moreover, in the case of the distinctive signs of a member country, nationals of any member

country that are authorized to use the distinctive signs of their country may do so even if those signs are similar to those of another member country.

5.90 The distinctive signs of States that are referred to in Article 6*ter* are the following — armorial bearings, flags and other emblems, official signs and hallmarks indicating control and warranty and any imitation of those signs from a heraldic point of view.

5.91 The objective of the provisions of Article 6*ter*, insofar as the distinctive signs of States are concerned, is to exclude the registration and use of trademarks that are identical or present a certain similarity to the armorial bearings, flags or other emblems of States. Such registration would violate the right of the State to control distinctive signs of its sovereignty and, further, might mislead the public with respect to the origin of the goods to which such marks would be applied.

5.92 To give effect to the provisions of Article 6*ter*, a procedure is established pursuant to that Article whereby the distinctive signs of the member countries and intergovernmental organizations concerned are communicated to the International Bureau of WIPO, which in turn transmits those communications to all the member countries.

Assignment of Trademarks

5.93 Article 6*quater* of the Convention deals with the assignment of trademarks. The rule of Article 6*quater* arises because of the situation where a trademark is used by an enterprise in various countries and it is desired to make a transfer of the right to the trademark in one or more of those countries.

5.94 Some national legislations allow an assignment without a simultaneous or corresponding transfer of the enterprise to which the trademark belongs. Others make the validity of the assignment depend on the simultaneous or corresponding transfer of the enterprise.

5.95 Article 6*quater* states that it shall suffice for the recognition of the validity of the assignment of a trademark in a member country, that the portion of the business or goodwill located in that country be transferred to the assignee, together with the exclusive right to manufacture in the said country, or to sell therein, the goods bearing the trademark assigned. Thus, a member country is free to require, for the validity of the assignment of the trademark, the simultaneous transfer of the enterprise to which the trademark belongs, but such a requirement must not extend to parts of the enterprise that are located in other countries.

5.96 It should be noted that Article 6*quater* leaves a member country free not to regard as valid the assignment of a trademark with the relevant part of the enterprise, if the use of that trademark by the assignee would be of such a nature as to mislead the public, particularly as regards important features of the goods to which the trademark is applied. This freedom may be exercised, for example, if a trademark is assigned for part only of the goods to which it is applied, and if those goods are similar to other goods for which the trademark is not assigned. In such cases, the public may be misled as to the origin or essential qualities of similar goods to which the assignor and assignee will apply the same trademark independently.

Protection of Trademarks Registered in one Country of the Union in other Countries of the Union

5.97 Parallel to the principle of independence of marks which is embodied in the provisions of Article 6, the Convention establishes a special rule for the benefit of owners of trademarks registered in their country of origin. This exceptional rule is governed by Article 6*quinquies* of the Convention.

5.98 The provisions of Article 6*quinquies* come into operation in the case where a registration in the country of origin is invoked in the country where protection is sought. Whereas the principle of national treatment of applications calls for the normal rule of complete independence of trademarks (as recognized in Article 6), in the exceptional situation regulated by Article 6*quinquies* the opposite rule prevails, providing for extraterritorial effects of the registration in the country of origin.

5.99 There are two main reasons for this special rule. On the one hand, it is in the interest of both owners of trademarks and the public to have the *same* trademark apply to the *same* goods in various countries. On the other hand, there are some important differences in the domestic legislation of the member countries regarding the registration of trademarks. As a consequence, the differences in domestic legislation could prevent this uniform use of the same trademark.

5.100 In order to diminish the impact of those differences on the registration of trademarks in respect of goods in international trade, Article 6*quinquies* of the Paris Convention establishes certain effects where registration in the country of origin has taken place and is invoked in another member country where registration and protection is sought. This provision has the effect of bringing about a certain uniformity of the law of the various countries as to the concept of trademarks.

5.101 For Article 6*quinquies* to apply it is necessary that the trademark concerned should be duly registered in the country of origin. A mere filing or use of the trademark in that country is not sufficient. Moreover, the country of origin must be a country of the Union in which the applicant has a real and effective industrial or commercial establishment or, alternatively, in which he has his domicile, or otherwise, the country of the Union of which he is a national.

5.102 The rule established by Article 6*quinquies* provides that a trademark which fulfils the required conditions must be accepted for filing and protected — *as is* (to use the expression found in the English version) or *telle quelle* (to use the expression adopted in the original French text) — in the other member countries, subject to certain exceptions. This rule is often called the "telle quelle" principle.

5.103 It is to be noted that the rule only concerns the form of the trademark. In this respect, the rule in this Article does not affect the questions relating to the nature or the function of the trademarks as conceived in the countries where protection is sought. Thus a member country is not obliged to register and extend protection to subject matter that does not fall within the meaning of a trademark as defined in the law of that country. If, for example, under the law of a member country, a three-dimensional object or musical notes indicating tunes is not considered a trademark in that country, it is not obliged to accept that subject matter for registration and protection.

5.104 Article 6*quinquies*, Section B, contains certain exceptions to the obligation of accepting a registered trademark "as is" for registration in the other countries of the Union. That list of exceptions is exhaustive so that no other grounds may be invoked to refuse or invalidate the registration of the trademark. However, the list does not exclude any ground for refusal of protection for which there is a need in national legislation.

5.105 The first permitted ground for refusal or invalidation of a trademark exists where the trademark infringes rights of third parties acquired in the country where protection is claimed. These rights can be either rights in trademarks already protected in the country concerned or other rights, such as the right to a trade name or a copyright.

5.106 The second permitted ground for refusal or invalidation is when the trademark is devoid of distinctive character, or is purely descriptive, or consists of a generic name.

5.107 The third permissible ground for refusal or invalidation exists where the trademark is contrary to morality or public order, as considered in the country where protection is claimed. This ground includes, as a special category, trademarks which are of such a nature as to deceive the public.

5.108 A fourth permissible ground for refusal or invalidation exists if the registration of the trademark would constitute an act of unfair competition.

5.109 A fifth and last permissible ground for refusal or invalidation exists where the trademark is used by the owner in a form which is essentially different from that in which it has been registered in the country of origin. Unessential differences may not be used as grounds for refusal or invalidation.

Service Marks

5.110 A service mark is a sign used by enterprises offering services, for example, hotels, restaurants, airlines, tourist agencies, car-rental agencies, employment agencies, laundries and cleaners, etc., in order to distinguish their services from those of other enterprises. Thus service marks have the same function as trademarks, the only difference being that they apply to services instead of products or goods.

5.111 Article 6*sexies* was introduced into the Paris Convention in 1958 to deal specifically with service marks, but the revision Conference did not accept a more ambitious proposal to assimilate service marks to trademarks entirely. However, a member country is free to apply the same rules it applies for trademarks also to service marks in analogous situations or circumstances.

5.112 By virtue of Article 6*sexies*, member countries undertake to protect service marks, but are not required to provide for the registration of such marks. This provision does not oblige a member country to legislate expressly on the subject of service marks. A member country may comply with the provision not only by introducing special legislation for the protection of service marks, but also by granting such protection by other means, for example, in its laws against unfair competition.

Registration in the Name of the Agent without the Proprietor's Authorization

5.113 Article 6*septies* of the Convention deals with the relationship between the owner of a trademark and his agent or representative regarding registration or use of the trademark by the latter. This Article regulates those cases where the agent or representative of the person who is the owner of a trademark applies for or obtains the registration of a trademark in his own name, or uses a trademark, without the owner's authorization.

5.114 In such cases, Article 6*septies* confers upon the owner of the trademark the right to oppose the registration or to demand cancellation of the registration or, if the national law so allows, to demand an assignment of the registration in his favor. In addition, Article 6*septies* confers upon the owner of a trademark the right to oppose the unauthorized use of the trademark by his agent or representative, whether or not application for registration of the trademark has been made or its registration has been granted.

Nature of the Goods to which a Trademark is Applied

5.115 Article 7 of the Convention stipulates that the nature of the goods to which a trademark is to be applied shall in no case be an obstacle to the registration of the mark.

5.116 The purpose of this rule, and also the comparable rule in Article 4*quater* regarding patents for invention, is to make the protection of industrial property independent of the question whether goods in respect of which such protection would apply may or may not be sold in the country concerned.

5.117 It sometimes occurs that a trademark concerns goods which, for example, do not conform to the safety requirements of the law of a particular country. For instance, the food and drug laws of a country may prescribe requirements concerning the ingredients of a food product or the effects of a pharmaceutical product and allow its sale only after approval of the competent authorities, on the basis of an examination of the food product or of clinical trials as to the effect of the use of the pharmaceutical product on human beings or animals.

5.118 In all such cases, it would be unjust to refuse registration of a trademark concerning such goods. The safety or quality regulations may change and the product may be permitted for sale later on. In those cases where no such change is contemplated but the approval of the competent authorities of the country concerned is still pending, such approval, if imposed as a condition of filing or registration in that country, may be prejudicial to an applicant who wishes to make a timely filing for protection in another member country.

Collective Marks

5.119 A collective mark may be defined as a sign which serves to distinguish the geographical origin, material, mode of manufacture, quality or other common characteristics of goods or services of different enterprises that simultaneously use the collective mark under the control of its owner. The owner may be either an association of which those enterprises are members or any other entity, including a public body.

5.120 Article 7*bis* of the Convention deals with collective marks. It obliges a member country to accept for filing and to protect, in accordance with the particular conditions set by that country, collective marks belonging to "associations." These will generally be associations of producers, manufacturers, distributors, sellers or other merchants, of goods that are produced or manufactured in a certain country, region or locality or that have other common characteristics. Collective marks of States or other public bodies are not covered by the provision.

5.121 In order that Article 7*bis* be applicable, the existence of the association to which the collective mark belongs must not be contrary to the law of the country of origin. The association does not have to prove that it conforms to the legislation of its country of origin, but registration and protection of its collective mark may be refused if the existence of the association is found to be contrary to that legislation.

5.122 Refusal of registration and protection of the collective mark is not possible on the ground that the association is not established in the country where protection is sought, or is not constituted according to the law of that country. Article 7*bis* adds a further stipulation that the association may not even be required to possess an industrial or commercial establishment anywhere. In other words, an association, without possessing any industrial or commercial establishment itself, may be one that simply controls the use of a collective mark by others.

Trademarks Shown at International Exhibitions

5.123 The provision concerning marks shown at international exhibitions is contained in Article 11 of the Convention, which also applies to other titles of industrial property.

5.124 The principle stated in Article 11 is that the member countries are obliged to grant, in conformity with their domestic legislation, temporary protection to trademarks in respect of goods exhibited at official or officially recognized international exhibitions held in the territory of any member country.

5.125 The temporary protection may be provided by various means. One is to grant a special right of priority, similar to that provided for in Article 4. Another possibility for protection, which is found in certain national laws, consists of the recognition of a right of prior use in favor of the exhibitor of the goods bearing the trademark as against possible rights acquired by third parties.

5.126 In order to apply its national legislation regarding temporary protection, the competent authorities of the country may require proof, both as to the identity of the goods exhibited and as to the date of their introduction at the exhibition, in whatever form of documentary evidence they consider necessary.

Provisions Concerning Industrial Designs, Trade Names, Appellations of Origin and Indications of Source and Unfair Competition

Industrial Designs

5.127 The Paris Convention deals with industrial designs in Article 5*quinquies*. This provision merely states the obligation of all member countries to protect industrial designs. Nothing is said about the way in which this protection must be provided.

5.128 Member countries can therefore comply with this obligation through the enactment of special legislation for the protection of industrial designs. They can, however, also comply with this obligation through the grant of such protection under the law on copyright or the law against unfair competition.

5.129 The normal solution, chosen by a great number of countries for compliance with the obligations under Article 5*quinquies* is, however, to provide for a special system of protection of industrial designs by registration or by the grant of patents for industrial designs.

5.130 There is a special provision dealing with forfeiture in the case of industrial designs. It is contained in Article 5B, and states that the protection of industrial designs may not in any circumstances be subject to any measure of forfeiture as a sanction, in cases of failure to work or where articles corresponding to those protected are imported. "Forfeiture" in this provision includes equivalent measures, such as cancellation, invalidation or revocation. Member countries could, however, provide other sanctions for those cases, such as compulsory licenses in order to ensure working. "Working" means here the manufacture of products representing or incorporating the industrial design.

Trade Names

5.131 Trade names are dealt with by the Convention in Article 8. This Article states that trade names shall be protected in all the countries of the Union without the obligation of filing or of registration, whether or not they form part of a trademark.

5.132 The definition of a trade name for the purposes of protection, and the manner in which such protection is to be afforded, are both matters left to the national legislation of the countries concerned. Therefore, protection may result from special legislation on trade names or from more general legislation on unfair competition or the rights of personality.

5.133 In no case can protection be made conditional upon filing or registration of the trade name. However, if in a member country protection of trade names were dependent on the use of the name and to the extent that another trade name may cause confusion or prejudice with respect to the first trade name, such a requirement and criterion could be applied by that member country.

Appellations of Origin and Indications of Source

5.134 Appellations of origin and indications of source are included among the various objects of protection of industrial property under the Paris Convention (Article 1(2)).

5.135 Both these objects can be referred to under the broader concept of geographical indications, although traditionally, and for the purposes of certain special treaties (e.g., the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration), both concepts have been distinguished.

5.136 Indications of source include any name, designation, sign or other indication which refers to a given country or to a place located therein, which has the effect of conveying the notion that the goods bearing the indication originate in that country or place. Examples of indications of source are the names of countries (e.g., Germany, Japan, etc.) or of cities (e.g., Hong Kong, Paris, etc.) when used on or in connection with goods in order to indicate their place of manufacture or their provenance.

5.137 Appellations of origin have a more limited meaning, and may be considered a special type of indication of source. An appellation of origin is the geographical name of a country, region or locality which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.

5.138 The Paris Convention contains in Articles 10 and 10*bis* provisions on the protection of indications of source. These provisions cover in general any direct or indirect use of a false indication of the source (including, where applicable, the appellation of origin) of the goods or the identity of the producer, manufacturer or merchant, as well as any act of unfair competition by the use of indications or allegations which are liable to mislead the public as to the nature or the characteristics of the goods for which they are applied.

5.139 The Convention requires the countries to seize the goods bearing false indications or to prohibit their importation, or otherwise to apply any other measures that may be available in order to prevent or stop the use of such indications. However, the obligation to seize goods on importation only applies to the extent that such a sanction is provided for under the national law.

5.140 The Convention provides that action may be taken not only by the public prosecutor but also by any interested party. In this connection, Article 10(2) states that any producer, manufacturer or merchant, whether a natural person or a legal entity, engaged in the production, manufacture or trade in such goods established in the locality, region or country falsely indicated as the source or in the country where such false indications are used, is in any case deemed to be an interested party. Moreover, Article 10*ter*, requires the countries to enable federations and associations representing interested industrialists, producers and merchants to take action before the competent authorities with a view to the repression of the acts referred to above.

Unfair Competition

5.141 The Convention provides in Article 10*bis* that the countries of the Union are bound to assure to persons entitled to benefit from the Convention effective protection against unfair competition. The Convention does not specify the manner in which such protection should be granted, leaving this to the laws existing in each of the member countries.

5.142 Article 10*bis* defines acts of unfair competition as those acts of competition which are contrary to honest practices in industrial or commercial matters. Further, the Article gives some typical examples of acts of unfair competition which should be prohibited in particular.

5.143 The first example refers to all acts of such a nature as to create confusion by any means whatever with the establishment, the goods or the industrial or commercial activities of a competitor. These acts cover not only the use of identical or similar marks or names, which could be attacked as an infringement of proprietary rights, but also the use of other means which can create confusion. Such could be the form of packages, the presentation or style used on products and on their corresponding outlets or points of distribution, titles of publicity, etc.

5.144 The second example relates to false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities of a competitor. It has been left to the domestic legislation or case law of each country to decide whether, and in what circumstances, discrediting allegations which are not strictly untrue may also be considered acts of unfair competition.

5.145 The third example of acts of unfair competition concerns indications and allegations which are liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quality of their goods. This provision may be distinguished from the previous cases to the extent that it is concerned with the interests and well-being of the public and is one of the provisions in the Convention that is more directly related to the consumer protection role of industrial property.

Administrative and Financial Provisions

Organs of the Paris Union

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

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

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

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

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

5.151 The Executive Committee is the smaller governing body of the Union. It deals with all the functions which have to be carried out during the period between the ordinary sessions of the Assembly and for which the Assembly is too big a body. It prepares the meetings of the Assembly and takes all necessary measures to ensure the execution of the program. However, certain administrative changes are now under consideration (see under Constitutional Reform, Chapter 1).

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

Finances

5.153 The financial provisions are contained in Article 16. The Union has its own budget which is mainly financed by mandatory contributions from member countries. The contributions are calculated in applying a class and unit system to the total sum of contributions needed for a given budgetary year. The highest class I corresponds to a share of 25 units, the lowest class VII to a share of one unit. Each member country determines freely the class to which it wishes to belong, but it may also change class afterwards.

Amendments and Revision

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

5.155 The preparations for the conferences of revision of the Paris Convention are carried out by the International Bureau of WIPO in accordance with the directions of the Assembly and in

cooperation with the Executive Committee. In doing so, the International Bureau of WIPO may also consult with other intergovernmental and with international non-governmental organizations.

Special Agreements

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

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

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

Becoming Party to the Convention

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

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

5.161 Provisions concerning denunciation are contained in Article 26 of the Convention. Any member country may denounce the Convention by addressing a notification to the Director General of WIPO. In that case, the denunciation takes effect one year after the day on which the Director General receives the notification to that effect. It is provided, however, that the right of denunciation may not be exercised by any country before the expiration of five years from the date on which it became a member of the Union.

Disputes

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

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

5.164 The States party to the Paris Convention for the Protection of Industrial Property are listed in the appropriate document to be found inserted in the back flap of this volume.

The Berne Convention for the Protection of Literary and Artistic Works

History

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

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

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

5.168 The purpose of the Stockholm revision was to provide for rapid technological developments as well as the needs of newly independent developing countries, and to introduce administrative and structural changes. As for the preferential provisions for developing countries worked out in Stockholm, these were further taken up at the Paris Revision Conference in 1971, where new compromises were worked out.

5.169 The aim of the Berne Convention, as indicated in its preamble, is "to protect, in as effective and uniform a manner as possible, the rights of authors in their literary and artistic works." Article 1 lays down that the countries to which the Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works.

Principal Provisions

Basic Principles

5.170 The Convention rests on three basic principles. Firstly, there is the principle of "national treatment", according to which works originating in one of the member States are to be given the same protection in each of the member States as these grant to works of their own nationals. Secondly, there is automatic protection, according to which such national treatment is not dependent on any formality; in other words protection is granted automatically and is not subject to the formality of registration, deposit or the like. Thirdly, there is independence of protection,

according to which enjoyment and exercise of the rights granted is independent of the existence of protection in the country of origin of the work.

Works Protected

5.171 Article 2 contains a non-limitative (illustrative and not exhaustive) list of such works, which include any original production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression. Derivative works, that is those based on other pre-existing works, such as translations, adaptations, arrangements of music and other alterations of a literary or artistic work, receive the same protection as original works (Article 2(3)). The protection of some categories of works is optional; thus every State party to the Berne Convention may decide to what extent it wishes to protect official texts of a legislative, administrative and legal nature (Article 2(4)), works of applied art (Article 2(7)), lectures, addresses and other oral works (Article 2*bis*(2)) and works of folklore (Article 15(4)). Furthermore, Article 2(2) provides for the possibility of making the protection of works or any specified categories thereof subject to their being fixed in some material form. For instance, protection of choreographic works may be dependent on their being fixed in some form.

5.172 One of the important provisions is the one that covers works or expressions of what is called "folklore." Without mentioning the word, the Convention provides that any member country may give protection to unpublished works where the identity of the author is unknown, but where there is every ground to presume that the author is a national of that country, by designating, through the national legislation, the competent authority which should represent the author of unknown identity and protect and enforce his rights in the countries party to the Convention. By providing for the bringing of actions by authorities designated by the State, the Berne Convention offers to countries whose folklore is a part of their heritage, a possibility of protecting it.

Owners of Rights

5.173 Article 2(6) lays down that protection under the Convention is to operate for the benefit of the author and his successors in title. For some categories of works, however, such as cinematographic works (Article 14*bis*), ownership of copyright is a matter for legislation in the country where protection is claimed.

Persons Protected

5.174 Authors of works are protected, in respect of both their unpublished or published works if, according to Article 3, they are nationals or residents of a member country; alternatively, if, not being nationals or residents of a member country, they first publish their works in a member country or simultaneously in a non-member and a member country.

Minimum Standards of Protection

5.175 Certain minimum standards of protection have been prescribed relating to the rights of authors and the duration of protection.

Rights Protected

5.176 The exclusive rights granted to authors under the Convention include the right of translation (Article 8), the right of reproduction in any manner or form, which includes any sound or visual recording, (Article 9), the right to perform dramatic, dramatico-musical and musical works (Article 11), the right to broadcast and communicate to the public, by wire, rebroadcasting or

loudspeaker or any other analogous instrument, the broadcast of the work (Article 11*bis*), the right of public recitation (Article 11*ter*), the right to make adaptations, arrangements or other alterations of a work (Article 12) and the right to make cinematographic adaptations and reproductions of a work (Article 14). The so-called "droit de suite" provided for in Article 14*ter* (concerning original works of art and original manuscripts) is optional and applicable only if legislation in the country to which the author belongs permits.

5.177 Independently of the author's economic rights, Article 6*bis* provides for "moral rights" — that is, the right of the author to claim authorship of his work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the work which would be prejudicial to his honor or reputation.

Limitations

5.178 As a sort of counterbalance to the minimum standards of protection there are also other provisions in the Berne Convention limiting the strict application of the rules regarding exclusive right. It provides for the possibility of using protected works in particular cases without having to obtain the authorization of the owner of the copyright and without having to pay any remuneration for such use. Such exceptions, which are commonly referred to as free use of protected works, are included in Articles 9(2) (reproduction in certain special cases), 10 (quotations and use of works by way of illustration for teaching purposes), 10*bis* (reproduction of newspaper or similar articles and use of works for the purpose of reporting current events) and 11*bis*(3) (ephemeral recordings).

5.179 There are two cases where the Berne Convention provides the possibility of compulsory licenses — in Articles 11*bis*(2), for the right to broadcast and communicate to the public, by wire, rebroadcasting or loudspeaker or any other analogous instrument, the broadcast of the work, and 13(1) for the right of recording musical works.

5.180 As far as the exclusive right of translation is concerned, the Berne Convention offers a choice, in that a developing country may, when acceding to the Convention, make a reservation under the so-called "ten-year rule" (Article 30(2)(b)). This provides for the possibility of reducing the term of protection in respect of the exclusive right of translation; this right, according to the said rule, ceases to exist if the author has not availed himself of it within 10 years from the date of first publication of the original work, by publishing or causing to be published, in one of the member countries, a translation in the language for which protection is claimed.

Duration of Protection

5.181 The minimum standards of protection provided for in the Berne Convention also relate to the duration of protection. Article 7 lays down a minimum term of protection, which is the life of the author plus 50 years after his death.

5.182 There are, however, exceptions to this basic rule for certain categories of works. For cinematographic works, the term is 50 years after the work has been made available to the public, or, if not made available, then 50 years after the making of such a work. For photographic works and works of applied art, the minimum term of protection is 25 years from the making of the work (Article 7(4)).

5.183 A majority of countries in the world have legislated for life plus a 50-year term of protection since it is felt fair and right that the lifetime of the author and the lifetime of his children should be covered; this could also provide the incentive necessary to stimulate creativity, and constitute a fair balance between the interests of the authors and the needs of society.

5.184 The term of protection, in so far as moral rights are concerned, extends at least until the expiry of the economic rights.

Application in time

5.185 The Protection under the Berne Convention is retrospective, since it applies to all works which, at the moment of its coming into force for a specific country, have not yet fallen into the public domain in the country of their origin through the expiry of the term of protection.

The Latest (Paris) Act of the Convention

5.186 The Berne Convention was developed initially according to the standards and requirements of the industrialized countries in Europe. Particularly in the wake of the Second World War, when the political map of the world changed considerably, the Berne Convention also had to face new problems of development. Various newly independent countries had to consider the question of possible accession to the international system of copyright protection as contained in the Convention. They were free to join or not to join it or, where they were already members by virtue of a past colonial or similar status, to withdraw from the Convention.

5.187 While it was almost universally recognized that authors and other creators should be afforded the necessary protection for their intellectual creations, there was also a consciousness that the newly independent developing countries had genuine problems in gaining greater and easier access to works protected by copyright, particularly for their technological and educational needs, from the developed countries. Meanwhile, the advance of technology made more attractive the extension of the geographical scope of the international conventions and multilateral agreements to an increasingly larger number of countries.

5.188 Deliberations at the more recent revision conferences were therefore directed to adapting the systems of international protection of literary and artistic works to the needs of these newly independent countries.

5.189 The question of incorporating into the Convention special provisions for the developing countries was initially mooted at an African Copyright Meeting in Brazzaville in 1963. This matter was pursued at the Conference called in Stockholm in 1967 for revision of the Berne Convention, where a "protocol regarding developing countries" known as the Stockholm Protocol was added to the Convention.

5.190 However, it soon became clear that the solution (the Stockholm Protocol) proposed was unlikely to gain much acceptance among Union countries, particularly those whose works were likely to be made use of under the provisions of the Protocol.

5.191 The Revision Conference convened in Paris in 1971 was predominantly concerned with finding solutions in order to support the universal effect of the Convention and to establish an appropriate basis for its operation, particularly in relation to developing countries. The question was asked whether it was fair and workable to ask the developing countries to take on obligations under the Convention that were agreed upon by developed countries, without taking into consideration the special circumstances of the former. There was certainly a challenge then posed to international copyright itself and this was, in a manner, sorted out through the give-and-take that culminated in the special provisions concerning developing countries that were incorporated in an Appendix, which now forms an integral part of the Convention.

5.192 The Appendix to the Paris (1971) Act of the Berne Convention provides for special faculties open to developing countries concerning translation and reproduction of works of foreign origin. The Appendix augments the Convention's existing exceptions to the author's exclusive rights, including those of reproduction and translation (Articles 2*bis*, 9(2), 10(2), 10*bis*) and the ten-year rule (Article 30(2)(b)).

5.193 According to this Appendix, countries which are regarded as developing countries in conformity with the established practice of the General Assembly of the United Nations may, under certain conditions, depart from the minimum standards of protection provided for in the Convention. This exceptional regime concerns two rights, the right of translation and the right of reproduction. Details of such provisions in favor of developing countries appear below, in paragraphs 5.201 to 5.205.

Administration

Administrative Provisions

5.194 The provisions of the Berne Convention fall into two categories, those of substance covering the material law and the administrative and final clauses covering matters of administration and structure. In the latest text of the Convention as revised at Paris in 1971, Articles 1 to 21 and the Appendix contain the substantive provisions and Articles 22 to 38 the administrative and final clauses.

5.195 The Berne Convention is administered by the World Intellectual Property Organization (WIPO). The administrative tasks performed by WIPO include assembling and publishing information concerning the protection of copyright. Each member country communicates to WIPO all new copyright laws. WIPO conducts studies and provides services designed to facilitate protection of copyright; as the Secretariat, it participates in all meetings of the Assembly, the Executive Committee, the Standing Committee on Copyright and Related Rights or Working Groups. In accordance with the directions of the Assembly and in cooperation with the Executive Committee, it shall also, when required, make preparations for the conferences to revise the Convention.

5.196 The administrative provisions provide for an Assembly in which the Government of each member State shall be represented by one delegate. The Assembly determines the program, adopts the budget and controls the finances of the Union. It also elects members of the Executive Committee of the Assembly. One fourth of the number of member countries are to be elected to the Executive Committee. The Executive Committee meets once every year in ordinary session. However, certain administrative changes are now under consideration (see under Constitutional Reform, Chapter 1).

Becoming Party to the Convention

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

itself of the provisions in the Appendix concerning the compulsory licenses for translation and/or reproduction.

5.198 In becoming party to the Berne Convention, the State concerned becomes a member of the Berne Union. It would therefore be entitled:

- to full membership (right to vote) in the Berne Union Assembly (Article 22(3)(a));

- to the right to vote in elections of or to be elected to the Executive Committee of the Berne Union (Article 23(2)(a));

- to automatic membership in the WIPO Coordination Committee during the period of its membership in the Executive Committee of the Berne Union (Convention establishing WIPO, Article 8(1)(a)).

5.199 To become a member of the Berne Union is in the interest of every country that wants to establish healthy conditions for the development of its culture and economy, and it is particularly in the interest of every developing country.

Developing Countries and the Berne Convention

5.200 The predominant concern at the last revision of the Berne Convention remained the reinforcement of the Convention, while continuing to address the preoccupations of developing countries. The latest (1971) Paris Act of the Berne Convention thus recognizes a special right in favor of developing countries. It provides that in the case of unpublished works, where the identity of the author is unknown, but where there is every ground to presume that he is a national of a country of the Union, the rights in such a work are to be acknowledged in all countries of the Union. By this provision the Berne Convention has rendered it possible for the developing countries to protect their folklore also abroad. It was made a matter for legislation in the country of origin of such works to designate the competent authority which should represent the unknown author and protect and enforce his rights in the countries of the Union. By providing for the bringing of actions by authorities designated by the State, the Berne Convention offers to developing countries, whose folklore is a part of their heritage, a possibility of protecting it.

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

copies under the license would cease. However, in that event, the compulsory licensee's stock can be exhausted.

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

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

5.204 The possibility that the Appendix provides for the grant of a compulsory license, if authorization is desired, may favorably influence negotiation and may lead to increased scope for voluntary licensing.

5.205 In so far as compulsory licenses for translation are concerned, instead of availing itself of the facility offered by the system mentioned earlier, the Berne Convention offers a choice in that a developing country may, when ratifying or acceding to the Paris Act, make a reservation under the so-called "ten-year rule" (Article 30(ii) (b)), which provides for the possibility of reducing the term of protection as far as the exclusive right of translation is concerned; this right, according to the said rule, ceases to exist if the author has not availed himself of it within 10 years from the date of first publication of the original work, by publishing or causing to be published, in one of the countries of the Berne Union, a translation in the language for which protection is claimed. The Appendix to the Paris Act of the Berne Convention thus allows a choice between a compulsory license system and the possibility of limiting the right of translation to 10 years as provided for in this Convention. Any developing country may choose between those possibilities but cannot combine them. In other words, this "ten-year" system provides that for 10 years from the publication of the work the author's consent has to be sought before the right to translate is obtained; after this period the right of translation is in the public domain.

5.206 The States party to the Berne Convention for the Protection of Literary and Artistic Works are listed in the appropriate document to be found inserted in the back flap of this volume.

The WIPO Copyright Treaty (WCT)

Introduction

5.207 The Berne Convention for the Protection of Literary and Artistic Works, after its adoption in 1886, was revised quite regularly, approximately every 20 years, until revisions which took place in Stockholm in 1967 and in Paris in 1971. The revision conferences were convened, in general, in order to find responses to new technological developments, such as sound recording technology, photography, radio, cinematography and television.

5.208 In the 1970s and 1980s, a number of important new technological developments took place — reprography, video technology, compact cassette systems facilitating "home taping," satellite broadcasting, cable television, the increase of the importance of computer programs, computer storage of works and electronic databases, etc.

5.209 For a while, the international copyright community followed the strategy of "guided development" by study and discussion, rather than trying to establish new international norms. The recommendations, guiding principles and model provisions worked out by the various WIPO bodies (in the beginning, sometimes in cooperation with Unesco) offered guidance to governments on how to respond to the challenges of new technologies. Those recommendations, guiding principles and model provisions were based, in general, on interpretation of existing international norms, particularly the Berne Convention (for example, concerning computer programs, databases, "home taping," satellite broadcasting and cable television). But they also included some new standards (for example, concerning distribution and rental of copies). The guidance thus offered in the "guided development" period had an important impact on national legislation, contributing to the development of copyright all over the world. At the end of the 1980s, however, it was recognized that guidance would not suffice any longer.

5.210 The preparation of new, binding international norms began in two forums — within GATT, in the framework of the Uruguay Round negotiations, and at WIPO, first, in one committee of experts and later, in two parallel committees of experts.

5.211 After the adoption of the TRIPS Agreement under the auspices of GATT, the preparatory work of new copyright and related rights norms in the WIPO committees was intensified to deal with problems not addressed by the TRIPS Agreement. To this end, in 1996 the WIPO Diplomatic Conference on Certain Copyright and Related Rights Questions adopted two treaties, the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

Legal Nature of the WCT and its Relationship with Other International Treaties

5.212 The first sentence of Article 1(1) of the WCT provides that "This Treaty is a special agreement within the meaning of Article 20 of the Berne Convention for the Protection of Literary and Artistic Works, as regards Contracting Parties that are countries of the Union established by that Convention." Article 20 of the Berne Convention contains the following provision: "The Governments of the countries of the Union reserve the right to enter into special agreements among themselves, in so far as such agreements grant to authors more extensive rights than those granted by the Convention, or contain other provisions not contrary to this Convention." Thus, the

above-quoted provision of Article 1(1) of the WCT makes clear that no interpretation of the WCT is acceptable which may result in any lowering of the level of protection granted by the Berne Convention.

5.213 Article 1(4) of the Treaty establishes a further guarantee for fullest possible respect of the Berne Convention, since it includes, by reference, all substantive provisions of the Berne Convention, providing that "Contracting Parties shall comply with Articles 1 to 21 and the Appendix of the Berne Convention." Article 1(3) of the Treaty clarifies that, in this context, the Berne Convention means the 1971 Paris Act of that Convention. These provisions should be considered in the light of the provisions of Article 17 of the Treaty, discussed below, under which not only countries party to the said 1971 Paris Act, and, in general, not only countries party to any act of the Berne Convention, but also any member countries of WIPO, irrespective of whether or not they are party to the Convention, and also certain intergovernmental organizations, may adhere to the Treaty.

5.214 Article 1(2) of the Treaty contains a safeguard clause similar to the one included in Article 2.2 of the TRIPS Agreement: "Nothing in this Treaty shall derogate from existing obligations that Contracting Parties have to each other under the Berne Convention for the Protection of Literary and Artistic Works." The scope of this safeguard clause differs from the parallel provision in the TRIPS Agreement. The TRIPS safeguard clause also has importance from the viewpoint of at least one article of the Berne Convention which contains substantive provisions — namely Article 6*bis* on moral rights — since that article is not included by reference in the TRIPS Agreement. Article 1(2) of the WCT only has relevance from the viewpoint of Articles 22 to 38 of the Berne Convention containing administrative provisions and final clauses which are not included by reference (either in the WCT or the TRIPS Agreement) and only to the extent that those provisions provide obligations for Contracting Parties.

5.215 The second sentence of Article 1(1) of the WCT deals with the question of the relationship of the WCT with treaties other than the Berne Convention. It states that "This Treaty shall not have any connection with treaties other than the Berne Convention, nor shall it prejudice any rights and obligations under any other treaties." The TRIPS Agreement and the Universal Copyright Convention are examples of such "other treaties."

5.216 It should also be pointed out that there is no specific relationship between the WCT and the WPPT either, and the latter is also an "other" treaty covered by the second sentence of Article 1(1) of the WCT. There is also no such relationship between the WCT and the WPPT equivalent to that between the Berne Convention and the Rome Convention. Under Article 24(2) of the Rome Convention, only those countries may adhere to that Convention which are party to the Berne Convention or the Universal Copyright Convention. While, in principle, any member country of WIPO may accede to the WPPT, it is not a condition that they be party to the WCT (or the Berne Convention or the Universal Copyright Convention). It is another matter that such a separate adherence is not desirable.

Substantive Provisions of the WCT

Provisions Relating to the So-called "Digital Agenda"

5.217 During the preparatory work, it became clear that the most important and most urgent task was to clarify existing norms and, where necessary, create new norms to respond to the problems

raised by digital technology, and particularly by the Internet. The issues addressed in this context were referred to as the "digital agenda."

5.218 The provisions of the WCT relating to the "agenda" cover the following issues — the rights applicable to the storage and transmission of works in digital systems, the limitations on and exceptions to rights in a digital environment, technological measures of protection and rights management information. As discussed below, the right of distribution may also be relevant in respect of transmissions in digital networks; its scope, however, is much broader. Also due to its relationship with the right of rental, the right of distribution is discussed, together with the former right, below.

Storage of Works in Digital Form in an Electronic Medium

5.219 In June 1982, a WIPO/Unesco Committee of Governmental Experts clarified that storage of works in an electronic medium is reproduction. The Diplomatic Conference adopted an agreed statement which reads as follows: "The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention."

5.220 It follows from this first sentence that Article 9(1) of the Convention is fully applicable. This means that the concept of reproduction under Article 9(1) of the Convention, which extends to reproduction "in any manner or form" irrespective of the duration of the reproduction, must not be restricted merely because a reproduction is in digital form through storage in an electronic memory, and just because a reproduction is of a temporary nature. It also follows from the same first sentence that Article 9(2) of the Convention is also fully applicable, which offers an appropriate basis to introduce any justified exceptions such as the above-mentioned cases of transient and incidental reproductions in national legislation, in harmony with the "three-step test" provided for in that provision of the Convention (see below, in this section, under "Limitations and Exceptions").

5.221 The second sentence of the agreed statement confirms the definition of storage of works. It is another matter that the word "storage" may still be interpreted in somewhat differing ways.

Transmission on Digital Networks

5.222 During the preparatory work, an agreement emerged that the transmission of works on the Internet and in similar networks should be the object of an exclusive right of authorization of the author or other copyright owner, with appropriate exceptions.

5.223 There was, however, no agreement concerning the right or rights which should actually be applied, although the rights of communication to the public and distribution were identified as the two major possibilities. It was also noted, however, that the Berne Convention does not offer full coverage for those rights; the former does not extend to certain categories of works, while explicit recognition of the latter covers only one category, namely that of cinematographic works.

5.224 Differences in the legal characterization of digital transmissions were partly due to the fact that such transmissions are of a complex nature, and that the various experts considered one aspect more relevant than another. However, the most fundamental reason was that coverage of the above-mentioned two rights differs to a great extent in national laws. It became evident that it would be difficult to reach consensus on a solution based on one right over the other.

5.225 A specific solution was therefore adopted, which provided that the act of digital transmission should be described in a neutral way, free from specific legal characterization; that such a description should not be excessively technical and, at the same time, should convey the interactive nature of digital transmissions; that, in respect of legal characterization of the exclusive right — that is, in respect of the actual choice of the right or rights to be applied — sufficient freedom should be left to national legislation; and, finally, that the gaps in the Berne Convention in the coverage of the relevant rights — the right of communication to the public and the right of distribution — should be covered. This solution was referred to as the "umbrella solution."

5.226 The WCT applies this "umbrella solution" by extending applicability of the right of communication to the public to all categories of works, and clarifies that that right also covers transmissions in interactive systems described in a manner free of legal characterization. Thus Article 8 of the Treaty reads as follows: "Without prejudice to the provisions of Articles 11(1)(ii), 11*bis*(1)(i) and (ii), 11*ter*(1)(ii), 14(1)(ii) and 14*bis*(1) of the Berne Convention, authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them." It was stated in the Diplomatic Conference that Contracting Parties are free to implement the obligation to grant an exclusive right to authorize such "making available to the public" also through the application of a right other than the right of communication to the public or through the combination of different rights. By the "other" right, first of all, the right of distribution was meant, but "other" right might also be a specific new right such as that of making available to the public as provided for in Articles 10 and 14 of the WPPT.

5.227 An agreed statement was adopted concerning this Article 8. It reads as follows: "It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention. It is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11*bis*(2)." This statement is intended to clarify the issue of liability of service and access providers in digital networks like the Internet: it is evident that, if a person engages in an act not covered by a right provided in the Convention (and in corresponding national laws), such person has no direct liability for the act covered by such a right.

Limitations and Exceptions in the Digital Environment

5.228 An agreed statement was adopted in this respect, which reads as follows: "It is understood that the provisions of Article 10 [of the Treaty] permit Contracting Parties to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. Similarly, these provisions should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment. It is also understood that Article 10(2) [of the Treaty] neither reduces nor extends the scope of applicability of the limitations and exceptions permitted by the Berne Convention." The provisions of Article 10 of the Treaty referred to in the agreed statement are discussed below. It is obvious that extending limitations and exceptions into the digital environment, or devising new exceptions and limitations for such environment, is subject to the three-step test included in that Article (see below, in this section, under "Limitations and Exceptions").

<u>Technological Measures of Protection and Rights Management Information</u>

5.229 No rights in respect of digital uses of works, particularly uses on the Internet, may be applied efficiently without the support of technological measures of protection and rights

management information necessary to license and monitor uses. The application of such measures and information are left to the interested right-owners, but appropriate legal provisions are included in Articles 11 and 12 of the Treaty.

5.230 Under Article 11 of the Treaty, Contracting Parties must provide "adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law."

5.231 Article 12(1) of the Treaty obliges Contracting Parties to "provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the Berne Convention, (i) to remove or alter any electronic rights management information without authority; (ii) to distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that electronic rights management information has been removed or altered without authority." Article 12(2) defines "rights management information" as meaning "information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public."

5.232 An agreed statement was adopted by the Diplomatic Conference concerning Article 12 of the Treaty, which is in two parts. The first part reads: "It is understood that the reference to 'infringement of any right covered by this Treaty or the Berne Convention' includes both exclusive rights and rights of remuneration." The second part reads: "It is further understood that Contracting Parties will not rely on this Article to devise or implement rights management systems that would have the effect of imposing formalities which are not permitted under the Berne Convention or this Treaty, prohibiting the free movement of goods or impeding the enjoyment of rights under this Treaty."

Other Substantive Provisions

Criteria of Eligibility for Protection

5.233 The WCT settles certain issues — country of origin, national treatment, formality free protection, possible restriction of ("backdoor") protection in respect of works of nationals of certain countries not party to the Treaty — in a simple way: in Article 3, it provides for the *mutatis mutandis* application of Articles 3 to 6 of the Berne Convention.

5.234 An agreed statement was also adopted by the Diplomatic Conference as guidance in the *mutatis mutandis* application of those provisions, which reads as follows: "It is understood that, in applying Article 3 of this Treaty, the expression 'country of the Union' will be read as if it were a reference to a Contracting Party to this Treaty in the application of those Berne Articles in respect of protection provided for in this Treaty. It is also understood that the expression 'country outside the Union' in those Articles in the Berne Convention will, in the same circumstances, be read as if it were a reference to a country that is not a Contracting Party to this Treaty, and that 'this Convention' in Articles 2(8), 2*bis*(2), 3, 4 and 5 of the Berne Convention will be read as if it were a reference to the Berne Convention and this Treaty. Finally, it is understood that a reference in Articles 3 to 6 of the Berne Convention to a 'national of one of the countries of the Union' will, when these Articles are applied to this Treaty, mean, in regard to an intergovernmental organization

that is a Contracting Party to this Treaty, a national of one of the countries that is member of that organization."

Subject Matter and Scope of Protection

5.235 Article 3 of the Treaty, dealt with above, also prescribes the *mutatis mutandis* application of Articles 2 and 2*bis* of the Berne Convention. The scope of the subject matter covered by copyright, particularly in relation to computer programs and databases, was explored in the WCT. The Treaty shares the same concept of literary and artistic works as is found in the Berne Convention. The Treaty also includes, however, some clarifications on the matter in common with those in the TRIPS Agreement.

5.236 First, Article 2 of the Treaty clarifies that "Copyright protection extends to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such." This is virtually the same as the clarification included in Article 9.2 of the TRIPS Agreement. Nor is the principle reflected in Article 2 new in the context of the Berne Convention, since countries party to the Convention have always understood the scope of protection under the Convention in that way.

5.237 Second, Articles 4 and 5 of the Treaty contain clarifications concerning the protection of computer programs as literary works and of compilations of data (databases), which are similar to those included in Article 10 of the TRIPS Agreement. Two agreed statements specify that the scope of protection for computer programs under Article 4 of the Treaty and for compilations of data (databases) under Article 5 of the Treaty "is consistent with Article 2 of the Berne Convention and on par with the relevant provisions of the TRIPS Agreement."

Rights to be Protected

5.238 Article 6(1) of the WCT provides an exclusive right to authorize the making available to the public of originals and copies of works through sale or other transfer of ownership, that is, an exclusive right of distribution. Under the Berne Convention, it is only in respect of cinematographic works that such a right is granted explicitly. Such a right, surviving at least until the first sale of copies, may be deduced as an indispensable corollary to the right of reproduction, and, in some legal systems, the right of distribution is in fact recognized on this basis. Article 6(1) of the WCT should be considered at least a useful clarification of the obligations under the Berne Convention (and also under the TRIPS Agreement, which includes by reference the relevant provisions of the Convention), and at the most as adding to both.

5.239 Article 6(2) of the Treaty deals with the issue of the exhaustion of the right of distribution. It does not oblige Contracting States to choose national/regional exhaustion or international exhaustion — or to regulate at all the issue of exhaustion — of the right of distribution after the first sale or other first transfer of ownership of the original or a copy of the work, with the authorization of the author.

5.240 Article 7 of the Treaty provides an exclusive right of authorizing commercial rental to the public in respect of the same categories of works — computer programs, cinematographic works and works embodied in phonograms, as determined in the national laws of Contracting Parties — as those covered by Articles 11 and 14.4 of the TRIPS Agreement, and with the same exceptions. The exceptions are in respect of computer programs which are not themselves the essential objects of the rental, in respect of cinematographic works unless commercial rental leads to widespread copying of such works, materially impairing the exclusive right of reproduction, and in respect of a Contracting Party which, on April 15, 1994, had and still has in force a system of equitable remuneration for rental of copies of works included in phonograms, instead of an exclusive right: in

the latter case the Contracting Party may maintain that system provided that commercial rental does not give rise to the material impairment of the exclusive right of authorization.

5.241 An agreed statement was adopted by the Diplomatic Conference on Articles 6 and 7 of the Treaty. It reads: "As used in these Articles, the expressions 'copies' and 'original and copies,' being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects."

Duration of Protection of Photographic Works

5.242 Article 9 of the WCT removes the unjustified discrimination against photographic works as to the duration of protection. It obliges Contracting Parties not to apply Article 7(4) of the Berne Convention, which, as also for works of applied art, prescribes a shorter term — 25 years — for photographic works than for the general 50-year term.

Limitations and Exceptions

5.243 Paragraph (1) of Article 10 determines the types of limitations on, or exceptions to, the rights granted under the Treaty which may be applied, while paragraph (2) of that Article provides criteria for the application of limitations of, or exceptions to, the rights under the Berne Convention.

5.244 Both paragraphs use the three-step test included in Article 9(2) of the Berne Convention to determine the limitations and exceptions allowed. That is to say, exceptions and limitations are only allowed in certain special cases:

- provided that they do not conflict with a normal exploitation of the work;

- provided that they do not unreasonably prejudice the legitimate interests of the authors.

5.245 Under Article 9(2) of the Berne Convention, this test is applicable only to the right of reproduction, while both paragraphs of Article 10 of the Treaty cover all rights provided for in the Treaty and the Berne Convention respectively. In this, the provisions of Article 10 are similar to Article 13 of the TRIPS Agreement, which applies the same test for all rights provided for in the TRIPS Agreement, either directly or through inclusion by reference to the substantive provisions of the Berne Convention.

Application in Time

5.246 Article 13 of the WCT refers simply to Article 18 of the Berne Convention to determine the works to which the Treaty applies at the moment of its entry into force for a given Contracting State, and stipulates that the provisions of that Article must also be applied to the Treaty.

Enforcement of Rights

5.247 Article 14, paragraph (1) is a *mutatis mutandis* version of Article 36(1) of the Berne Convention. It provides that "Contracting Parties undertake to adopt, in accordance with their legal systems, the measures necessary to ensure the application of this Treaty."

5.248 Paragraph (2) of Article 14 is a *mutatis mutandis* version of the first sentence of Article 41.1 of the TRIPS Agreement. It reads: "Contracting Parties shall ensure that enforcement procedures are available under their law so as to permit effective action against any act of infringement of

rights covered by this Treaty, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements."

Administrative Provisions

5.249 The administrative provisions and final clauses, in general, are the same as or similar to the provisions of other WIPO treaties on the same issues. Two specific features should be mentioned, namely the possibility of intergovernmental organizations becoming party to the Treaty and the greater number of instruments of ratification or accession needed for entry into force of the Treaty.

5.250 Article 17 of the Treaty provides for eligibility for becoming party to the Treaty. Under paragraph (1), any Member State of WIPO may become party to the Treaty. Paragraph (2) provides that "The Assembly may decide to admit any intergovernmental organization to become party to this Treaty which declares that it is competent in respect of, and has its own legislation binding on all its Member States on, matters covered by this Treaty and that it has been duly authorized, in accordance with its internal procedures, to become party to this Treaty." Paragraph (3) adds the following: "The European Community, having made the declaration referred to in the preceding paragraph in the Diplomatic Conference that has adopted this Treaty, may become party to this Treaty."

5.251 The number of instruments of ratification or accession needed for the entry into force of the WCT was fixed at 30. The WCT entered into force on March 6, 2002. The States party to the WCT are listed in the appropriate document to be found inserted in the back flap of this volume.

The Patent Cooperation Treaty (PCT)

Introduction

The National Patent System

5.252 The national patent system requires the filing of individual patent applications for each country for which patent protection is sought, with the exception of the regional patent systems such as the African Intellectual Property Organization (OAPI) system, the Harare Protocol system established in the framework of the African Regional Industrial Property Organization (ARIPO), the Eurasian patent system and the European patent system. Under the traditional Paris Convention route, the priority of an earlier application can be claimed for applications filed subsequently in foreign countries but such later applications must be filed within 12 months of the filing date of the earlier application. This involves for the applicant the preparation and filing of patent applications for all countries in which he is seeking protection for his invention within one year of the filing of the first application. This means expenses for translation, patent attorneys in the various countries and payment of fees to the Patent Offices, all at a time when the applicant often does not know whether he is likely to obtain a patent or whether his invention is really new compared with the state of the art.

5.253 Filing of patent applications under the national system means that every single Patent Office with which an application is filed has to carry out a formal examination of every application filed

with it. Where Patent Offices examine patent applications as to substance, each Office has to make a search to determine the state of the art in the technical field of the invention and has to carry out an examination as to patentability.

5.254 The principal difference between the national patent system and the regional patent systems such as those mentioned above is that a regional patent is granted by one Patent Office for several States. Otherwise, the procedure is the same, and the explanations given in the preceding two paragraphs are equally valid.

History of the PCT

5.255 In order to overcome some of the problems involved in the national system, in September 1966, the Executive Committee of the International (Paris) Union for the Protection of Industrial Property invited BIRPI (the predecessor of WIPO) to undertake urgently a study of solutions to reduce the duplication of the effort both for applicants and national Patent Offices. In the following years, a number of BIRPI meetings prepared drafts and a Diplomatic Conference held in Washington, D.C., in June 1970 adopted a treaty called the Patent Cooperation Treaty. The Patent Cooperation Treaty or "PCT" entered into force on January 24, 1978, and became operational on June 1, 1978, with an initial 18 Contracting States.

5.256 The progress of the PCT demonstrates the certainty that many more countries, developing as well as developed, will become party to the PCT in the years ahead and that its use, evidenced by the number of applications filed, will continue to increase significantly. Statistical indications of this success can be found in the relevant document in the back flap of this volume.

Objectives of the PCT

5.257 As its name suggests, the Patent Cooperation Treaty is an agreement for international cooperation in the field of patents. It is often spoken of as being the most significant advance in international cooperation in this field since the adoption of the Paris Convention itself. It is however largely a treaty for rationalization and cooperation with regard to the filing, searching and examination of patent applications and the dissemination of the technical information contained therein. The PCT does not provide for the grant of "international patents": the task of and responsibility for granting patents remains exclusively in the hands of the Patent Offices of, or acting for, the countries where protection is sought (the "designated Offices"). The PCT does not compete with but, in fact, complements the Paris Convention. Indeed, it is a special agreement under the Paris Convention open only to States which are already party to that Convention.

5.258 The principal objective of the PCT is, by simplification leading to more effectiveness and economy, to improve on — in the interests of the users of the patent system and the Offices which have responsibility for administering it — the previously established means of applying in several countries for patent protection for inventions.

5.259 To achieve its objective, the PCT:

- establishes an international system which enables the filing, with a single Patent Office (the "receiving Office"), of a single application (the "international application") in one language having effect in each of the countries party to the PCT which the applicant names ("designates") in his application;

- provides for the formal examination of the international application by a single Patent Office, the receiving Office;

- subjects each international application to an international search which results in a report citing the relevant prior art (mainly published patent documents relating to previous inventions) which may have to be taken into account in deciding whether the invention is patentable;

- provides for centralized international publication of international applications with the related international search reports, as well as their communication to the designated Offices;

- provides an option for an international preliminary examination of the international application, which gives the applicant and subsequently the Offices that have to decide whether or not to grant a patent, a report containing an opinion as to whether the claimed invention meets certain international criteria for patentability.

5.260 The procedure described in the preceding paragraph is commonly called the "international phase" of the PCT procedure, whereas one speaks of the "national phase" to describe the last part of the patent granting procedure, which is the task of the designated Offices, i.e., the national Offices of, or acting for, the countries which have been designated in the international application. In PCT terminology, a reference to "national" Office, "national" phase or "national" fees includes the reference to the procedure before a regional patent Office.

5.261 Especially in more developed countries with a greater number of patent applications, Patent Offices have been struggling for years with heavy workloads (leading to delays), and with questions of how best to allocate resources so as to ensure that the patent system yields the greatest return from the available manpower. Under the PCT system, by the time the international application reaches the national Office, it has already been examined as to form by the receiving Office, been searched by the International Searching Authority and possibly examined by an International Preliminary Examining Authority. These centralized procedures of the international phase thus reduce the workload of the national Patent Offices.

5.262 Further main objectives of the PCT are to facilitate and accelerate access by industry and other interested sectors to technical information related to inventions and to assist developing countries in gaining access to technology.

The Functioning of the PCT System

Filing an International Application

5.263 Any national or resident of a PCT Contracting State can file an international application. International applications can be filed in most cases with the national Office, which will act as a PCT receiving Office. In addition, the International Bureau can act as a receiving Office as an option for nationals and residents of all PCT Contracting States.

5.264 An international application has the effect, as of the international filing date, of a national application in those PCT Contracting States which the applicant designates for a national patent in his application. It has the effect of a regional patent application in those PCT Contracting States which are party to a regional patent treaty, providing they are designated for a regional patent (that is, an ARIPO patent, a Eurasian patent, a European patent or an OAPI patent).

5.265 The PCT prescribes certain standards for international applications. An international application which is prepared in accordance with these standards will be acceptable, so far as the form and contents of the application are concerned, to all the PCT Contracting States, and no subsequent modifications because of varying national or regional requirements (and the cost associated therewith) will become necessary. No national law may require compliance with requirements relating to the form or contents of the international application different from or additional to those which are provided for by the PCT.

5.266 Only a single set of fees is incurred for the preparation and filing of the international application, and they are payable in one currency and at one Office, the receiving Office. Payment of national fees to the designated Offices is delayed. The national fees become payable much later than for a filing by the traditional Paris Convention route.

5.267 The fees payable to the receiving Office for an international application consist of three main elements:

- the transmittal fee, to cover the work of the receiving Office;

- the search fee, to cover the work of the International Searching Authority;

- the international fee, to cover the work of the International Bureau.

5.268 An applicant who is a natural person and who is a national of and resides in a State whose per capita national income is below a certain level, based on income figures used by the United Nations for determining its scale of assessments for contributions to it, is entitled to a sizable reduction of certain PCT fees, including the international fee. If there are several applicants, each must satisfy the above-mentioned criteria.

5.269 The language in which an international application can be filed depends upon the requirements of the receiving Office with which the application is filed and of the International Searching Authority which is to carry out the international search. The main languages in which international applications may be filed are Chinese, English, French, German, Japanese, Russian and Spanish; other languages also accepted, so far, are Danish, Dutch, Finnish, Norwegian and Swedish.

5.270 The receiving Office, after having accorded an international filing date and made a formal check, sends a copy of the international application to the International Bureau of WIPO (the "record copy") and another copy (the "search copy") to the International Searching Authority. It keeps a third copy (the "home copy"). The receiving Office also collects all the PCT fees and transfers the search fee to the International Searching Authority and the international fee to the International Bureau.

International Search

5.271 Every international application is subjected to an international search, that is, a high quality search of the patent documents and other technical literature in those languages in which most patent applications are filed (English, French and German, and in certain cases Chinese, Japanese, Russian and Spanish). The high quality of the international search is assured by the standards prescribed in the PCT for the documentation, staff qualifications and search methods of the International Searching Authorities, which are experienced Patent Offices that have been specially appointed to carry out international searches by the Assembly of the PCT Union (the highest

administrative body created under the PCT) on the basis of an agreement to observe PCT standards and time limits.

5.272 The following Offices have been appointed to act as International Searching Authorities: the Australian Patent Office, the Austrian Patent Office, the Chinese Patent Office, the European Patent Office, the Japanese Patent Office, the Russian Patent Office, the Spanish Patent and Trademark Office, the Swedish Patent Office and the United States Patent and Trademark Office.

5.273 Each International Searching Authority is required to have at least the prescribed PCT minimum documentation, properly arranged for search purposes, which can be described in general as comprising the patent documents, as from 1920, of the major industrialized countries, together with agreed items of non-patent literature. The International Searching Authority, in making the search, must make use of its full facilities, i.e., the minimum documentation and any additional documentation it may possess. The obligation to consult at least the PCT minimum documentation guarantees a high level of international searching.

5.274 The results of the international search are given in an international search report, which is normally made available to the applicant by the fourth or fifth month after the application is filed. The citations of documents of relevant prior art in the international search report enable the applicant to calculate his chances of obtaining a patent in or for the countries designated in the international application, and to decide whether it is worth continuing to seek protection for his invention in the designated States.

5.275 An international search report which is favorable, that is, in which the citations of prior art would appear not to prevent the grant of a patent, assists the applicant in the subsequent prosecution of the application before the designated Offices. If a search report is unfavorable, the applicant has the opportunity to amend the claims in his international application to better distinguish the invention from the state-of-the-art or to withdraw the application before it is published.

5.276 The international search report assists designated Offices, in particular Offices which do not have technically qualified staff and an extensive collection of patent documents arranged in a manner suitable for search purposes, in examining applications and otherwise evaluating the inventions described.

5.277 The International Searching Authority sends the international search report to the applicant and to the International Bureau. The International Bureau includes the search report in the international publication of the international application and sends a copy to the designated Offices.

International Publication

5.278 International publication serves two main purposes: to disclose to the public the invention (i.e., in general, the technological advance made by the inventor) and to set out the scope of the protection which may ultimately be obtained.

5.279 The International Bureau publishes a PCT pamphlet which contains a front page setting out bibliographic data furnished by the applicant, together with data such as the International Patent Classification (IPC) symbol assigned by the International Searching Authority, the abstract and also the description, the claims, any drawings and the international search report. If the claims of the international application have been amended, the claims are published both as filed and as amended. International publication occurs, in general, 18 months after the priority date of the international application.

5.280 The pamphlet is published in the language of the international application as filed, if that language is Chinese, English, French, German, Japanese, Russian or Spanish. If, however, the international application is published in Chinese, French, German, Japanese, Russian or Spanish, the title of the invention, the abstract and the international search report are also published in English. If the international application has been filed in any other language, it is translated and published in English.

5.281 The publication of each pamphlet is announced in the *PCT Gazette*, which lists the published international applications in the form of entries reproducing data taken from the front pages of the pamphlets. Each issue of the *PCT Gazette* also contains a Classification Index, allowing the selection of the published international applications by technical fields.

5.282 These publications, the pamphlet and the *PCT Gazette*, are distributed free of charge by the International Bureau on a systematic basis to all PCT Contracting States. They are now also available in CD-ROM format in searchable form. To the public, they are supplied on request, against payment of a fee.

International Preliminary Examination

5.283 Once the applicant has received the international search report, he may make a specific request for international preliminary examination (by filing a "demand" in which designated States are "elected") in order to obtain an opinion as to whether the claimed invention meets any or all of the following criteria — whether it appears to be novel, whether it appears to involve an inventive step and whether it appears to be industrially applicable. A fee for international preliminary examination is due when a demand is filed with the International Preliminary Examining Authority, together with a handling fee to cover the work of the International Bureau. Applicants from certain States are entitled to a sizable reduction of the handling fee (see paragraph 5.268, above).

5.284 As in the case of the International Searching Authorities, the International Preliminary Examining Authorities are appointed by the Assembly of the PCT Union. The Offices which have been appointed are the same as those appointed as International Searching Authorities, with the exception of the Spanish Patent and Trademark Office. The results of the international preliminary examination are given in a report which is made available to the applicant and the "elected Offices" (which are the Offices of, or acting for, the elected States) through the International Bureau, which is also responsible for translating the report into English, if required by any elected Office. The opinion on the patentability of the invention, on the basis of the international criteria mentioned above, provides the applicant with an even stronger basis for calculating his chance of obtaining a patent, and the elected Offices have an even better basis for their decision whether to grant a patent. In countries where patents are granted without examination as to substance, the international preliminary examination report will provide a solid basis for parties interested in the invention (e.g., for licensing purposes) to evaluate the validity of such patents.

5.285 Usually upon publication of the international application (but at the latest by the end of the 19th month after the priority date), the International Bureau communicates the international application to the designated Offices. The copy communicated will be used for the subsequent prosecution of the international application before those Offices since, as explained above, the PCT is only a system for filing and not for granting patents, the latter remaining the exclusive task and responsibility of the designated Offices. In practice, more than half of these Offices have waived the weekly communications of copies of published international applications and receive, instead, a free-of-charge complete collection on CD-ROM of all such applications. A CD-ROM workstation is also provided by the International Bureau. The main advantages of the CD-ROM format are rapid access via computer and the limited storage space required. It is noted that, in any case, a

designated Office is entitled to receive, upon specific request, copies (on paper) of the international applications and of related documents in which it is designated.

5.286 The processing of an international application before the designated (or elected) Offices — the national phase — may not start prior to the expiration of 20 months (or 30 months if Chapter II is applicable) from the priority date of the international application, unless the applicant requests an earlier start.

Prosecution Before the Designated or Elected Offices (the "National Phase")

5.287 After having received an international search report and, where appropriate, an international preliminary examination report, and after having had the possibility of amending his application, the applicant is now in a good position to decide whether he has a chance of obtaining patents in the designated States. If he sees no likelihood, he can either withdraw his application or do nothing; in the latter case, the international application will lose the effect of a national application and the procedure will automatically come to an end. The applicant has in such a case saved himself great expense, namely, the costs involved in filing separate national applications under the traditional Paris Convention route. He has not paid for applications and translations for the national Offices, he has not paid fees to those Offices, and he has not appointed local agents: all this is required under the traditional Paris Convention route within 12 months from the priority date, and must be done without having the basis for evaluating the likelihood of obtaining a patent, which is afforded under the PCT by the international search report and, optionally, the international preliminary examination report.

5.288 Where the applicant decides to continue the procedure, and only in that event, he must pay the prescribed national fees to the designated (or elected) Offices and, if required, furnish to these Offices translations of his international application into their official language; a local agent may also have to be appointed. The furnishing of the translation and the payment of the national fees must be effected within 20 months (or 30 months, if Chapter II is applicable) from the priority date. Once national processing starts, the normal national procedures apply, subject to specific exceptions arising out of the PCT procedure, for example, matters of form and contents of the international application, and the provision of copies of the priority document.

5.289 WIPO has published a *PCT Applicant's Guide*. Volume I of this *Guide* contains general information for users of the PCT, relating to the international phase; Volume II contains information on the procedure before the designated and elected Offices, relating to the national phase. Further information is regularly published in the *PCT Gazette*, (Section IV — Notices and Information of a General Character), and in the *PCT Newsletter*, a monthly publication which contains up to date news about the PCT. WIPO's home page on the Internet includes the *PCT Applicant's Guide* and the *PCT Newsletter* as well as other information of a general nature on the PCT. The World Wide Web address is: http://www.wipo.int

Advantages of the PCT System

Advantages for Patent Offices

5.290 More and more Patent Offices are having to consider how to employ their available manpower to the greatest advantage. This is true not only because of the number of patent applications which they must handle (in a country in the process of development, the number will surely rise considerably in the future as a consequence of an increase in the country's industrial

activity) but also because of the expanding role that Patent Offices are being required to fulfil: they provide technical advisory services to local industry (because of available patent documentation and technically trained staff), either in terms of advising on available technologies or in connection with national research and development activities. The PCT assists Patent Offices in meeting these demands in various ways, outlined in the following paragraphs.

5.291 Patent Offices can expect to employ their available manpower to handle more patent applications, since those applications coming via the PCT have already been verified with regard to compliance with formal requirements during the international phase.

5.292 Patent Offices can save part of the cost of publishing. If the international application has been published in an official language of the country, they can forgo publication altogether. Countries having a different official language may limit themselves to publishing only a translation of the abstract which accompanies international applications. Copies of the full text of the international application could be supplied upon request to interested parties.

5.293 The PCT does not affect the revenue of designated Offices unless they decide voluntarily to give a rebate on national fees in view of the savings they make through the PCT, and in order to make the use of the international application route more attractive to the applicant. In any case, the most profitable source of revenue for most Offices is from annual or renewal fees, which are not affected by the Treaty.

5.294 Examining Patent Offices benefit, in respect of most applications filed by foreigners, from an international search report and an international preliminary examination report. Their search costs are also thereby reduced.

5.295 Non-examining Offices receive an application which has already been examined as to form, which is accompanied by an international search report and possibly by an international preliminary examination report. This will put the Office, and the national industry affected by a patent and/or interested in licensing, in a much better position than under the system of filing national or regional applications. National authorities involved in approving licensing agreements likewise benefit from the greater value of a patent granted on the basis of an international application.

5.296 Patent Offices of States party to the Harare Protocol, to the Eurasian Patent Convention or to the European Patent Convention which opt to close the national route are not involved in the processing of international applications designating such States. Choosing this option is therefore particularly advisable if the national Patent Office is less well equipped than the regional Office and is not prepared to receive and process increasing numbers of applications.

Advantages for the Applicant

5.297 Applicants may file their application in their own country (or, where applicable, with the competent regional Office, or with the International Bureau as receiving Office) with effect in foreign countries, and have more time to make up their minds as to those foreign countries in which they wish to seek protection. In a typical case, they have spent much less money in the stage prior to a granted patent than otherwise.

5.298 If the applicant does not use the international procedure offered by the PCT, he must start preparations for filing abroad three to six months before the expiration of the priority period. He must prepare translations of his application and have them put into a different form for each country. Under the PCT, the applicant files only one application (the international application), within the priority year, with effect in all States he has designated; that application, which may be

filed until the last day of the priority year, may be identical both as to language and form with his own national application.

5.299 The cost of further translation has to be met eventually, but not until eight (or 18) months later than under a procedure which does not use the PCT, and only if the applicant, having evaluated the international search report and, where available, the international preliminary examination report also, is still interested in the countries concerned. If not, he saves all subsequent costs.

Advantages for the National Economy and for Industry

5.300 International applications will be pursued in the national phase only if the applicant believes, after seeing the results of the international search and usually also the international preliminary examination, that there are sound economical and technical reasons for doing so. Thus patents granted on the basis of international applications will usually provide a sounder basis for investment and transfer of technologies.

5.301 Technological progress is an essential factor of national economic development. It is recognized that real technological progress cannot be achieved or cannot continue in a country, however industrialized, without constant stimulation of domestic inventive activities and at the same time importation (via licenses) of advanced technologies from foreign countries. Since the PCT system greatly facilitates the obtaining of patent protection on an international level, and since the patents granted through the PCT route have been subjected to high-quality international search and usually also international preliminary examination, more and more applicants are seeking patent protection on an international level through the PCT, thus preparing the route for technology transfer and licensing agreements.

5.302 With more licensed technology, foreign investment will be stimulated. And with more advanced technologies and more investment, there will be increased levels of local employment and the technical skills of the local work force will be enhanced. As the level of economic and technological development rises, an increasing number of nationals will use and greatly benefit from the PCT system when they seek patent protection abroad for their inventions, thus aiding in the penetration of export markets by local industry.

5.303 The economies of many developing countries are growing rapidly; more investment and technology transfer in various areas, depending on the country concerned, are needed, as well as the creation and modernization, locally, of certain types of industries (manufacturers, etc.) and services. Since foreign investors and licensors are relatively more interested in investing in and transferring technologies to a country whose economy is growing and where production costs are relatively low, the PCT will often serve as an indispensable part of the country's strategy to foster its growing economy and to promote the steady rise of its economic and technological level.

Technical Information

5.304 A further important advantage of the PCT for developing countries lies in its information effect. It can be very difficult to obtain a complete picture of all the patent documents published in many countries and many languages and of the most recent state of the art resulting from them. Since many important inventions are the subject of PCT applications, developing countries have, through the international publication of these applications, early and easier access to modern technological information. The access will be early, because international applications are published 18 months after the priority date of the application. It will be easier, because the application will be published in one of the most important languages and, where not in English, with an

English-language abstract, and because the international search report, published together with the application, will make it easier to evaluate the technology disclosed in the application. Patent Offices of PCT Contracting States are entitled to receive, free of charge, a copy of all published international applications, of the *PCT Gazette* and of any other publication of general interest published by the International Bureau in connection with the PCT.

5.305 The PCT offers distinct advantages for developing countries participating in this system of international patent cooperation and requires no payment of contributions. That there is sufficient awareness of these advantages is confirmed by the impressive number of developing countries already party to the Treaty.

5.306 The States party to the Patent Cooperation Treaty are listed in the appropriate document to be found inserted in the back flap of this volume.

The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure

5.307 The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (the Budapest Treaty), which is a special agreement under Article 19 of the Paris Convention, entered into force on August 9, 1980. The States party to the Treaty are listed in the appropriate document in the back flap of this volume.

Background to the Treaty

5.308 Disclosure of the invention is a generally recognized requirement for the grant of patents. Normally, an invention is disclosed by means of a written description. Where an invention involves a microorganism, or the use of a microorganism, which is not available to the public, such a description is not always sufficient for disclosure. That is why in the patent procedure of an increasing number of countries it is necessary not only to file a written description but also to deposit, with a specialized institution, a sample of the microorganism. Patent Offices are not equipped to handle microorganisms, whose preservation requires special expertise and equipment to keep them viable, to protect them from contamination and to protect health or the environment from contamination. Such preservation is costly. The furnishing of samples also requires specialized expertise and equipment.

5.309 When protection is sought in several countries for an invention involving a microorganism or the use of a microorganism, the complex and costly procedures of the deposit of the microorganism might have to be repeated in each of those countries. It was in order to eliminate or reduce such multiplication, in order to enable one deposit to serve the purpose of all the deposits which would otherwise be necessary, that the Treaty was concluded.

Summary of the Treaty

5.310 The main feature of the Treaty is that a Contracting State which allows or requires the deposit of microorganisms for the purposes of patent procedure must recognize, for such purposes, the deposit of a microorganism with any "international depositary authority" (Article 3(1)(a)), irrespective of whether such authority is on or outside the territory of the said State. In other words, one deposit, with one international depositary authority, will suffice for the purposes of patent procedure before the national Patent Offices (called "industrial property offices" in the Treaty) of all of the Contracting States and before any regional Patent Office (for example the

European Patent Office) which has filed a declaration of acceptance under Article 9(1)(a) of the Treaty.

5.311 What the Treaty calls an "international depositary authority" is a scientific institution — typically a "culture collection" — which is capable of storing microorganisms. Such an institution acquires the status of "international depositary authority" through the furnishing, by the Contracting State on the territory of which it is located, of assurances to the Director General of WIPO to the effect that the said institution complies, and will continue to comply, with the requirements specified in Article 6(2), including, in particular, that it will be available, for the purposes of the deposit of microorganisms, to any "depositor" (person, firm, etc.) under the same conditions, that it will accept and store the deposited microorganisms and that it will furnish samples thereof to anyone entitled to such samples but to no one else. The said assurances may be furnished also by certain intergovernmental industrial property organizations (Article 7(1)(a)).

5.312 The Regulations contain detailed provisions (Rule 11) on who is entitled — and when — to receive samples of the deposited microorganism. The depositor himself has a right to a sample at any time (Rule 11.2(i)). He may authorize any third party (authority, natural person, legal entity) to ask for a sample and such a third party will receive a sample upon producing such an authorization (Rule 11.2(ii)). Any "interested" industrial property office to which the Treaty applies may ask for a sample and will receive one; an industrial property office will mainly be regarded as "interested" where the microorganism is needed for the purposes of patent procedure before the said office (Rule 11.1). Any other party may obtain a sample if, roughly stated, an industrial property office to which the Treaty applies certifies that, under the applicable law, such a party has the right to a sample of the given microorganism; the elements of the certification are provided for in detail to ensure that the maximum extent of caution will be exercised by the industrial property office before it issues a certification (Rule 11.3(a)).

5.313 The Treaty and the Regulations contain provisions allowing for what is called a "new" deposit where no samples of the originally deposited microorganism can be furnished (Article 4), for the termination or limitation of the status of international depositary authority at the will of the Contracting States where the said authority does not, or does not fully, comply with its assumed duties (Article 8), and for all microorganisms deposited with an international depositary authority to be transferred to another such authority if the former is about to cease functioning as such (Rule 5.1). They also regulate the contents of the receipt that each international depositary authority is required to issue to the depositor for the deposited microorganism (Rule 7), and provide for the testing of the viability of the deposited microorganisms and the issuance of viability statements (Rule 10), for the international depositary authority to charge a fee for each deposit, the fee covering the minimum 30 years during which the deposited microorganism must be stored (Rules 9 and 12). They also contain provisions related to the applicability of the Treaty to intergovernmental industrial property organizations (Article 9).

Main Advantages of the Treaty

5.314 The Treaty is primarily advantageous to the depositor who is an applicant for patents in several countries. It will save him money because, instead of depositing the microorganism in each and every country in which he files a patent application referring to that microorganism, he can deposit it only once, with one depositary, with the consequence that in all but one of the countries in which he seeks protection he will save the fees and costs that deposits would have otherwise entailed. In most cases, there will be at least one international depositary authority in the country of the depositor, which means that he will deal with an authority which is close to him, with which he can deal in his own language, to which he can pay the fees in his own currency and which he may even know from personal experience.

5.315 The security of the depositor is increased by the fact that, for an institution to become an international depositary authority, solemn assurances as to the seriousness and continued existence of that institution must be given; such assurances must be given by a State or by an intergovernmental industrial property organization and they are addressed to all the member States of the Budapest Union. Consequently, it may be expected that the assurances will be strictly respected, all the more so since, if they are not so respected, the member States may take away from the defaulting institution the status of international depositary authority.

5.316 Finally, it is to be noted that adherence to the Treaty entails no financial burden or obligation for any Government.

The Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement

Introduction

5.317 The system of international registration of marks is governed by two treaties, the Madrid Agreement Concerning the International Registration of Marks, which dates from 1891, and the Protocol Relating to the Madrid Agreement, which was adopted in 1989, entered into force on December 1, 1995, and came into operation on April 1, 1996. Common Regulations under the Agreement and Protocol also came into force on that last date. The system is administered by the International Bureau of WIPO, which maintains the International Register and publishes the *WIPO Gazette of International Marks.*

5.318 The reason for the much more recent Protocol, following the original Madrid Agreement of 1891 (last amended at Stockholm in 1967), was the absence from the Madrid Union of some of the major countries in the trademark field — for example, Japan, the United Kingdom and the United States of America. The Protocol is intended to make the Madrid system acceptable to more countries. It differs from the Agreement in offering such options as:

- a choice for the applicant, allowing international registrations to be based on national applications and not only on national registrations;

- a period of 18 months, instead of one year, for Contracting Parties to refuse protection, with the possibility of a longer period in the case of a refusal based on an opposition;

- the possibility for the office of a designated Contracting Party to receive, instead of a share in the revenue from the standard fees, an "individual fee" whose amount may not be higher than the fees it charges for national or regional registration or renewal, the said amount being diminished by the savings resulting from the international procedure;

- the transformation of an international registration which is no longer protected because the basic mark has ceased to have effect in the country of origin, international or regional applications in some or all of the designated Contracting Parties, with the filing date, and where applicable the priority date, of the international registration;

- the possibility for the Protocol to be joined not only by States, but in addition by any intergovernmental organization which has an office for registering marks with effect in its territory.

The Functioning of the System of International Registration

Filing an International Registration

5.319 An application for international registration (an "international application") may be filed only by a natural person or a legal entity which has a real and effective industrial or commercial establishment in, or is domiciled in, or is a national of, a country which is party to the Madrid Agreement or the Madrid Protocol, or who has such an establishment in, or is domiciled in, the territory of an intergovernmental organization which is a party to the Protocol, or is a national of a member State of such an organization.

5.320 The Madrid system of international registration cannot be used by a person or legal entity which does not have the necessary connection, through establishment, domicile or nationality, with a member of the Madrid Union. Nor can it be used to protect a trademark outside the Madrid Union.

5.321 A mark may be the subject of an international application only if it has already been registered (or, where the international application is governed exclusively by the Protocol, if registration has been applied for) in the Office of origin. In the case of an international application governed exclusively by the Agreement or by both the Agreement and Protocol (see paragraph 5.313), the Office of origin is the Trademark Office of the Contracting State in which the applicant has a real and effective industrial or commercial establishment; if he has no establishment in such a State, it is the Office of the Contracting Party where he has a domicile; if he has no domicile in such a State, it is the Office of the Contracting State of which he is a national. In the case of an international application governed exclusively by the Protocol, these restrictions on the choice of Office of origin (sometimes referred to as the "cascade") do not apply; the Office of origin may be the Office of *any* Contracting Party with respect to which a person or entity fulfills one or more of the above conditions.

5.322 An international application must designate one or more Contracting Parties (not the Contracting Party whose Office is the Office of origin) in which the mark is to be protected. Further Contracting Parties may be designated subsequently. A Contracting Party may be designated only if that Contracting Party and the Contracting Party whose Office is the Office of origin are both party to the same treaty, that is, the Agreement or the Protocol.

5.323 The designation of a given Contracting Party is made under that treaty which is common to that Contracting Party and the Contracting Party whose Office is the Office of origin. Where both Contracting Parties are party to both the Agreement and the Protocol, it is the Agreement which governs the designation; this follows from the so-called "safeguard" clause, Article 9*sexies* of the Protocol. It follows that there are three kinds of international application:

- an international application *governed exclusively by the Agreement*; this means that all the designations are made under the Agreement;

- an international application *governed exclusively by the Protocol*; this means that all the designations are made under the Protocol;

- an international application *governed by both the Agreement and the Protocol*; this means that some of the designations are made under the Agreement and some under the Protocol.

5.324 An international application must be presented to the International Bureau through the Office of origin. It must contain, *inter alia*, a reproduction of the mark (which must be identical with that in the basic registration or basic application) and a list of the goods and services for which protection is sought, classified in accordance with the International Classification of Goods and Services (Nice Classification). If the international application is governed exclusively by the agreement, it must be in French; if it is governed exclusively by the Protocol or by both the Agreement and the Protocol, it may be in either English or French, though the Office of origin may restrict the applicant's choice to one of these languages.

5.325 An international application may claim priority under Article 4 of the Paris Convention, whether from the application with the Office of origin or from a prior application with another Office, which need not be the Office of a party to the Agreement or Protocol.

5.326 The international application is subject to the payment of the following fees:

- the basic fee;

- a complementary fee in respect of each designated Contracting Party for which no individual fee is payable;

- an individual fee in respect of any Contracting Party which is designated under the Protocol and has declared that it wishes to receive such a fee the amounts of the individual fees are determined by the respective Contracting Parties and are published in the *Gazette*; each of these Contracting Parties has the possibility, under the Common Regulations, to specify that such a fee is to be paid in two parts (the first part being payable at the time of filing and the second part when – and provided that – the Office concerned is satisfied that the mark qualifies for protection);

- a supplementary fee in respect of each class of goods and services beyond the third class; no supplementary fee is payable, however, where *all* the designations are ones in respect of which an individual fee has to be paid.

5.327 These fees may be paid direct to the International Bureau or, where the Office of origin accepts to collect and forward such fees, through that Office. The individual fees are transferred by the International Bureau to the Contracting Parties in respect of which they have been paid, whereas the complementary and supplementary fees are distributed among the Contracting Parties not receiving individual fees in proportion to the number of designations made for each of them.

5.328 The Office of origin must certify that the mark is the same as that in the basic registration or basic application, that any indications such as a description of the mark or a claim to color as a distinctive feature of the mark are the same as those contained in the basic registration or basic application, and that the goods and services indicated in the international application are covered by the list of goods and services in the basic registration or basic application. The Office of origin must also certify the date on which it received the request to present the international application; provided the application is received by the International Bureau within two months of that date (and provided that certain crucial elements are not missing), it is that date that will be the date of the international registration.

5.329 The International Bureau checks that the international application complies with the requirements of the Agreement or Protocol and the Common Regulations, including requirements relating to the indication of goods and services and their classification, and that the required fees have been paid. The Office of origin and the holder are informed of any irregularities, which must be remedied within three months, otherwise the application will be considered abandoned. Where the international application complies with the applicable requirements, the mark is recorded in the International Register and published in the *Gazette*. The International Bureau then notifies each Contracting Party in which protection has been requested.

5.330 An international registration is effective for 10 years. It may be renewed for further periods of 10 years on payment of the prescribed fees.

Effects of the International Registration

5.331 From the date of the international registration, the protection of the mark in each of the countries of the designated Contracting Parties is the same as if the mark had been the subject of an application for registration filed directly with the Office of that Contracting Party. If no refusal is notified to the International Bureau within the relevant time limit, the protection of the mark in the country of each designated Contracting Party is the same as if it had been registered by the Office of that Contracting Party.

5.332 The effects of an international registration can be extended to a Contracting Party not covered by the international application by filing a subsequent designation. The principles that determine whether such a designation can be made, and whether it is governed by the Agreement or by the Protocol, are as described in paragraphs 5.312 and 5.313 above. A subsequent designation may be made where the Contracting Party concerned was not a party to the Agreement or Protocol at the time of the international application.

Refusal of Protection

5.333 Each designated Contracting Party has the right to refuse protection. Any refusal must be notified to the International Bureau by the Office of the Contracting Party concerned within the time limits specified in the Agreement or Protocol. The refusal is recorded in the International Register and published in the *Gazette* and a copy is transmitted to the holder of the international registration. Any subsequent procedure, such as review or appeal, is carried out directly between the holder and the administration of the Contracting Party concerned, without any involvement on the part of the International Bureau. The Contracting Party concerned must, however, notify the International Bureau of the final decision taken in respect of such review or appeal. This decision is also recorded in the International Register and published in the *Gazette*.

5.334 The time limit for a Contracting Party to notify a refusal is generally 12 months. Under the Protocol, however, a Contracting Party may declare that this period is to be 18 months, or longer in the case of a refusal based on an opposition.

5.335 The Office of the designated Contracting Party has the possibility, under the Common Regulations, to issue a statement of grant of protection. The practical benefit resulting from such a statement of grant of protection is that the holder of the international registration does not have to wait for the expiry of the refusal period to know whether his/her mark is protected in the country concerned.

Dependence on the Basic Mark

5.336 For a period of five years from the date of its registration, an international registration remains dependent on the mark registered or applied for in the Office of origin. If, and to the extent that, the basic registration ceases to have effect, whether through cancellation following a decision of the Office of origin or a court, through voluntary cancellation or through non-renewal, within this five-year period, the international registration will no longer be protected. Similarly, where the international registration was based on an application in the Office of origin, it will be canceled if, and to the extent that, that application is refused or withdrawn within the five-year period, or if, and to the extent that, the registration resulting from that application ceases to have effect within that period. The Office of origin is required to notify the International Bureau of facts and decisions concerning such ceasing of effect or refusal and, where appropriate, to request the cancellation (to the extent applicable) of the international registration. Such cancellation is published in the *Gazette* and notified to the designated Contracting Parties.

5.337 After the expiry of this period of five years, the international registration becomes independent of the basic registration or basic application.

Changes in the International Register and Cancellation

5.338 A change in the name or address of the holder may be recorded in the International Register on request. Likewise a change in the ownership of an international registration may be recorded, in respect of all or some of the goods and services and all or some of the designated Contracting Parties. A person may, however, be recorded as the holder of an international registration in respect of a given Contracting Party only if he would be entitled (on the basis of establishment, domicile or nationality, as described in paragraphs 5.309 and 5.310) to designate that Contracting Party in an international application.

5.339 The following may also be recorded in the International Register:

- a *limitation* of the list of goods and services in respect of *all or some* of the designated Contracting Parties;

- a *renunciation* in respect of *some* of the designated Contracting Parties for *all* the goods and services;

- a *cancellation* of the international registration in respect of *all* the designated Contracting Parties for *all or some* of the goods or services.

5.340 Such changes and cancellation are published in the *Gazette* and notified to other designated Contracting Parties.

5.341 No change may be made in the mark that is the subject of an international registration, either on renewal or at any other time. Nor may the list of goods and services be changed in a way that would extend the scope of protection.

5.342 Provision has also been made, in the Common Regulations, for the recording, in the International Register, of licenses relating to international registration. Thus, holders of international registrations are not required to record such licenses in each of the Contracting Parties concerned.

Becoming Party to the Agreement or Protocol

5.343 Any State which is a party to the Paris Convention for the Protection of Industrial Property may become a party to the Agreement or the Protocol or both. In addition, an intergovernmental organization may become a party to the Protocol (but not the Agreement) where the following conditions are fulfilled: at least one of the Member States of the organization is a party to the Paris Convention and the organization maintains a regional office for the purposes of registering marks with effect in the territory of the organization.

5.344 States party to the Agreement and/or the Protocol and organizations party to the Protocol are referred to collectively as Contracting Parties. A list of the Contracting Parties is to be found in the appropriate document inserted in the back flap of this volume.

5.345 Every member of the Madrid Union is a member of its Assembly. Among the most important tasks of the Assembly are the adoption of the program and budget of the Union and the adoption and modification of the implementing regulations, including the fixing of fees connected with the use of the Madrid system.

Advantages of the System

5.346 International registration has several advantages for the owner of the mark. After registering the mark, or filing an application for registration, with the Office of origin, he has only to file one application in one language with one Office, and to pay fees to one Office; this is instead of filing separately with the Trademark Offices of the various Contracting Parties in different languages, and paying a separate fee to each Office. Similar advantages exist when the registration has to be renewed or modified.

5.347 International registration is also to the advantage of Trademark Offices. For example, they do not need to examine for compliance with formal requirements, or classify the goods or services, or publish the marks. As stated above, the individual and other designation fees collected by the International Bureau are transferred to the Contracting Parties in which protection is sought. Furthermore, if the International Registration Service closes its biennial accounts with a profit, the proceeds are divided among the Contracting Parties.

5.348 Statistical indications of the success of the system can be found in the relevant document in the back flap of this volume. Further information concerning the system of international registrations of marks, including the updated list of Contracting Parties to the Agreement and the Protocol and the fees, the latest annual statistics and the full text of the Agreement, Protocol and Common Regulations, as well as the text of the Guide to the International Registration of Marks, is also available on WIPO's website (www.wipo.int) under the heading "Madrid System."

The Hague Agreement Concerning the International Deposit of Industrial Designs

Introduction

5.349 On November 6, 1925, the Hague Agreement Concerning the International Deposit of Industrial Designs (hereinafter referred to as "the Hague Agreement") was adopted within the framework of the Paris Convention. The Agreement entered into force on June 1, 1928, and has been revised and supplemented several times. Two Acts of the Hague Agreement are currently in force: the London Act of 1934 and the Hague Act of 1960 (referred to respectively as "the 1934 Act" and "the 1960 Act"). These two Acts are autonomous and totally independent of each other. Each of them, in other words, in itself constitutes a fully-fledged international treaty. The general remarks in paragraphs 5.338 and 5.339 apply to both of these Acts. However, since around 95% of international deposits are effected under the 1960 Act, the subsequent detailed description of the provisions relates to that Act. A further Act, the Geneva Act of 1999, which is not yet in force, is described in paragraphs 5.359 to 5.361.

The Principle of International Deposit

5.350 The main aim of the international deposit of industrial designs is to enable protection to be obtained for one or more industrial designs in a number of States through a single deposit filed with the International Bureau of WIPO. Under the Hague Agreement, any person entitled to effect an international deposit has the possibility of obtaining, by means of a single deposit made with the International Bureau of WIPO, protection for his industrial designs in Contracting States of the Agreement with a minimum of formalities and expense.

5.351 The applicant is thus relieved of the need to make a separate national deposit in each of the States in which he requires protection, thus avoiding the inherent complication of procedures that vary from one State to another.

Main Provisions of the Hague Agreement

5.352 An international deposit may be made by any natural or legal person who is a national of one of the Contracting States or has his domicile or a real and effective industrial or commercial establishment in one of those States.

5.353 An international deposit does not require any prior national deposit. It is made directly with the International Bureau of WIPO by the depositor or his representative on a form provided free of charge by the International Bureau. It may, however, be made through the national Office of a Contracting State if the law of such State so permits (Article 4(1)). The law of a Contracting State may also require, in cases where that State is the State of origin, that the international deposit be made through the national Office of that State. Non-compliance with this requirement does not prejudice the effects of the international deposit in the other Contracting States (Article 4(2)).

5.354 The owner of an international deposit enjoys the priority right afforded under Article 4 of the Paris Convention for the Protection of Industrial Property if he claims this right and if the international deposit is made within six months of the first national, regional or international deposit made in, or having effect in, a State party to the Paris Convention or a Member of the World Trade Organization.

5.355 A single international deposit may comprise several designs, up to a maximum of 100. All the designs in a single deposit must however be in, or be intended for incorporation in articles listed in, the same class of the International Classification (Locarno Classification).

5.356 International deposit is subject to the payment of fees, in Swiss francs, the amounts of which are decided by the Assembly of the Hague Union.

5.357 The working languages for the implementation of the 1960 Act of the Hague Agreement are English and French. An international application may be filed in either of these languages, at the choice of the applicant. International deposits and any amendment affecting them are entered in the international register and published in both English and French. Any correspondence between the International Bureau and the depositor is in the language in which the international application was filed.

5.358 The international deposit has the same effect in each of the States designated by the applicant as if the designs included in the deposit had been directly deposited in that State on the date of the international deposit, and as if all formalities required by domestic law had been complied with and all administrative acts required for the grant of protection had been accomplished, subject to the right to refuse protection on substantive grounds (see paragraphs 5.350 and 5.351).

5.359 An international deposit shall, however, have no effect in the State of origin if the laws of that State so provide.

5.360 International deposits are published by the International Bureau in the *International Designs Bulletin*, a publication which is distributed on a monthly basis and only on CD-ROM. Publication comprises, in particular, a reproduction of the article or articles in which the deposited designs are to be incorporated. The national Office of each Contracting State is entitled to receive free of charge from the International Bureau a certain number of copies of the *Bulletin.*

5.361 The depositor may ask for publication to be deferred for a period of his choice, which may not, however, exceed 12 months as from the date of the international deposit or, where appropriate, from the date of priority claimed.

5.362 Any Contracting State whose domestic legislation offers the possibility of refusing protection, as the result of an administrative *ex officio* examination or of opposition by a third party, may refuse protection for any industrial design not meeting the requirements of its domestic law. Refusal of protection may not, however, extend to the formalities and other administrative acts that must be considered by each Contracting State as having been accomplished as of the time the international deposit is recorded at the International Bureau. No Contracting State may require, in particular, publication of the international deposits other than that made by the International Bureau.

5.363 Refusal of protection must be notified to the International Bureau within six months of the date on which the national Office received the issue of the *Bulletin* in which the international deposit concerned was published. The International Bureau transmits a copy of the refusal to the

depositor, who has the same remedies against the decision to refuse as he would have had if he had deposited the design or designs concerned with the Office that has taken the decision to refuse. Where no refusal is notified within the period of time referred to above, the protection of the designs included in the international deposit is the same as if the deposit had been entered in the national register of the State concerned.

5.364 An international deposit is made for an initial term of five years. It can be renewed at least once, for an additional period of five years, for all or part of the designs included in the deposit, or for all or some only of the States in which it has effect. For those Contracting States whose domestic legislation allows a term of protection of more than 10 years for national deposits, an international deposit may be renewed more than once, in each case for an additional period of five years, with effect in each such State up to expiry of the total allowed term of protection for national deposits under that State's domestic legislation.

Benefits of Accession to the Hague Agreement

5.365 Nationals of a member State of the Hague Union are able to obtain protection for their designs in a number of States with a minimum of formalities and expense. In particular, they are relieved of the need to make a separate national deposit in each of the States in which they require protection, thus avoiding the complications arising from procedures which differ from State to State. They do not have to submit the required documents in various languages nor keep a watch on the deadlines for renewal of a whole series of national deposits, varying from one State to the other. They also avoid the need to pay a series of national fees and agents' fees in various currencies. Under the Hague Agreement, the same results can be obtained by means of a single international deposit, made in one language, on payment of a single set of fees, in one currency and with one Office (i.e. the International Bureau).

5.366 The simplification of the formalities and the reduction of the cost of obtaining protection abroad favorably influence the development of foreign trade. Domestic manufacturers and traders are encouraged to apply for protection of their designs in the States party to the Hague Agreement and to export their products to those States. International deposits therefore assist domestic manufacturers and traders who are export-oriented.

5.367 The manufacturers and traders in other States party to the Hague Agreement are, in turn, able to protect their designs more easily in a State which has acceded to the Agreement and thus have more incentive to export their products to that State. The result is a growth in trade and an increased likelihood of new industrial and commercial activities being set up on the territory of the new member State, thus promoting its economic development.

5.368 A part of the fees paid by depositors is distributed each year, by the International Bureau, to the competent authorities of the States party to the Hague Agreement.

5.369 The Offices of the Contracting States have no specific tasks in the implementation of the Hague Agreement, except in those cases where the domestic or regional legislation of the State permits or requires the international deposit to be effected through them or lays down a novelty examination for deposited designs.

5.370 A list of States party to the Hague Agreement Concerning the International Deposit of Industrial Designs is to be found in the appropriate document inserted in the back flap of this volume. Further information concerning the system of international deposit of industrial designs,

including the updated list of Contracting States and the fees, the latest annual statistics and the full texts of the Agreement, Regulations and Administrative Instructions, is also available on WIPO's website (www.wipo.int) under the heading "Hague system."

The Geneva Act of the Hague Agreement

5.371 By 1990, only 29 countries were party to the Hague Agreement. Absent from it were several countries active in the field of industrial designs, such as Japan, the United Kingdom, the United States of America and the Scandinavian countries. Moreover, only around 4,000 international deposits were filed each year. For these reasons, a Diplomatic Conference was held in June/July 1999 in order to conclude a new Act of the Hague Agreement, aimed at making the system more responsive to the needs of users and facilitating adherence by countries whose industrial designs systems do not permit them to accede to the 1960 Act. This latest Act, known as the Geneva Act, will introduce into the Hague system a number of new features, including:

- the possibility for a Contracting Party to declare that the standard time limit of six months allowed for it to refuse protection shall be replaced by 12 months;

- the possibility for an applicant to request deferment of publication of his designs for up to 30 months; however, a Contracting Party may declare that, where it is designated, the period of deferment will be of a lesser duration (specified in the declaration), or to declare that, where it is designated, the request for deferment shall be disregarded; in the latter case, the design will be published six months after the date of the international registration unless the application requests immediate publication;

- the possibility, where the design is two-dimensional and deferment of publication is requested, of filing specimens of the design instead of reproductions;

- the possibility for a Contracting Party to opt to receive, instead of a standard designation fee fixed in the schedule of fees, an individual fee whose amount is fixed by that Contracting Party but may not be higher than the amount it would receive in respect of a grant of protection at the national level; where, in the national system, there are separate fees for application and grant, the individual fee may similarly be payable in two parts;

- while normally it is possible to designate the applicant's own country, a Contracting Party may close this option, thereby avoiding the risk that it is overwhelmed by applications from its own nationals coming via the international route in English or French;

- in addition, provision is made for a Contracting Party to notify a number of special requirements concerning such matters as the mandatory contents of the application, the required number of reproductions of the design, unity of design or the entitlement of an applicant to file the application.

5.372 Furthermore, the Geneva Act provides for accession not only by States but also by any intergovernmental organization which maintains an Office in which protection of industrial designs may be obtained with effect in its territory.

5.373 Article 33(2) of the Geneva Act provides for it to remain open for signature for one year after its adoption. At the expiry of this period, 29 States had signed the treaty. According to Article 28(2), it will enter into force three months after six States have ratified or acceded, provided

that three of them have a certain minimum level of activity (specified in that provision) in the field of industrial designs.

The Trademark Law Treaty (TLT)

Introduction

5.374 The Trademark Law Treaty was adopted on October 27, 1994, at a Diplomatic Conference in Geneva. The purpose of the Trademark Law Treaty is to simplify and harmonize the administrative procedures in respect of national applications and the protection of marks. Individual countries may become party to the Treaty, as well as intergovernmental organizations which maintain an office for the registration of trademarks with effects in the territory of its member States, such as the European Union (EU) and the African Intellectual Property Organization (OAPI). The provisions of the Treaty are supplemented by the Regulations and Model International Forms. The Treaty does not deal with the substantive parts of trademark law covering the registration of marks. The Treaty entered into force on August 1, 1996.

Provisions of the Treaty and the Regulations

Marks to Which the Treaty Applies

5.375 According to Article 2, the Treaty applies to marks for goods and services. Not all countries currently register service marks and an effect of accession by a country to the Treaty is, therefore, that the country will be obliged to register such marks. In addition, such a country is also obliged, according to Article 16, to apply the provisions of the Paris Convention which concern trademarks to service marks.

5.376 Collective marks, certification marks and guarantee marks are not covered by the Treaty, since the registration of these marks normally requires the fulfillment of special, vastly varying conditions in the different countries, which would make harmonization particularly difficult. Holograms and non-visible signs, such as sound marks and olfactory marks are also excluded from the scope of application, because they are not easily reproduced by graphic means and because only very few countries provide for the protection of these marks in their national law.

5.377 A registrable mark must consist of visible signs, and, as far as three-dimensional marks are concerned, only those countries that accept three-dimensional marks for registration are obliged to apply the Treaty to such marks.

Applications

5.378 Article 3 of the Treaty contains an exhaustive list of information which may be required by an Office in respect of an application for the registration of a trademark. Such indications are, for example, the name and address of the applicant and of the representative, if any, a declaration of priority if priority of an earlier application is claimed, one or more reproductions of the mark depending on the colors or dimensions of the mark, names of the goods or services for which registration is sought grouped according to the classes of the Nice Classification, or a declaration of

intention to use the mark or of actual use. No Office may require other information than that referred to in the Treaty, such as an extract from a Commercial Register, an indication that the applicant is carrying out an industrial or commercial activity or that the applicant is carrying out an activity corresponding to the goods or services listed in the application.

5.379 The same application may relate to several goods or services. According to Article 6 of the Treaty, the Office must accept the application irrespective of whether the goods or services belong to several classes of the Nice Classification. In this case the application must lead to a single registration.

5.380 An Office cannot refuse an application in writing on paper if it is on a form corresponding to the model application form contained in the Regulations or, where the transmittal of communications to the Office by facsimile link is allowed, the paper copy resulting from such transmittal corresponds to the application form.

Representation

5.381 Article 4 of the Treaty allows a Contracting Party to require that the representative of an applicant or a holder be a representative admitted to practice before its Office, and that a person with neither a domicile nor a real and effective industrial or commercial establishment on its territory be so represented. According to this provision the power of attorney may relate to several existing or future applications or registrations.

Filing Date

5.382 The grant of a filing date is essential in view of the rights which come into existence on that date, and in view of the possibility of claiming a right of priority effective from the said date in respect of successive applications in other countries. Article 5 of the Treaty provides for the maximum information that an Office may require for the grant of a filing date. These include the identification of the applicant, information sufficient to contact the applicant or his representative, a reproduction of the mark, a list of the goods and services for which registration is sought, etc. In addition, for granting a filing date, an Office may require the payment of a fee if the national trademark law applied this condition before that country adhered to the Treaty.

Division of the Application and of the Registration

5.383 If registration of a trademark is refused in respect of certain goods or services, Article 7 of the Treaty provides that the applicant can divide the application in order to avoid any delay in obtaining registration for the trademark on the goods or services that have not been refused, and still keep the filing date of the initial application or the priority date, if any. At the same time the applicant may proceed with an appeal regarding the application concerning the goods or services which have been refused.

5.384 The same option of division is recognized for registrations whose validity is disputed by a third party, or in the course of any appeal against a decision taken by the Industrial Property Office in connection with such a procedure.

Signature

5.385 Article 8 of the Treaty contains provisions in respect of the signature and other means allowing the identification of the source of a communication such as the filing of an application to the Office, in particular where the transmission of the communication is by facsimile or electronic

means. Instead of a handwritten signature, the Office may accept a printed or stamped signature or the use of a seal. Of special importance is the prohibition of requirements for the attestation, notarization, authentication, legalization or other certification of the signature, except where the signature concerns the surrender of a registration, if such an exception is prescribed in the national law.

Changes and Corrections Concerning Applications and Registrations

5.386 The Treaty sets forth in Articles 10 and 11 the requirements that apply to requests for changes in name, address and ownership to be recorded. Article 12 contains the maximum requirements that an Office may request for the correction of mistakes made by an applicant or holder in any communication to the Office, which is reflected in the register. The provisions in Articles 10 to 12 apply equally to changes or corrections in respect of applications and registrations. These provisions provide that a single request is sufficient even where the changes or corrections relate to several applications or registrations or to both. The request must clearly identify the present relevant information held by the Office and the changes or corrections requested. The Office may not ask for further information than that mentioned in the Treaty, except where the Office may reasonably doubt the veracity of the information received, for example if it suspects that a change in name and address is in fact a change in ownership. In particular, the Office is not allowed to require the furnishing of any certificate concerning the change of a name or address, evidence to the effect that the new owner carries on an activity corresponding to the goods or services affected by the change in ownership, or that the holder transferred his business to the new owner.

5.387 In case of a request for a change in ownership to be recorded the Office may, according to Article 11, require a certified copy or extract of the contract, a certificate of transfer and a document of transfer. Where the change in ownership results from a merger or from an operation of law or a court decision, for example in case of inheritance or bankruptcy, the Office may require that the request be accompanied by a certified copy of a document evidencing the change in ownership.

5.388 A mistake made by the Office must be corrected *ex officio* or on request.

Duration and Renewal of Registration

5.389 Article 13 of the Treaty provides for a duration of 10 years for the initial period of registration of the trademark with a possibility of renewal for further ten-year periods. With respect to renewal, the provision enumerates the maximum requirements that an Office can impose. These correspond to those in respect of the filing of an application. In particular, the Office may not, for the purposes of effecting the renewal, examine the registration as to the substance or request a reproduction of the mark or the furnishing of evidence concerning use of the mark.

Other Provisions in the Treaty

5.390 Where it is intended to refuse a request for a change of name, address and ownership, for the correction of a mistake or for renewal to be recorded, the Office must, according to Article 14, give the requesting party an opportunity to make observations on the intended refusal within a reasonable time limit.

5.391 In general, where the Treaty sets forth the maximum requirements that an Office may request in respect of applications, representation, renewal, etc., the Office is entitled to require further information if it may reasonably doubt the veracity of the information received.

5.392 The Treaty further allows an Office to request that any filing or communication to be registered must be submitted in the language, or in one of the languages, admitted by the Office.

Compliance with other Conventions

5.393 The Trademark Law Treaty contains no obligations for a Contracting Party to be party to other international conventions. However, it provides in Article 15 that Contracting Parties must comply with the provisions in the Paris Convention which concern marks. It follows from Article 3 concerning the filing of an application that Contracting Parties must ensure that the Nice Classification is applied in respect of the grouping of the names on goods and services in the application.

Regulations and Model International Forms

5.394 The provisions of the Treaty are supplemented by the Regulations, which provide rules concerning details useful in the implementation of the provisions on administrative requirements and procedures according to the Treaty. The rules apply to the requirements in respect of applications, representation, filing date, signature, duration, renewal, the manner of indicating names and addresses and the identification of an application without its application number. The rules prescribe, for example, the number of reproductions of the mark that should accompany the application, time limits concerning the payment of fees and other communications to the Office such as the filing of the power of attorney, invitation to make corrections in case of non-compliance, etc.

5.395 The Regulations also contain eight Model International Forms which concern the filing of an application, the requests for renewal, for changes of name, address and ownership to be recorded, correction of mistakes, appointment of a representative, certificates of transfer and transfer documents. In cases where the request of information is not required under national law but nevertheless permitted according to the Treaty, for example in respect of an application, the Office may prepare an "Individualized International Form." This form must not contain mandatory requirements additional to or contrary to the Treaty or the Regulations. By using the Model International Forms or the Individualized International Forms, applicants and other parties are assured that no Office of a Contracting Party can refuse an application or a request on the basis of the forms.

Transitional Provisions

5.396 The transitional provisions of the Treaty allow a Contracting Party to postpone the conformity of its national trademark law with the Treaty at the latest by October 28, 2004, in respect of, for example, the multiple class application system, prohibition of requirements concerning certification of signature of an application and a power of attorney, and concerning furnishing of a declaration and/or evidence of use on the occasion of renewal of a trademark registration, and concerning substantive examination on the occasion of renewal.

5.397 A list of States which have signed the Trademark Law Treaty is to be found in the appropriate document inserted in the back flap of this volume.

The Patent Law Treaty (PLT)

Introduction

5.398 The Patent Law Treaty (PLT) was adopted on June 1, 2000 at a Diplomatic Conference in Geneva. The purpose of the PLT is to harmonize and streamline formal procedures in respect of national and regional patent applications and patents. With a significant exception for the filing date requirements, the PLT provides maximum sets of requirements which the Office of a Contracting Party may apply: the Office may not lay down any additional formal requirements in respect of matters dealt with by this Treaty.

5.399 Any State which is party to the Paris Convention for the Protection of Industrial Property or which is a member of WIPO may become party to the PLT. In addition, any intergovernmental organization may become party to the Treaty if the following conditions are fulfilled: (i) at least one of the Member States of the organization is party to the Paris Convention or a member State of WIPO; (ii) the organization has been duly authorized to become party to the Treaty in accordance with its internal procedures; (iii) the organization is competent to grant patents with effect for its member States, or it has own legislation binding on all its member States concerning matters covered by the Treaty and has, or has designated, a regional Office for the purpose of granting patents.

Provisions of the Treaty and the Regulations

Applications and Patents to Which the Treaty Applies

5.400 According to Article 3, the Treaty applies to national and regional applications that are applications for patents for invention, applications for patents of addition and divisional applications for patents for invention or for patents of addition. These terms are to be construed in the same sense as the corresponding terms in Article 2(i) of the Patent Cooperation Treaty (PCT). The PLT also applies to international applications for patents for invention and for patents of addition filed under the PCT once the international applications have entered into the "national phase." It also applies to the time limits for the entry of international applications into the national phase under PCT Articles 22 and 39(1).

5.401 As regards patents, the Treaty applies to all patents for invention, and to patents of addition, that have been granted by the Office of a Contracting Party or by another Office on behalf of that Contracting Party.

Filing Date Requirements

5.402 The grant of a filing date is essential to deciding who has priority for the grant of a patent in each country and to determining prior art and the patentability of the invention. It is also relevant to claiming a right of priority under the Paris Convention as well as to the calculation of the term of patent protection.

5.403 Article 5 of the Treaty sets up requirements for obtaining a filing date and procedures to avoid loss of the filing date because of a failure to comply with other formality requirements. In

principle, the Office of any Contracting Party shall accord a filing date to an application on the basis of three elements. These are: (i) an indication that what was filed is intended to be a patent application; (ii) indications which identify the applicant and/or allow the applicant to be contacted; and (iii) a part which on the face of it appears to be a description. A Contracting Party may, however, accept evidence that establishes the identity of, or allows a contact to, the applicant in the place of indications referred to in (ii) above, or accept a drawing in the place of a part referred to in (iii) above. Further, for the purpose of obtaining a filing date, an applicant may file a description in any language, although he/she may need to file a translation later.

5.404 Article 5 also provides for the rules to establish a filing date where a part of the description or drawing is missing from the initially filed application, or where the descriptions and/or drawings are replaced by a reference to another application.

Standardized Application and Forms

5.405 The Treaty establishes a single internationally standardized set of formal requirements for national and regional applications. In order to avoid having international "double standards," the formal requirements in respect of international applications under the PCT are incorporated into the PLT, wherever appropriate.

5.406 First, in accordance with Article 6(1), the requirements relating to the form or contents of international applications under the PCT, both concerning the international phase and the national phase, are incorporated by reference into the PLT, with minor exceptions. Second, the contents of the "request" of an international application under the PCT are also incorporated by reference into the PLT (Article 6(2)(a)). Third, Rule 3(2) provides that a Contracting Party shall accept request forms that are based on the PCT request form.

5.407 In addition to the request form, the Treaty provides for the establishment of several additional Model International Forms that have to be accepted by all Offices of Contracting Parties (Article 8(3)). These Forms, which will be established by the Assembly, relate to the following communications (Rule 20(1)): (i) a power of attorney; (ii) a request for recordation of change in name or address; (iii) a request for recordation of change in applicant or owner; (iv) a certificate of transfer; (v) a request for recordation, or cancellation of recordation, of a license; (vi) a request for recordation, or cancellation of recordation, of a security interest; and (vii) a request for correction of a mistake. By using the Model International Forms, that is, filling in a single form and filing it with any Office of a Contracting Party, applicants and other parties are assured that no Office may refuse the communication on the basis of non-compliance with formality requirements.

Simplified Procedures Before the Office

Restriction on Mandatory Representation

5.408 The Treaty allows a Contracting Party to require that an applicant, owner or other interested person appoint a representative for the purposes of any procedure before the Office, except for certain procedures (Article 7(2)). These procedures are: (i) the filing of an application for the purposes of the filing date; (ii) the mere payment of a fee; (iii) the filing of a copy of an earlier application for the purpose of establishing a filing date where a part of the description or a drawing has been missing from the initial filing; (iv) the filing of a copy of a previously filed application for the purpose of establishing a filing date where the description and any drawings have been replaced by a reference; (v) the issue of a receipt or notification by the Office in respect of any procedure under (i) to (iv). Although an applicant or owner may carry out these procedures vis-à vis patent Offices in foreign countries without engaging any representative, in accordance with

Article 8(6) and Rule 10(2), a Contracting Party may require that the applicant or owner nevertheless provide an address for correspondence and/or for legal service on the territory of that country.

Restriction on Requiring Evidence

5.409 In order to reduce any unnecessary burden on applicants, the PLT provides that evidence in support of formal contents of an application, declarations of priority or the authentication of translations may only be required where the Office has a reasonable doubt as to the veracity of the indications or the accuracy of the translation submitted by the applicant (Article 6(6)). Such a limitation with respect to evidence is also applicable to the indications contained in other communications such as a power of attorney (Rule 7(4)), a request for recordation of change in name or address (Rule 15(4)) etc.

5.410 However, with regard to a request for the recording of a change of applicant or owner or a request for recording, or cancellation of the recording, of a license or a security interest, the PLT expressly allows a Contracting Party to require limited documentation supporting the fact of such change or license, as the case may be.

5.411 As regards signature, a Contracting Party may require evidence only where the Office has a reasonable doubt as to its authenticity (Article 8(4)(c)). Otherwise, the Office cannot require any attestation, notarization, authentication, legalization or other certification of a signature (Article 8(4)(b)), except in the case of so called "digital signatures" (Rule 9(6)).

Restriction on Requirements to Submit a Copy of an Earlier Application and Translation thereof

5.412 Rule 4(3) prohibits a Contracting Party to require a copy or a certified copy of the earlier application or the previously filed application if such earlier application or previously filed application has been filed with the Office of that Contracting Party. The same applies to the cases where the Office could obtain the copy or the certification from other Offices through a digital library which is accepted by that Office for that purpose. Further, Rule 4(4) provides that the Office may require a translation of the earlier application only where the validity of the priority claim is relevant to the determination of whether the invention concerned is patentable.

Single Communication

5.413 The PLT allows an applicant or owner to consolidate a number of similar requests in one communication under certain circumstances (Rule 7(2)(b)). For example, a Contracting Party shall accept a single power of attorney if it relates to one or more applications and/or patents of the same person.

Avoiding Loss of Rights

5.414 The Treaty provides procedures for the avoidance of unintentional loss of rights as a result of failure to comply with formality requirements.

Relief in Respect of Time Limits and Reinstatement of Rights

5.415 The PLT provides three types of relief procedures. The first is an extension of the time limit, for at least two months, where an applicant or owner requests the extension *prior to* the expiration of the time limit (Article 11(1)(i)). The second is an extension of the time limit, for at least two months, where an applicant or owner requests the extension *after* the expiration of the unobserved

time limit (Article 11(1)(ii)). The third is continued processing (Article 11(2)). A Contracting Party is not obliged to provide the first type of extension. However, it is obliged to provide either the second type of extension or continued processing, if the circumstances meet the requirements under the Treaty and the Regulations. Relief under these provisions is limited to non-compliance with a time limit fixed by the Office for an action in a procedure before the Office. It does not apply to time limits fixed by legislation.

5.416 The PLT also provides safeguard provisions if an applicant or owner fails to meet a time limit and, as a consequence, loses his rights with respect to an application or patent unintentionally or in spite of all due care required by the circumstances (Article 12). Reinstatement of rights shall be granted if a request to that effect is made, and all the relevant requirements are complied with, within a time limit of not less than two months from the date on which the reason of the non-compliance with the time limit is removed, or of not less than 12 months from the expiration of the missed time limit, whichever is shorter (Rule 13(2)). In contrast to the relief in respect of time limits, reinstatement of rights is applicable to all time limits, including time limits set by legislation.

Correction and Addition of Priority Claim and Restoration of Priority Right

5.417 As in the case of international applications under the PCT (PCT Rule 26*bis*), Article 13(1) and Rule 14(1) to (3) provide for the possibility of addition and correction of priority claims for national/regional applications.

5.418 The PLT also provides for a remedy for the loss of a priority right due to unintended non-compliance with related time limits in two cases. The first is, where an application is filed after the expiration of the 12-month priority period, under certain conditions, an applicant is entitled to the restoration of the priority right if the failure to claim a priority within 12 months occurred in spite of all due care taken by the applicant, or was unintentional and the circumstances meet certain conditions (Article 13(2)). The application has to be filed, and a request for restoration made, within a time limit, which must not be less than two months from the date on which the priority period expired, but before the completion of any technical preparation for publication of the application.

5.419 The second is, where an applicant cannot submit a copy of an earlier application within 16 months from the priority date because of a delay in the Office with which the earlier application was filed, in order to safeguard the applicant in such cases, Article 13(3) and Rule 14(6) and (7) provide for restoration of priority rights.

Paper and Electronic Communication

5.420 The goal of the PLT concerning paper and electronic filing is to facilitate the implementation of electronic filing of applications and other communications, to the advantage of both Offices and their users, while ensuring the co-existence of both paper and electronic communications at the global level. The principle under the PLT is that any Contracting Party is neither obliged to accept the filing of communications in electronic form or by electronic means (Article 8(1)(b)) nor obliged to exclude the filing of communications on paper (Article 8(1)(c)).

5.421 Rule 8(1) provides that, in general, all Contracting Parties shall permit the filing of applications and communications on paper until June 2, 2005. After that date, a Contracting Party may implement full electronic filing (and so exclude paper filing), or it may continue to accept paper. However, even after June 2, 2005, applicants will be allowed to file applications and communications on paper in all Offices for the purposes of acquiring a filing date and complying with a time limit.

Advantages of the PLT

5.422 From the viewpoint of inventors, applicants and patent attorneys, standardization and simplification of the formality requirements lead to a reduced risk of formality errors, and thus will result in a less frequent loss of rights as well as in cost reductions. They may rely on a familiar set of patent formalities in all countries party to the PLT, since the PCT provisions regarding form or content of an international application, which are incorporated by reference into the PLT, are known to applicants and patent attorneys of many countries. Further, due to the possibility of correcting formality defects before the Offices and to the introduction of various procedures tending to avoid the loss of rights, they may face a reduced risk of loss of rights through failure to comply with formality requirements.

5.423 On the other hand, by eliminating unnecessarily complex procedures and streamlining the whole process, Offices may operate more efficiently, and therefore reduce their costs.

Treaties on Classification

Introduction

5.424 As early as the nineteenth century, it was recognized that in all the major fields of industrial property — patents, trademarks and industrial designs — it was essential to create classification systems. The reasons were, immediately, administrative order for handling and registration within national industrial property offices, and, progressively thereafter, organized documentation to create conditions for easier retrieval, examination and other search procedures, and the need for harmonization on an international scale, in order to facilitate and further promote growing international cooperation in these fields.

5.425 Although the International Patent Classification (IPC) was among the later classification agreements to be signed, it is dealt with below as the first, to reflect its particular worldwide importance, its long antecedents and the volume of documentation that it has generated.

The Strasbourg Agreement Concerning the International Patent Classification

Introduction

5.426 The industrial property offices, which have to handle such enormous numbers of patent documents, are faced with two different problems, namely, the administrative processing of the patent applications and the maintenance of the search files containing the published patent documents. The search files are established for the purposes of carrying out documentary searches necessary for the examination of patent applications and for retrieving the documents relevant to specific technical fields. Special systems for arranging the patent documents are required to permit the economical handling of patent applications and patent documents within the offices, and the greater the number of patent documents, the better the system has to be.

5.427 On the one hand, patent applications have to be provided with a symbol or number for administrative purposes, that is, for registration and handling within an industrial property office. For this purpose a serial number is usually used. On the other hand, patent applications also have to be provided with special symbols which relate to the technical field or fields to which the patent application relates. These symbols are required to assist the public concerned, for example industry, and also to facilitate the orderly and classified arrangement of patent documents in order to permit searching and thereby the retrieval of documents relating to distinct technical subject matter. The development of such special classification systems for patent documents became necessary because existing classifications systems, as used in libraries for instance, proved unsuitable for the classification of patent documents. Different national classification systems were thus elaborated in different offices.

5.428 National classification systems were established as early as in 1831 at the Patent Office of the United States of America, in 1877 at the German Patent Office and in 1880 at the United Kingdom Patent Office. The initial system of mere registration of patent applications was gradually abandoned and replaced by examination of patent applications, in the course of which the patent applications were compared with existing national patent documents. The next step was the inclusion of the universal state of the art in the area covered by the examination of patent applications, in other words, the inclusion also of patent documents published by other countries. For the purpose of this type of examination procedure, the industrial property offices were obliged to search for distinct patent documents dealing with specific technical subjects, and to locate them among a great number of foreign patent documents bearing the symbols of other national classification systems.

5.429 One attempt at overcoming this problem was to establish concordance tables between two different national classification systems. But different concordance tables had to be set up between, on the one hand, a country's own national classification and, on the other hand, each of the other national classifications that were of interest. This method did not therefore offer an acceptable solution.

5.430 Another possibility for overcoming this problem was for each country to reclassify the foreign patent documents according to its own national classification. This also proved to be an unacceptable solution because of the high number of documents which would have to be reclassified, the specialists required for such high-level technical work and the linguistic knowledge required for work with foreign-language patent documents. Thus, the need for an international classification system to solve these problems became more and more apparent.

5.431 Many years of international cooperation, which started in 1956 under the auspices of the Council of Europe and the World Intellectual Property Organization (WIPO), resulted in 1971 in the Strasbourg Agreement Concerning the International Patent Classification, and provided a worldwide forum for the International Patent Classification (IPC). It entered into force on October 7, 1975.

Basic features of the IPC and its Utilization

5.432 The IPC is based on an international multilateral treaty administered by WIPO. This Classification subdivides technology into 8 sections, 20 subsections, 118 classes, 624 subclasses and over 67,000 groups (of which approximately 10% are "main groups" and the remainder are "subgroups"). Each of the sections, classes, subclasses, groups and subgroups has a title and a symbol, and each of the subsections has a title. The symbol or symbols of at least the subclass or subclasses to which the technical invention described in any patent document belongs are indicated generally on the patent document by the industrial property office of the country where the

application is filed. Thus, the document is retrievable according to its subject matter, with the help of the IPC.

5.433 The IPC exists in two authentic versions, English and French, which are published by WIPO; complete texts of the sixth edition of the IPC have however been prepared and published in the Chinese, Czech, German, Hungarian, Japanese, Korean, Polish, Russian and Spanish languages among others. The extent to which the IPC is used is reflected in the figures given in the relevant document inserted in the back flap of this volume.

5.434 Since 1992, WIPO, in cooperation with certain national Patent Offices, has made available the IPC:CLASS (International Patent Classification Cumulative and Linguistic Advanced Search System) CD-ROM, which contains all IPC editions in the authentic (English and French) versions. IPC:CLASS also contains several editions of the IPC in other languages. IPC:CLASS is a search tool that makes it possible to identify the relevant places in different editions of the IPC without having to resort to voluminous printed publications.

The IPC Assembly and the Committee of Experts

5.435 On becoming party to the Strasbourg Agreement, a country automatically becomes a member of the IPC Union Assembly, which meets in ordinary session once every two years. The Assembly's most important task is the adoption of the Union's program and budget. In a more general way, it deals with all matters concerning the development of the Union.

5.436 The revision of the IPC itself, to keep it up to date, is effected by an Intergovernmental Committee of Experts, of which all States party to the Agreement are members. The Committee of Experts, taking note of the fact that the IPC is a means for obtaining an internationally uniform classification of patent documents, has agreed that:

"as the primary purpose, the IPC is to be an effective search tool for the retrieval of relevant patent documents by industrial property Offices and other users in order to establish the novelty and evaluate the inventive step (including the assessment of technical advance and useful results or utility) of patent applications." It also serves as:

"- an instrument for the orderly arrangement of patent documents in order to facilitate access to the information contained therein;

- a basis for selective dissemination of information to all users of patent information;

- a basis for investigating the state of the art in given fields of technology;

- a basis for the preparation of industrial property statistics which in turn permit the assessment of technological development in various areas."

5.437 A list of States party to the Strasbourg Agreement Concerning the International Patent Classification is to be found in the appropriate document inserted in the back flap of this volume.

The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks

Introduction

5.438 The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks is a multilateral international treaty signed on June 15, 1957. It entered into force on April 8, 1961, was revised at Stockholm on July 14, 1967, and at Geneva on May 13, 1977 (the text resulting from this latter revision is referred to hereinafter as "the Geneva Act"). This exposé is based on the provisions of the Geneva Act.

5.439 The International Classification Under the Nice Agreement comprises:

- a List of Classes, accompanied, where appropriate, by explanatory notes; the list comprises 34 classes of goods and eight classes of services;

- an Alphabetical List of Goods and Services (hereinafter referred to as "the Alphabetical List"), giving the class in which each product or service is classified.

5.440 The Nice Classification exists in both English and French authentic texts. There are also official texts or official translations of the Classification in Chinese, Croatian, Czech, Danish, Dutch, German, Italian, Japanese, Lithuanian, Macedonian, Norwegian, Polish, Portuguese, Russian, Slovene, Spanish and Swedish.

Legal Scope and Application of the Nice Classification

5.441 Under Article 2(3) of the Nice Agreement, the countries of the Nice Union are required to include, in the official documents and publications concerning the registrations of marks, the numbers of the classes of the Classification to which the goods or services for which the mark is registered belong.

5.442 The effect of the Nice Classification is that given to it by each Nice Union country. For example, the classification does not bind the Nice Union countries either as regards evaluation of the extent of protection of a mark or the recognition of service marks (Article 2(1)).

5.443 Furthermore, Article 2(2) of the Nice Agreement provides that each of the Nice Union countries will reserve the right to use the Nice Classification either as a principal system or as a subsidiary system. This means that the Nice Union countries are free to adopt the Nice Classification of Goods and Services as the sole classification to be used for the purposes of registration of marks, or to keep an existing national system of classification of goods and services and to use the Nice Classification as a supplementary classification which will also be shown in the official publications of marks.

5.444 Finally, Article 2(4) of the Nice Agreement stipulates that the fact that a term is included in the Alphabetical List of Goods and Services of the Nice Classification in no way affects any rights which may subsist in that term.

The Nice Union Assembly and the Committee of Experts

5.445 On becoming party to the Nice Agreement, a country automatically becomes a member of the Nice Union Assembly. The Assembly meets in ordinary session once every two years. It deals with all matters concerning the maintenance and development of the special Union and the implementation of the Nice Agreement. In particular, it determines the program and adopts the budget of the Union.

5.446 Each country party to the Nice Agreement is also represented in the Committee of Experts set up by the Agreement. The Committee of Experts:

- decides on any changes to be made to the Classification;

- addresses recommendations to the countries of the special Union for the purpose of facilitating use of the Classification and promoting its uniform application;

- takes any other measures which, without financial implication for the budget of the special Union or of the Organization, are such as to facilitate application of the Classification by the developing countries;

- is empowered to set up subcommittees and working groups.

5.447 In practice, the proposed changes to the Nice Classification are examined by such subcommittees or working groups and have then to be adopted by the Committee of Experts for incorporation in the Classification.

5.448 Membership of the Nice Union therefore enables countries to participate actively in the periodical reviews of the Nice Classification and to adapt it as far as possible to technical developments and to national interests.

Utilization and Updating of the Nice Classification

5.449 In addition to the countries party to the Nice Agreement, many others use the Nice Classification, bringing the number of users to well over 100 countries.

5.450 A Trademark Classification Service has been set up at the International Bureau of WIPO. Its aim is to give advice in classification to anyone so requesting. The requester may be just as well the national Office of any country, an agent, an individual or a private undertaking. This service is particularly useful where it is necessary to classify new products or products that are not specifically named in the Alphabetical List and may, therefore, raise difficulties in classification.

5.451 The Nice Classification has to be kept constantly up to date. It must be borne in mind that the first full draft of the Alphabetical List was produced in 1935. An amended draft was adopted at the Nice Diplomatic Conference in 1957. During all those years, numerous products shown in the first Alphabetical List have disappeared from the market, whereas numerous other products have appeared. For instance, new plastic goods have appeared, as have the laser, the computer and text-processing systems, which have completely revolutionized traditional ways of working. All these new products have to be incorporated in the Alphabetical List and the products that are no longer marketed must be removed. The updating of the Nice Classification is carried out by the Committee of Experts composed of representatives of the countries party to the Nice Agreement (see paragraphs 5.434 to 5.436 above).

5.452 The Committee of Experts meets regularly every five years at the invitation of the Director General of WIPO. The Committee of Experts decides on the amendments to be made to the Alphabetical List, on the wording of the class headings and the relevant explanatory notes and on the general remarks preceding the list of classes.

5.453 The amendments to the Alphabetical List may take the following forms:

- deletion of an item shown in the Alphabetical List. This is done particularly in those cases where the product can no longer be found on the market or where a more generic term covers the product in question;

- addition of a product to the Alphabetical List. Products added to the Alphabetical List are above all new articles that have appeared on the market between sessions of the Committee of Experts;

- amendment of the wording of an item in the Alphabetical List. It is sometimes necessary to detail the existing wording by adding the function or purpose of a product, or to distinguish between homonyms that are to be classified differently;

- transfer of a product from one class to another. Although such a change is quite rare, it is nevertheless necessary on occasion to carry out this operation.

5.454 The wording of the class headings and of the explanatory notes is also constantly reviewed in order to improve the definition of the content of each class, and to adapt it to changes in trade and industry.

5.455 Countries that are not party to the Nice Agreement, intergovernmental organizations that specialize in marks and also representatives of international non-governmental organizations, may be invited by the Director General of WIPO to send observers to meetings of the Committee of Experts.

5.456 In practice, the updating of the Nice Classification takes place as follows: to begin with, the International Bureau invites the member countries of the Nice Union to send to it any proposed changes to the Classification that they would like the Committee of Experts to consider; subsequently, the International Bureau prepares a document, on the basis of the proposals received, which it sends to the member countries of the Preparatory Working Group for examination. When they meet, the members of the Preparatory Working Group submit their observations and decide on the recommendations to be made to the Committee of Experts, that is, on which of the proposals they recommend accepting, on which should be rejected or on how they should be amended before acceptance. Owing to the fact that the number of countries represented on the Preparatory Working Group is relatively small, the work progresses more rapidly than would be the case in the Committee of Experts. The Committee of Experts is therefore able to work on proposals for amendments that have already been discussed and should not lead to protracted debate.

5.457 The States party to the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks are listed in the appropriate document to be found inserted in the back flap of this volume.

The Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks

Introduction

5.458 The Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks was adopted on June 12, 1973, by a Diplomatic Conference held in Vienna, Austria. The Agreement entered into force on August 9, 1985.

Basic Features of the Agreement

5.459 The Agreement is closely aligned with other instruments, particularly the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, of June 15, 1957, and the Strasbourg Agreement Concerning the International Patent Classification, of March 24, 1971.

5.460 As with the above-mentioned Agreements, the Vienna Agreement has established, under the Paris Convention for the Protection of Industrial Property, a special union (hereinafter referred to as "the Union") which uses a common classification for the figurative elements of marks (hereinafter referred to as "the International Classification"). A large number of trademarks and service marks contain such figurative elements and the Classification makes it possible to identify marks composed of elements that are alike or similar.

5.461 The International Classification is defined in the Agreement as comprising "a list of categories, divisions and sections in which the figurative elements of marks are classified, together with, as the case may be, explanatory notes." The authentic copy, in English and French, of the International Classification is at present deposited with the Director General of WIPO. German and Spanish versions have been drawn up by the International Bureau.

5.462 The main aim of the International Classification being to facilitate anticipation searching, it has no effect, pursuant to the Agreement itself, on the scope of protection afforded to a mark. However, States are at liberty to give the Classification the legal scope they wish, beyond the simple administrative scope afforded to it by the Agreement.

5.463 The Union States may use the International Classification either as a principal or as a subsidiary system. In other words, they are free to consider the International Classification as the sole classification to be used or to use it at the same time as a national classification.

5.464 The responsible Offices of the Union countries are required, by the Agreement, to include in the official documents and publications relating to registrations and renewals of marks the numbers of the categories, divisions and sections in which the figurative elements of those marks have been placed. However, this requirement is not retroactive to the extent that the Offices of the countries party to the Agreement are not required to classify figurative marks registered prior to entry into force of the Agreement for their territory; on the other hand, they have to be classified as and when the registration of such marks is renewed.

5.465 The numbers of the categories, divisions and sections given in the official documents and publications relating to registrations must be preceded by the words "Classification of Figurative Elements" or the abbreviation "CFE", determined by the Committee of Experts (see paragraph 5.458 below).

5.466 The Agreement permits the member countries to reserve the possibility of not applying the International Classification (or not applying wholly) as far as the finest subdivisions are concerned, that is to say the sections. This provision is of importance particularly for those Offices that only register a small number of marks.

5.467 The International Classification contains not only the sections required to place all figurative elements. It also contains auxiliary sections intended for figurative elements that are already covered by main sections, but which it is considered useful to group according to a particular criterion in order to facilitate searching.

5.468 Otherwise, the countries party to the Agreement are required to apply the International Classification as it stands. They may not, for example, change the content or number of categories, divisions or sections, group together varying sections to form a single one or create new sections, whether main or auxiliary.

5.469 Since it is not possible to directly place obligations on intergovernmental organizations, the Agreement provides that, if a country party to the Agreement entrusts the registration of marks to an intergovernmental authority, it must take all possible measures to ensure that such authority uses the International Classification in accordance with the Agreement. Once it has done so, such an authority would be in the same situation, as far as application of the International Classification is concerned, as a national Office. In particular, it would have the same possibility of entering the reservation referred to above.

5.470 The Agreement has established a Committee of Experts to make amendments and additions, as required by changes in technology and trade or as dictated by experience, to the International Classification. This Committee of Experts is made up of representatives of the Union countries and, in addition to its revision work, described above, has the task of facilitating the use of the Classification — particularly by the developing countries — and of promoting its uniform application. The intergovernmental organizations specialized in the field of marks, as also other intergovernmental organizations or non-governmental organizations, may be represented as observers if so decided by the Committee of Experts or the Director General.

5.471 The amendments and additions made by the Committee of Experts, together with its recommendations, are notified by the International Bureau of WIPO to the competent Offices in the Union countries, and enter into force six months after notification; they are contained in an authentic copy deposited with the Director General of WIPO. Additionally, the International Bureau of WIPO incorporates the amendments and additions in the Classification and publishes them in the periodicals designated by the Assembly of the Union.

Advantages of the International Classification

5.472 The internationalization of industrial, technical and commercial relations demands the creation of uniform tools of work in the industrial property field. Such is the case of the international classifications produced by cooperation between States, and by means of which the national Offices are provided with tools which each of them would otherwise have been obliged to establish and maintain. When documents are exchanged, there is no need to reclassify them.

5.473 These advantages are particularly telling for the developing countries that do not always have the necessary staff to undertake such tasks, and which permit them to make noticeable savings in means and time so that they can devote themselves to other priorities.

5.474 In the specific field of marks, there already exists an International Classification of Goods and Services established by the Nice Agreement of June 15, 1957. That Classification constitutes for the Offices responsible for anticipation searching a working tool whose usefulness and effectiveness have long since been proved.

5.475 However, in carrying out those searches, it is also necessary to classify the figurative elements of marks. Thus, a uniform classification facilitates the anticipation searching work of the national Offices. For its part, the International Bureau of WIPO uses the International Classification of the Figurative Elements of Marks for coding the figurative marks that are internationally registered under the Madrid Agreement and under the Protocol Relating to the Madrid Agreement.

5.476 The States party to the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks are listed in the appropriate document to be found inserted in the back flap of this volume.

The Locarno Agreement Establishing an International Classification for Industrial Designs

Introduction

5.477 The Locarno Agreement Establishing an International Classification for Industrial Designs is a multilateral international treaty, which was signed on October 8, 1968. It entered into force on April 27, 1971.

5.478 The Agreement has established a Committee of Experts to make amendments and additions, as required by changes in technology and trade or as dictated by experience, to the International Classification.

5.479 The Locarno Classification comprises three parts:

- a List of Classes and Subclasses; in total, there are 31 classes and 211 subclasses;
- an Alphabetical List of Goods in which industrial designs are incorporated; this List contains in total approximately 6,000 entries;
- explanatory notes.

5.480 The Locarno Classification has been established in the English and French languages, both texts being equally authentic. Official texts of the Locarno Classification, in such languages as the Assembly may designate, are established after consultation with the interested Governments by the International Bureau of the World Intellectual Property Organization (WIPO).

5.481 Translations of the Locarno Classification have been established in German, Italian, Portuguese and Spanish.

Legal Effect and Use of the Locarno Classification

5.482 According to Article 2(3) of the Locarno Agreement, the industrial property offices of the countries of the Locarno Union must include in the official documents for the deposit or registration

of designs, and if they are officially published, in the publications in question, the numbers of the classes and subclasses of the Locarno Classification in which the goods incorporating the designs belong.

5.483 Each country may attribute to such classification the legal consequences, if any, which it considers appropriate. In particular, the Locarno Classification does not bind the countries of the Locarno Union as regards the nature and the scope of protection afforded to the design in those countries (Article 2(1)).

5.484 Further, Article 2(2) of the Locarno Agreement provides that each of the countries of the Locarno Union reserves the right to use the Locarno Classification either as a principal or as a subsidiary system. This means that the countries of the Locarno Union are free to adopt the Locarno Classification as the only classification to be used for industrial designs, or to maintain an existing national classification system for industrial designs and to use the Locarno Classification as a supplementary classification, also to be included in official documents and publications concerning the deposit or registration of designs.

5.485 Finally, Article 2(4) of the Locarno Agreement provides that the inclusion of any word in the Alphabetical List of Goods is not an expression of opinion of the Committee of Experts, on whether or not such a word is subject to exclusive rights.

5.486 The States party to the Locarno Agreement Establishing an International Classification for Industrial Designs are listed in the appropriate document to be found inserted in the back flap of this volume.

Special Conventions in the Field of Related Rights: The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations ("the Rome Convention")

5.487 Several international conventions on related rights are administered by WIPO. The following sections will describe the important aspects of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, generally referred to as "the Rome Convention." Other treaties in the field of related rights will be dealt with in the following sections.

Introduction

5.488 Related rights are primarily an offshoot of technological development. At the national level, it was first the phonogram industry that looked for protection against unauthorized duplication of sound recordings of musical performances. At the international level, it was likewise the development of the phonogram industry that promoted the establishment of special protection for the so-called related rights.

5.489 As in the case of some national laws, the first proposals aiming at the protection of producers of phonograms and performers at the international level were also based on copyright protection. The rights involved were discussed by the Berne Union for the Protection of Literary and Artistic Works at its Diplomatic Conference in Rome in 1928, where it was proposed that "when a

musical work has been adapted to a mechanical instrument by the contribution of performing artists these latter should also benefit from the protection granted to that adaptation." Corresponding to this approach, a resolution was passed asking governments to consider the possibility of adopting measures to safeguard the interests of performers.

5.490 Later on, in 1934, CISAC, the International Confederation of Societies of Authors and Composers, signed an agreement in Stresa with the International Federation of the Gramophone Industry according to which during the forthcoming revision of the Berne Convention (i) the protection of phonograms against unauthorized duplication and (ii) the right of producers of phonograms to equitable remuneration for communication to the public of their phonograms by broadcasting or cinematography should be proposed by means of an annex to be added to the Berne Convention. On the other hand, the International Labour Organization (ILO) had maintained since 1926 a continuing interest in the protection of performers and the problem was considered at a meeting in Samaden, Switzerland, in 1939. Drafts were prepared in cooperation with the Bureau of the Berne Union but all progress was stopped for several years by the outbreak of World War II.

5.491 After the war, different committees of experts prepared drafts of conventions which also included protection of the interests of broadcasting organizations — the so-called Rome Draft (1951), a draft produced under the sponsorship of the International Labour Organization (1957) and the Monaco Draft (1957) prepared by experts convened by the International Bureau of the Berne Union and by Unesco. Finally, in 1960, a committee of experts convened jointly by WIPO, Unesco and the International Labour Organization met at The Hague and drew up the draft convention. This served as a basis for the deliberations in Rome, where a Diplomatic Conference agreed on the final text of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, the Rome Convention of October 26, 1961.

Relation between the Protection of Related Rights and Copyright

5.492 Considering that the use of literary and artistic works was usually implicit in the work of performers, recorders and broadcasters, the Diplomatic Conference at Rome established a link with copyright protection. The first article of the Rome Convention provides that the protection granted under the Convention shall leave intact and shall in no way affect the protection of copyright in literary and artistic works. Under the text of Article 1 it is clear that whenever, by virtue of the copyright law, the authorization of the author is necessary for the use of his work, the need for this authorization is not affected by the Rome Convention.

5.493 The majority of the Conference at Rome decided to go even further. They considered the possibility that the performers, producers of phonograms and broadcasting organizations of a country would enjoy international protection even when the literary and artistic works they used might be denied protection in that country because it was not party to at least one of the major international copyright conventions. The Rome Convention therefore provides that in order to become a party to the Convention a State must not only be a member of the United Nations, but also a member of the Berne Union or party to the Universal Copyright Convention (Article 24(2)). Accordingly, a Contracting State ceases to be a party to the Rome Convention as from the time at which it is no longer party either to the Berne or to the Universal Copyright Convention (Article 28(4)). Because of this link with the copyright conventions, the Rome Convention is sometimes referred to as a "closed" convention from the point of view of the circle of States that may adhere to it.

Principal Provisions

National Treatment

5.494 As in the Berne Convention, the protection accorded by the Rome Convention consists basically of the national treatment that a State grants under its domestic law to domestic performances, phonograms and broadcasts (Article 2(1)). National treatment is, however, subject to the minimum of protection specifically guaranteed by the Convention, and also to the limitations specifically provided for in the Convention (Article 2(2)). This means that, apart from the rights guaranteed by the Convention itself as constituting that minimum of protection, and subject to specific exceptions or reservations allowed for by the Convention, performers, producers of phonograms and broadcasting organizations to which the Convention applies enjoy in Contracting States the same rights as those countries grant to their nationals.

Eligibility for Protection

5.495 One of the most important questions to be answered unequivocally by each international convention is: to whom and in what cases does it apply? The Rome Convention provides for its application by determining criteria of eligibility for national treatment.

5.496 National treatment should be granted to performers, if the performance takes place in another Contracting State (irrespective of the country to which the performer belongs) or if it is incorporated in a phonogram protected under the Convention (irrespective of the country to which the performer belongs or where the performance actually took place) or if it is transmitted "live" (not from a phonogram) in a broadcast protected by the Convention (irrespective again of the country to which the performer belongs) (Article 4). These alternative criteria of eligibility for protection allow for the application of the Rome Convention to the widest possible circle of performances.

5.497 National treatment should be granted to producers of phonograms if the producer is a national of another Contracting State (criterion of nationality) or the first fixation was made in another Contracting State (criterion of fixation) or the phonogram was first or simultaneously published in another Contracting State (criterion of publication) (Article 5).

5.498 The Convention allows reservations in respect of these alternative criteria. By means of a notification deposited with the Secretary-General of the United Nations, any Contracting State may at any time declare that it will not apply the criterion of publication or, alternatively, the criterion of fixation. Any State which, on the day the Convention was signed at Rome, granted protection to producers of phonograms solely on the basis of the criterion of fixation, can exclude both the criteria of nationality and publication. This possibility has been provided for mainly in view of the contemporary Nordic legislation, so that implementation of the Rome Convention could be adapted to conditions of protection already existing under different national laws.

5.499 National treatment has to be granted to broadcasting organizations if their headquarters is situated in another Contracting State (principle of nationality), or the broadcast was transmitted from a transmitter situated in another Contracting State, irrespective of whether the initiating broadcasting organization was situated in a Contracting State (principle of territoriality). Contracting States may declare that they will protect broadcasts only if both the condition of nationality and that of territoriality are met in respect of the same Contracting State (Article 6).

The Minimum Protection Required by the Convention

5.500 The minimum protection guaranteed by the Convention to performers is provided by "the possibility of preventing certain acts" done without their consent. Instead of enumerating the minimum rights of performers, this expression was used in order to allow countries like the United Kingdom to continue to protect performers by virtue of penal statutes, determining offenses and penal sanctions under public law. It was agreed, however, that the enumerated acts which may be prevented by the performer, require his consent in advance. In fact, the possibility of preventing certain acts as defined in the Convention amounts to a distinct bundle of rights granted to performers.

5.501 The restricted acts comprise: broadcasting or communication to the public of a "live" performance; recording an unfixed performance; reproducing a fixation of the performance, provided that the original fixation was made without the consent of the performer or the reproduction is made for purposes not permitted by the Convention or the performer (Article 7).

5.502 Producers of phonograms have the right to authorize or prohibit the direct or indirect reproduction of their phonograms (Article 10). The Rome Convention does not provide for any right to authorize performances of the phonogram and does not explicitly prohibit distribution or importation of unauthorized duplicates of phonograms.

5.503 Broadcasting organizations have the right to authorize or prohibit: the simultaneous rebroadcasting of their broadcasts, the fixation of their broadcasts, the reproduction of unauthorized fixations of their broadcasts or reproduction of lawful fixations for illicit purposes and the communication to the public of their television broadcasts by means of receivers in places accessible to the public against payment. It should be noted, however, that this last-mentioned right does not extend to communication to the public of merely sound broadcasts, and that it is a matter for domestic legislation to determine the conditions under which such a right may be exercised. It should also be observed that the Rome Convention does not protect against distribution by cable of broadcasts.

Provisions for Discretionary Regulation of the Exercise of Rights

5.504 The Rome Convention, over and above the minimum requirements of protection, also contains provisions allowing national laws to regulate certain aspects of protection at their discretion.

5.505 As regards the protection of performers, it is a matter for domestic legislation to regulate the protection against rebroadcasting of the performance and fixation thereof for broadcasting purposes, where the broadcasting of the performance was consented to by the performer. The principle of preeminence of contractual arrangements was embodied in a provision requiring that domestic laws shall not operate to deprive performers of the ability to control by contract their relations with broadcasting organizations (Article 7(2)) whereas it was understood that the meaning of contract in this context includes collective agreements and also decisions of an arbitration board, if involved.

5.506 If several performers participate in the same performance, the manner in which they should be represented in connection with the exercise of their rights may be specified by each Contracting State (Article 8).

5.507 Concerning both the protection of performers and producers of phonograms, Article 12 (perhaps the most controversial part of the Convention) provides that if a phonogram published for

commercial purposes is used directly for broadcasting or any communication to the public, an equitable remuneration shall be paid by the user to the performers, or to the producers of the phonogram, or to both. This Article does not grant any right to either the performers or producers of phonograms to authorize or to prohibit the secondary use of a phonogram. By guaranteeing a single remuneration for the use of the phonogram it seems to establish a sort of non-voluntary license. It does not, however, obligatorily specify the beneficiary or beneficiaries of the remuneration for the secondary use of the performance and the phonogram embodying it. Article 12 only says that at least one of the interested parties should be paid for the use; nevertheless it provides that in the absence of agreement between these parties, domestic law may optionally lay down the conditions for the sharing of this remuneration.

5.508 The implementation of these provisions, however, can be excluded or restricted by the Contracting States at any time by an appropriate notification (Article 16(1)(a)). A State may declare that it will not apply the provisions of Article 12. A Contracting State may declare that it will not apply this article in respect of certain uses, for instance as regards communications to the public other than broadcasting, or broadcasting of phonograms acquired before the date of the Convention, etc. It is also possible to apply this Article only as regards phonograms of which the producer is a national of another Contracting State. Furthermore, as regards phonograms of which the producer is a national of another Contracting State, the extent and term of protection can be limited so as to correspond to the protection granted by the other State concerned. The fact, however, that the protection in both countries concerned is not granted to the same beneficiary, cannot be considered as justifying the restriction of the protection provided for in Article 12.

Limitations

5.509 The Rome Convention allows for certain limitations of the rights granted and, as regards the performers, also imposes limitations on rights itself.

5.510 Any Contracting State may provide for exceptions as regards private use, use of short excerpts in connection with reporting current events, ephemeral fixation by a broadcasting organization by means of its own facilities and for its own broadcasts, and for all kinds of use solely for the purpose of teaching or scientific research (Article 15(1)). This latter possibility of introducing exceptions may be of special benefit to developing countries.

5.511 Besides the exceptions specified by the Convention, any Contracting State may also provide for the same kind of limitations with regard to the protection of performers, producers of phonograms and broadcasting organizations as it provides for in connection with copyright protection. There is, however, an important difference: compulsory licenses may be provided for only to the extent to which they are compatible with the Rome Convention (Article 15(2)).

5.512 In view of the cinematographic industry's interest in exclusively exploiting the contributions made to their productions, Article 19 of the Rome Convention provides that once a performer has consented to the incorporation of his performance in a visual or audiovisual fixation, he shall have no further rights under the Rome Convention as regards the performance concerned.

Duration of Protection

5.513 The minimum term of protection under the Rome Convention is a period of twenty years, to be computed from the end of the year in which the fixation was made, as far as phonograms and performances incorporated therein are concerned, or the performance took place, as regards performances not incorporated in phonograms, or the broadcast took place, for broadcasts (Article 14).

Restriction of Formalities

5.514 If a country requires compliance with formalities as a condition of protecting related rights in relation to phonograms, these should be considered as fulfilled if all copies in commerce of the published phonogram or their containers bear a notice consisting of the symbol P, accompanied by the year date of the first publication. If the copies of their containers do not identify the producer or his licensee, the notice shall also include the name of the owner of the rights of the producer, and if the copies or their containers do not identify the principal performers, the notice shall also include the name of the person who owns the rights of such performers (Article 11). It should be emphasized that this provision is *not* a formality requirement; it is a restriction of formalities, which may be required by some national laws.

The Implementation of the Rome Convention

5.515 The Rome Convention has been referred to as a "pioneer convention." Whereas the conventions concluded towards the end of the nineteenth century for the protection of copyright resulted from developments in national laws, this Convention defined standards of protection of related rights at a time when very few countries had any rules enacted to protect performing artists, producers of phonograms and broadcasting organizations. Thus it was only natural that the impetus of the Convention in the field of the protection of related rights during the first years following its adoption, could not be measured so much by the number of ratifications or accessions as by the impact the Convention had on national laws.

5.516 Since 1961, many countries have legislated on the protection of related rights, thus greatly increasing the number of national laws protecting producers of phonograms or broadcasting organizations, and the majority of them as a result of the coming into existence of the Rome Convention. The disproportion between the number of national laws protecting performers' rights and those granting protection to producers of phonograms and broadcasting organizations is still unduly great. There are, however, further draft laws under preparation in several countries, which continue to demonstrate the tendency to pay more attention to the protection of performers' rights.

5.517 The comparatively slow progress of national laws in the field of related rights, and in particular the unequal development of protection as regards different beneficiaries of these rights, even today hinders accession to the Rome Convention, since it requires at the same time protection of performers, producers of phonograms and broadcasting organizations.

The Rome Convention and Developing Countries

5.518 A large number of the States party to the Rome Convention are developing countries. This is quite natural since most developing countries attach great importance to music, dance and other creations in their national heritage. The value of the Rome Convention to such countries stems from the fact that it affords protection to those who contribute to the dissemination of that heritage abroad.

5.519 The Convention is particularly important to those countries whose civilization and tradition are oral and where the author is often the performer as well. In this context, the place occupied by expressions of folklore must be borne in mind and the interests of the artists constantly performing,

and thus perpetuating them, must be safeguarded when use is made of their performances. Whilst the possibilities of protecting creations of folklore by copyright seem to be limited, and the establishment of a more adequate kind of protection *sui generis* appears to require more time, expressions of folklore can efficiently be protected indirectly by protecting performances, fixations, and broadcasts of them.

5.520 By also protecting the producers of phonograms, the Rome Convention promotes, particularly in developing countries, industry in a dynamic tertiary sector of the economy. Such an industry, while guaranteeing the dissemination of national culture, both within the country and throughout the world, can additionally constitute a substantial source of revenue for the country's economy and, in those cases where its activities extend beyond frontiers, can attract an influx of foreign currency.

5.521 By giving performers and phonogram producers the possibility of benefiting from their performances and productions, the Rome Convention is instrumental in promoting the artistic heritage and represents an important incentive to creativity. It is also certain that, where the interests of performers and producers of phonograms are safeguarded by law, works will enjoy greater development and suffer less from the competition of unprotected performances of foreign works. Where performances and phonograms are exported, there is one reason more to protect them internationally, that is, by accepting the relevant international conventions.

5.522 Finally, the part played by the broadcasting organizations in the developing countries should not be forgotten either, since they also have an interest in the protection of their costly program against rebroadcasting, reproduction and communication to the public of their broadcasts. The rebroadcasting or reception of television broadcasts in public places can be very profitable, especially when the subject of the original broadcast is an exceptional event. Frequently, the organizers of such events only allow broadcasting for certain territories or on the condition that no public reception close to the place of the event drains away potential spectators. The broadcasting organization must therefore be able to prohibit rebroadcasting and public reception. The same applies to broadcasting of performances or recordings of expressions of national folklore: the broadcasting organization should be entitled internationally to prevent rebroadcasting or fixation for reproduction of its own broadcast of works of the national heritage.

5.523 The States party to the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations ("the Rome Convention") are listed in the appropriate document to be found inserted in the back flap of this volume.

Other Special Conventions in the Field of Related Rights

The Other Special Conventions

5.524 Besides the Rome Convention of 1961, a basic legal instrument discussed in the previous section, two other international instruments have been drawn up with regard to certain related rights. These are the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded in Geneva in October 1971 and generally referred to as "the Phonograms Convention," and the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite, concluded in Brussels in May 1974 and known briefly as "the Satellites Convention." These two Conventions are also within

the area of related rights, and their purpose is to protect producers of phonograms and broadcasting organizations, respectively, against certain prejudicial acts that have been widely recognized as infringements or acts of piracy.

5.525 With regard to the Rome Convention, the Phonograms Convention and the Satellites Convention may be regarded as special agreements, the conclusion of which is reserved for Contracting States insofar as the agreements grant to performers, producers of phonograms or broadcasting organizations more extensive rights than those granted by the Rome Convention, or contain other provisions not contrary to that Convention (Article 22 of the Rome Convention).

Reasons for and Purposes of the Special Conventions

5.526 The reason for the rapid acceptance (see the list of member States in the back flap of this volume) of the Phonograms Convention is due, on one hand, to the accelerating increase in international piracy during the last two decades and, on the other hand, to the legal characteristics of the Convention itself.

5.527 While a number of countries were preparing new legislation in the field of related rights in view of the standards set by the Rome Convention, international piracy of sound recordings was growing. The total value of pirated sound recordings sold worldwide has been increasing steadily. This made it necessary, even in the early seventies, to establish a special convention without delay. The subject was raised in May 1970 in the Preparatory Committee for the revision of the two major copyright conventions, and the new Convention was signed in Geneva after less than 18 months.

5.528 The Phonograms Convention takes into account all the measures that had already been adopted in various national laws, and allows for the application of all of them instead of requiring a uniform solution, as is the case under the Rome Convention, which provides for the granting to producers of phonograms the right to authorize or prohibit the reproduction of their phonograms. Thus, amendments of existing national laws became largely unnecessary to States which already protected producers of phonograms by some other means and wanted to extend this kind of protection also at the international level.

5.529 The Satellites Convention was adopted because the use of satellites in international telecommunications has, since about 1965, been presenting a new problem for the protection of broadcasting organizations.

5.530 Nowadays the transmission of programs by satellite still takes place mainly indirectly. Electronic signals carrying broadcast programs pass through a satellite to reach remote parts of the globe that cannot be reached by traditional broadcasting; but the programme-carrying signals passed on by the satellite cannot be picked up directly by conventional receivers generally used by the public at large. They first have to be picked up by ground stations, which distribute them to the public.

5.531 In the case of satellite broadcasting, the signals sent to the satellite are demodulated by the satellite itself; as a result, the signals transmitted down to earth can be received directly from space by ordinary receivers, without the intervention of ground receiving stations. However, the signals transmitted upwards to the satellite remain inaccessible to the public even with this mode of transmission.

5.532 The legal problem stems from the wording of Article 3 of the Rome Convention, under which broadcasting means the transmission by wireless means for public reception of sounds or of images and sounds. The difficulties with regard to satellite transmission are twofold: on one hand, the signals emitted by the originating organization are not suitable for public reception; on the other hand, the derived signals, generally obtained by means of ground stations, are frequently transmitted to the public by wire and not by wireless means.

5.533 The Satellites Convention provides a solution by requiring Contracting States to take adequate measures to prevent the distribution of any programme-carrying signals by any distributor for whom the signal emitted to or passing through the satellite is not intended. "Distribution" is defined by the Convention as the operation by which a distributor transmits derived signals to the public, and therefore also encompasses cable distribution.

Main Features of the Special Conventions

5.534 While it can be said that the Phonograms Convention and the Satellites Convention supplement the Rome Convention to a certain extent, it should nevertheless be mentioned that their approach is different, in three main respects.

5.535 First, the Rome Convention gives the beneficiaries of related rights essentially a right to authorization or prohibition, without overlooking the safeguarding of the rights of authors. The Phonograms and Satellites Conventions, on the other hand, do not introduce private rights but rather leave the Contracting States free to choose the legal means of preventing or repressing acts of piracy in that area.

5.536 Second, the Rome Convention is based on the "national treatment" principle. That means that the protection prescribed by the Rome Convention is only minimum protection and that, apart from the rights guaranteed by that Convention itself as constituting that minimum of protection, and within the limits of reservations conceded by it, performers, producers of phonograms and broadcasting organizations enjoy the same rights in countries party to the Convention as those countries grant their nationals. The Phonograms Convention does not speak of the system of "national treatment", but defines expressly the unlawful acts against which Contracting States have to provide effective protection; consequently, the States are not bound to grant foreigners protection against all acts prohibited by their national legislation for the protection of their own nationals. For instance, countries whose national legislation provides protection against the public performance of phonograms are not obliged to make this form of protection available to the producers of phonograms of other Contracting States, because the Phonograms Convention does not itself guarantee any protection against the use in public of lawfully reproduced and distributed phonograms. It should be mentioned, however, that even the Phonograms Convention is in no way to be interpreted as limiting the protection available to foreigners under any domestic law or international agreement (Article 7(1)). The question of national treatment does not arise, as a general rule, in the Satellites Convention either. This Convention places Contracting States under the obligation to take the necessary steps to prevent just one type of activity, namely the distribution of program-carrying signals by any distributor for whom the signals emitted to or passing through the satellite are not intended.

5.537 Third, in the interests of combating piracy over the widest possible area, the new international agreements were made open to all States members of the United Nations or any of the specialized organizations brought into relationship with the United Nations, or parties to the Statute of the International Court of Justice (virtually all States of the world). In contrast the Rome

Convention is a "closed" Convention, its acceptance being reserved for States party to at least one of the two major international copyright conventions.

Substantive Provisions of the Phonograms Convention

5.538 As far as the substantive provisions are concerned, the Phonograms Convention differs from the Rome Convention mainly as regards (i) the criteria of eligibility for protection, (ii) the scope of protection and (iii) the means of ensuring the protection provided for.

5.539 The Phonograms Convention requires only the criterion of nationality as a condition of granting protection. Any Contracting State, however, which on October 29, 1971, afforded protection solely on the basis of the place of first fixation may, by a declaration deposited with the Director General of WIPO, declare that it will apply this criterion.

5.540 Protection is granted not only against making duplicates of the phonogram, but also against the distribution of illicit duplicates and importation of such duplicates for distribution (Article 2). On the other hand, the scope of protection does not extend to claiming remuneration for secondary uses of the phonogram.

5.541 The means by which the Phonograms Convention is to be implemented are a matter for domestic legislation. They may include protection by granting copyright in the phonogram, by granting other specific (neighboring) rights, by the law relating to unfair competition, or by penal sanctions (Article 3).

5.542 The Phonograms Convention permits the same limitations as those accepted in relation to the protection of authors. The Convention also permits compulsory licenses if reproduction is intended exclusively for teaching or scientific research, limited to the territory of the State whose authorities give the license, and in return for equitable remuneration.

5.543 Regarding the term of protection, the same minimum duration is required by the Phonograms Convention as by the Rome Convention: if the domestic law prescribes a specific duration for the protection, that duration shall not be less than 20 years from the end either of the year in which the sounds embodied in the phonogram were first fixed or of the year in which the phonogram was first published.

5.544 It should be noted that the Phonograms Convention also contains a provision concerning performers. Under its Article 7, the national legislation of each Contracting State may lay down, where necessary, the scope of protection afforded to performers whose performance is fixed on a phonogram and the conditions of enjoying such protection.

Substantive Provisions of the Satellites Convention

5.545 The Satellites Convention enlarges the scope of the protection of broadcasting organizations by preventing the unlawful distribution of programme-carrying signals transmitted by satellite irrespective of whether or not such signals are suited to reception by the public, and hence irrespective of the fact that their emission does not constitute broadcasting according to the definition of that notion under the Rome Convention. Furthermore, the protection provided for by the Satellites Convention also applies when the derived signals are distributed by cable and not by

wireless means, a kind of communication to the public of broadcasts not covered by the Rome Convention. Formally, however, the Convention gives no new right to the broadcasting organizations. It obliges the Contracting States to prevent the distribution of program-carrying signals by any distributor for whom the signals passing through the satellite are not intended.

5.546 It should be noted that the Satellites Convention does not protect the transmitted program, since the subject of the protection is the signals emitted by the originating organization. As regards the rights related to the programs, the Convention simply lays down that it may not be interpreted in any way as limiting or prejudicing the protection afforded to authors, to performers, to phonogram producers and to broadcasting organizations.

5.547 The Satellites Convention permits the distribution of program-carrying signals by non-authorized persons, if those signals carry short excerpts containing reports of current events or, as quotations, short excerpts of the program carried by the emitted signals, or, in the case of developing countries, if the program carried by the emitted signals is distributed solely for the purposes of teaching, including adult teaching or scientific research.

5.548 With regard to the duration of the protection, the Satellites Convention refers to national legislation in this special context. In any State in which the application of the above measures is limited in time, the duration is to be fixed by its domestic law.

5.549 The Satellites Convention is not to be applied when the signals emitted by the originating organization are intended for direct reception from a satellite by the public (Article 3). In such cases the signals emitted are not intended for any intervening distributor of derived signals; they are directly accessible to the public at large.

The Phonograms and Satellites Conventions and Developing Countries

5.550 It is particularly significant that the States that have joined the Phonograms and Satellites Conventions, as with the countries party to the Rome Convention, are not necessarily highly industrialized market economy States. This may be explained by the role that protection of related rights is capable of playing in the development of those countries: the role of such protection in development, as explained under the Rome Convention (see paragraphs 5.506 to 5.510 in the previous section) is similar where the Phonograms and Satellites Conventions are concerned.

5.551 The recognition and international protection of the rights of performers, producers of phonograms and broadcasting organizations, in conjunction with copyright, quite definitely contribute to the development of nations, as does protection of intellectual property as a whole. Thus it is desirable that more developing countries recognize the necessity of establishing legal protection of authors, performers, producers of phonograms and broadcasting organizations as an interdependent system, both at the national and international levels.

5.552 The States party to the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms and the States party to the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite are listed in the appropriate document to be found inserted in the back flap of this volume.

The WIPO Performances and Phonograms Treaty (WPPT)

Introduction

5.553 The WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, held in Geneva in December 1996, adopted two treaties: the WIPO Copyright Treaty (the third section dealt with in this chapter) and the WIPO Performances and Phonograms Treaty (WPPT).

5.554 In view of the technological developments of the 1980s, as also in the field of copyright, it was recognized that guidance in the form of recommendations, guiding principles and model provisions would no longer suffice, and that binding new norms were indispensable. The WCT and the WPPT were prepared in parallel at the same Diplomatic Conference.

Legal Nature of the WPPT and its Relationship with Other International Treaties

5.555 The WPPT has a certain relationship with the Rome Convention which has been regulated in a way similar to the relationship between the TRIPS Agreement and the Rome Convention. This means that (i) in general, application of the substantive provisions of the Rome Convention is not an obligation of the Contracting Parties, (ii) only a few provisions of the Rome Convention are included by reference (those relating to the criteria of eligibility for protection), and (iii) Article 1(2) of the Treaty contains, *mutatis mutandis*, practically the same provision as Article 2.2 of the TRIPS Agreement, stating that nothing in the Treaty derogates from obligations that Contracting Parties have to each other under the Rome Convention.

5.556 Article 1(3) of the Treaty, in respect of the relation to the other treaties, includes a provision similar to Article 1(2) of the WCT: "The Treaty shall not have any connection with, nor shall it prejudice any rights and obligations under, any other treaties."

5.557 The title of Article 1 of the WPPT is "Relation to Other Conventions", but paragraph (2) of the Article deals with a broader question, namely the relationship between copyright on the one hand and "related rights," provided for in the Treaty, on the other. This provision reproduces the text of Article 1 of the Rome Convention word for word: *"Protection granted under this Treaty shall leave intact and shall in no way affect the protection of copyright in literary and artistic works. Consequently, no provision of this Treaty may be interpreted as prejudicing such protection."*

5.558 The Diplomatic Conference adopted an agreed statement which reads: *"It is understood that Article 1(2) clarifies the relationship between rights in phonograms under this Treaty and copyright in works embodied in the phonograms. In cases where authorization is needed from both the author of a work embodied in the phonogram and a performer or producer owning rights in the phonogram, the need for the authorization of the author does not cease to exist because the authorization of the performer or producer is also required, and vice versa."*

Substantive Provisions of the WPPT

Provisions Relating to the So-called "Digital Agenda"

5.559 The provisions of the WPPT relating to the "digital agenda" cover the following issues: certain definitions, rights applicable to storage and transmission of performances and phonograms in digital systems, limitations on and exceptions to rights in a digital environment, technological measures of protection and rights management information. As discussed below, the right of distribution may also be relevant in respect of transmissions in digital networks; its scope, however, is much broader. Also due to its relationship with the right of rental, the right of distribution is discussed, together with the former right, below.

Definitions

5.560 The WPPT follows the structure of the Rome Convention, in the sense that it contains, in Article 2, a series of definitions. The definitions cover more or less the same terms as those which are defined in Article 3 of the Rome Convention: "performers", "phonogram", "producer of phonograms", "publication", "broadcasting." They cover more, in the sense that the WPPT also defines "fixation" and "communication to the public," and less, in the sense that they do not define "reproduction" and "rebroadcasting."

5.561 The impact of digital technology is present in the definitions, on the basis of the recognition that phonograms do not necessarily mean the fixation of sounds of a performance or other sounds any more; now they may also include fixations of (digital) representations of sounds that have never existed, but that have been directly generated by electronic means. The reference to such possible fixations appears in the definitions of "phonogram," "fixation," "producer of phonogram," "broadcasting" and "communication to the public." It should be stressed, however, that the reference to "representations of sounds" does not expand the relevant definitions as provided under existing treaties; it only reflects the desire to offer a clarification in the face of advancing technology.

Storage of Works in Digital Form in an Electronic Medium

5.562 In June 1982, a WIPO/Unesco Committee of Governmental Experts clarified that storage of works and objects of related rights in an electronic medium is reproduction. The Diplomatic Conference adopted an agreed statement which reads: *"The reproduction right, as set out in Articles 7 and 11 [of the WPPT], and the exceptions permitted thereunder through Article 16 [of the WPPT], fully apply in the digital environment, in particular to the use of performances and phonograms in digital form. It is understood that the storage of a protected performance or phonogram in digital form in an electronic medium constitutes a reproduction within the meaning of these Articles."*

5.563 The first sentence states the obvious, that the provisions of the Treaty on the rights of reproduction are fully applicable in a digital environment. The concept of reproduction must not be restricted merely because a reproduction is in digital form through storage in an electronic memory, or because a reproduction is of a temporary nature. It also follows from the same first sentence that Article 16 of the Treaty is also fully applicable, offering an appropriate basis to introduce any justified exceptions, such as in respect of certain transient and incidental reproductions, in national legislation, in harmony with the "three-step test" provided for in that provision of the Treaty (see below).

5.564 The second sentence of the agreed statement simply confirms the definition of storage of works. It is another matter that the word "storage" may still be interpreted in somewhat differing ways.

Transmission in Digital Networks

5.565 The background to the provisions of the WPPT concerning transmission of works in digital networks, including the so-called "umbrella solution", can be found in the third section of this chapter.

5.566 In the WPPT, the relevant provisions regarding transmission in digital networks are Articles 10 and 14, under which performers and producers of phonograms, respectively, must enjoy "the exclusive right of authorizing the making available to the public" of their performances fixed in phonograms and of their phonograms, respectively, "by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them." Taking into account the freedom of Contracting Parties to choose differing legal characterization of acts covered by certain rights provided for in the treaties, it is clear that, also in this case, Contracting Parties may implement the relevant provisions not only by applying such a specific right but also by applying some other rights such as the right of distribution or the right of communication to the public — providing their obligations to grant an exclusive right of authorization concerning the acts described are fully respected.

5.567 On the question of whether the mere provision of physical facilities for enabling or making a communication in itself amounts to communication within the meaning of the WCT or the Berne Convention, the agreed statement, which was adopted in relation to Article 8 of the WCT, intends to clarify the issue of the liability of service and access providers in digital networks like the Internet. It is clear that, although this was not stated explicitly, the principle reflected in the agreed statement is also applicable, *mutatis mutandis*, to the above-mentioned provisions of Articles 10 and 14 of the WPPT concerning "making available to the public."

Limitations and Exceptions in the Digital Environment

5.568 The Diplomatic Conference affirmed that the agreed statement concerning limitations and exceptions is applicable *mutatis mutandis* also to Article 16 of the WPPT on limitations and exceptions. That provision of the WPPT is discussed below. It is obvious that any limitations and exceptions — existing or new — in the digital environment are only applicable if they are acceptable under the "three-step test" indicated in Article 16(2) of the Treaty (see below).

Technological Measures of Protection and Rights Management Information

5.569 The provisions in Articles 18 and 19 of the WPPT concerning technological measures and rights management information correspond to the similar provisions of the WCT (see the third section dealt with in this chapter).

5.570 An agreed statement was adopted by the Diplomatic Conference concerning Article 12 of the WCT, which contains provisions similar to those of Article 19 of WPPT. The first part of the agreed statement reads: "It is understood that the reference to 'infringement of any right covered by this Treaty or the Berne Convention' includes both exclusive rights and rights of remuneration." The second part reads: "It is further understood that Contracting Parties will not rely on this Article to devise or implement rights management systems that would have the effect of imposing formalities which are not permitted under the Berne Convention or this Treaty, prohibiting the free movement of goods or impeding the enjoyment of rights under this Treaty." The Diplomatic

Conference stated that the two-part statement quoted above was applicable *mutatis mutandis* also to Article 19 of the WPPT.

Other Substantive Provisions

Criteria for Eligibility

5.571 Article 3 provides for the application of the criteria under the Rome Convention (Articles 4, 5, 17 and 18).

National Treatment

5.572 Article 4 provides for the same kind of national treatment as that prescribed by Article 3.1 of the TRIPS Agreement in respect of related rights, that is, national treatment only extends to the rights granted under the Treaty.

Coverage of the Rights of Performers

5.573 The coverage of the rights of performers is similar to that under the TRIPS Agreement; it only extends to live aural performances and performances fixed in phonograms, except for the right of broadcasting and communication to the public of live performances, which under Article 6(i) extends to all kinds of live performances, not only to aural ones (as under the second sentence of Article 14.1 of the TRIPS Agreement).

5.574 It is a question for interpretation whether the right to authorize fixation of unfixed performances under Article 6(ii) extends to all fixations or only to fixations on phonograms. The text of the provision may suggest a broader coverage; if, however, the definition of "fixation" under Article 2(c) is also taken into account, it seems that a narrower interpretation is justified. According to the said definition, "fixation" only means "the embodiment of *sounds, or the representation thereof,* from which they can be perceived, reproduced or communicated through a device" (emphasis added). Thus, Article 6(ii) seems to only extend to fixation on phonograms.

Moral Rights of Performers

5.575 Article 5(1) provides as follows: *"Independently of a performer's economic rights, and even after the transfer of those rights, the performer shall, as regards his live aural performances or performances fixed in phonograms, have the right to claim to be identified as the performer of his performances, except where omission is dictated by the manner of the use of the performance, and to object to any distortion, mutilation or other modification of his performances that would be prejudicial to his reputation."* This provision, in its main lines, follows Article 6*bis* of the Berne Convention (on the moral rights of authors) but it requires a somewhat lower level of protection: in respect of the right to be identified as the performer, the element of practicability is built in, and the scope of "the right to respect" is also narrower. Article 5(2) and (3), on the duration of protection of, and the means of redress for safeguarding, the rights, are *mutatis mutandis* versions of Article 6*bis*(2) and (3) of the Berne Convention.

Economic Rights of Performers

5.576 In addition to the "right of making available," discussed above under the "digital agenda," and a right of distribution, discussed below, the WPPT provides for practically the same economic rights for performers — right of broadcasting and communication to the public of unfixed performances (but in Article 6(ii) it is added: "except where the performance is already a broadcast

performance"), right of reproduction and right of rental (Articles 6, 7 and 9) — as the rights granted in the TRIPS Agreement (Articles 14.1 and 14.4).

5.577 As far as the distribution right is concerned, Article 8(1) provides that performers have an exclusive right of authorizing the making available to the public of the original and copies of their performances fixed in phonograms, through sale or other transfer of ownership. Article 8(2) deals with the issue of the exhaustion of this right. It does not oblige Contracting States to choose national/regional exhaustion or international exhaustion, or to regulate at all the issue of exhaustion.

Rights of Producers of Phonograms

5.578 In addition to the right of "making available" discussed above under the "digital agenda" and a right of distribution, the WPPT provides the same rights for producers of phonograms — right of reproduction and right of rental (Articles 11 and 13) — as those granted under the TRIPS Agreement (Articles 14.2 and 14.4).

5.579 Article 12 contains, *mutatis mutandis*, the same provisions concerning a right of distribution for producers of phonograms in respect of their phonograms, as Article 8 does concerning such a right for performers in respect of their performances fixed in phonograms (see above).

Right to Remuneration for Broadcasting and Communication to the Public

5.580 Article 15 provides practically the same kind of right of remuneration to performers and producers of phonograms as Article 12 of the Rome Convention (except that, while the latter leaves it to national legislation whether this right is granted to performers, to producers or to both, the former provides that this right must be granted to both, in the form of a single equitable remuneration) and with the same extent of possible reservations as under Article 16.1(a) of the Rome Convention.

5.581 A specific feature of Article 15 appears in paragraph (4) which provides as follows: *"For the purposes of this Article, phonograms made available to the public by wire or wireless means in such a way that members of the public may access them from a place and at a time individually chosen by them shall be considered as if they had been published for commercial purposes."*

Limitations and Exceptions

5.582 Under Article 16(1) of the WPPT, Contracting Parties may "provide for the same kinds of limitations or exceptions with regard to the protection of performers and producers of phonograms as they provide for, in their national legislation, in connection with the protection of copyright in literary and artistic works." This provision corresponds in substance to Article 15.2 of the Rome Convention. It is, however, an important difference that the Rome Convention, in its Article 15.1, also provides for specific limitations independent of those provided for in a given domestic law concerning copyright protection. Two of those specific limitations (use of short excerpts for reporting current events and ephemeral fixations by broadcasting organizations) are in harmony with the corresponding provisions of the Berne Convention; the third specific limitation, however, is not, since it provides for the possibility of limitations in respect of private use without any further conditions, while, in the Berne Convention, limitations for private use are also covered by the general provisions of Article 9(2) and, consequently, are subject to the "three-step test" (see under the WCT, paragraph 5.244).

5.583 If a country adheres to both the WCT and the WPPT, which is desirable, on the basis of the above-quoted Article 16(1) of the WPPT, it is obliged to apply the "three-step test" also for any limitations and exceptions to the rights provided for in the WPPT. Article 16(2) of the WPPT, however, contains a provision which prescribes this directly also (and, thus, that test is applicable irrespective of whether or not a given country also adheres to the WCT); it reads: *"Contracting Parties shall confine any limitations of or exceptions to rights provided for in this Treaty to certain special cases which do not conflict with a normal exploitation of the performance or phonogram and do not unreasonably prejudice the legitimate interests of the performer or of the producer of the phonogram."*

Transferability of Rights

5.584 The Treaty–similarly to the Berne Convention and the WCT — does not contain any limitation on the transferability of economic rights. The transferability of economic rights is confirmed also by the introductory phrase of Article 5(1) on moral rights of performers which reads: "Independently of a performer's economic rights and *even after the transfer of those rights*....." (emphasis added).

Duration of Protection

5.585 Under Article 17 of the WPPT, the *"term of protection to be granted to performers shall last, at least, until the end of a period of 50 years computed from the end of the year in which the performance was fixed in a phonogram."*

5.586 The term of protection of phonograms differs in substance from the term provided for in the TRIPS Agreement. Under Article 14.5 of the Agreement, the 50-year term is always computed from the end of the year in which the fixation was made, while under Article 17(2) of the WPPT, the term is calculated from the end of the year in which the phonogram was published, and it is only in case of absence of publication that it is calculated as under the TRIPS Agreement. Since publication normally takes place after fixation, the term under the Treaty, in general, is somewhat longer.

Formalities

5.587 Under Article 20 of the WPPT, the enjoyment and exercise of rights provided for in the Treaty must not be subject to any formality.

Application in Time

5.588 Article 22(1) of the WPPT, in general, provides for the *mutatis mutandis* application of Article 18 of the Berne Convention. Article 22(2), however, allows for Contracting Parties to limit the application of Article 5 on moral rights to performances which take place after the Treaty enters into force for them.

Enforcement of Rights

5.589 The provisions on enforcement in Article 20 of the WPPT correspond to the similar provisions in Article 14 of the WCT, which are explained in the third section of this chapter.

Administrative Provisions

5.590 These provisions, in general, are the same as, or similar to, the provisions of other WIPO treaties on the same issues, and they correspond to the similar provisions of the WCT, dealt with in the third section of this chapter.

5.591 The number of instruments of ratification or accession needed for the entry into force of the WPPT was fixed at 30. The WPPT entered into force on May 20, 2002. The States party to the WPPT are listed in the appropriate document to be found inserted in the back flap of this volume.

Audiovisual Performances

5.592 The definitions of the terms "phonogram" and "fixation" in Article 2(b) and (c) of the WPPT limit the application of the Treaty to recordings of sounds. As regards audiovisual use of performances (that is use through moving images, with or without sound) the WPPT only grants protection against live broadcasting (Article 6(i)). The 1996 Diplomatic Conference which adopted the WPPT also discussed a possible extension of the scope of protection to cover such audiovisual use, but agreement was not reached at the time. In accordance with a Resolution, adopted by the Diplomatic Conference, work on the issue continued in the WIPO Standing Committee on Copyright and Related Rights. At the Diplomatic Conference on the Protection of Audiovisual Performances, which was held in Geneva in December 2000, agreement was reached on all issues, except for the question of international recognition of statutory provisions on the transfer of rights from performers to producers.

The International Convention for the Protection of New Varieties of Plants

Introduction

5.593 The availability to growers of improved, new plant varieties is critically important to the agricultural and horticultural industries of all countries. Improved disease resistance, higher yields and improvements in a host of other features of plants can dramatically affect the economics of the production of a crop and its acceptability to its final consumers. Food security for a rapidly growing world population, sustainable agricultural production, the need to raise farm incomes and to enhance economic development call for sustained efforts in breeding new varieties.

5.594 However, new varieties, developed after many years of patient work and heavy investment, are frequently capable of self-reproduction, with the result that the release of a small quantity of reproductive material of a plant variety can mean that it is thenceforth available to all. Since the plant breeder is unable to secure a sufficient economic return from the initial release of material of his variety, the granting to breeders of rights of exclusive exploitation of their varieties has proved to be essential to provide an incentive for private investment in plant breeding in many species.

The International Union for the Protection of New Varieties of Plants (UPOV)

History

5.595 As early as 1930, the United States of America introduced a special form of exclusive right called a plant patent, which was, however, available only for asexually reproduced varieties. Subsequently a group of European States came together in 1961 to establish the International Convention for the Protection of New Varieties of Plants (the Convention), which was revised in 1972, 1978 and 1991. The Convention also establishes the International Union for the Protection of New Varieties of Plants which is known as UPOV (the name "UPOV" is an acronym derived from the French translation of these words); its 1978 revised form is hereafter referred to as "the 1978 Act." The Convention as revised in 1991 is called "the 1991 Act." The Convention potentially protects all plant varieties irrespective of their mode of reproduction or of the technology used in their development.

5.596 States adhering to the Convention undertake to create a system for the grant of plant breeders' rights, within their domestic laws, in accordance with internationally agreed and uniform principles. Each UPOV member State must entrust the granting of breeders' rights to an appropriate administrative unit. Plant breeders' rights are granted in each member State for its own territory, and not on an international basis. After the entry into force of the 1991 Act, on April 24, 1998, the 1978 Act was closed for further accessions with the exception of those States which had already initiated the accession procedure by that time.

5.597 UPOV is an independent, international, intergovernmental organization, with an international legal personality. Its headquarters are in Geneva, and it employs its own staff.

5.598 UPOV cooperates very closely in administrative matters with the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations. The Secretary-General of UPOV is the Director General of WIPO, the UPOV headquarters is in the same building as WIPO, and UPOV receives a range of support services from WIPO.

5.599 Existing member States only become bound by the 1991 Act when they have modified their existing laws and deposited an instrument of accession to the new Act.

5.600 The next section will consider the 1978 Act of the Convention, and a subsequent section will outline the 1991 Act.

The Criteria for Protection

5.601 The 1978 Act provides a system for the protection of a new plant variety, that is to say, the physical unit of plant material selected by the plant breeder with its set of morphological and physiological characteristics. If a legal right in this unit of plant material is to be effectively enforced, the identity of the plant material must be established beyond doubt. When concluding whether particular plant material constitutes or belongs to a "variety", the classifier must decide on the extent of its distinctness from other material, its uniformity in the sense that variations from a standard description are within reasonable limits, and its stability in the sense that it will retain its distinguishing features from one generation to the next. The 1978 Act accordingly requires in Article 6 that member States adopt the three criteria of distinctness, uniformity (the 1978 Act uses the word "homogeneity") and stability as the technical basis for the protection of plant varieties, and adds the further two requirements of commercial novelty and the submission of an acceptable denomination for the variety.

5.602 A variety must be commercially novel to secure protection. Article 6(1)(b) of the 1978 Act provides that the variety must not, prior to the date of application, have been offered for sale or marketed with the agreement of the breeder in the territory of the State where the application in question has been filed. States are, however, given a choice in relation to this provision and are permitted, if they wish, to permit varieties to be offered for sale or market in their own territories for a maximum of one year prior to the date of application. In addition, the variety must not have been offered for sale or marketed with the agreement of the breeder in the territory of any other state for longer than six years, in the case of certain woody species, or for four years in the case of all other species. These periods of grace relating to commercialization in other countries recognize the lengthy nature of trials to ascertain the agronomic value of varieties before making an application for protection, without prejudicing the right to protection.

5.603 The novel variety must be given a denomination in accordance with the provisions of Article 13 of the 1978 Act. Article 13 provides that the variety must be designated by a denomination which is destined to be its generic designation and it establishes rules designed to ensure that, in the interests of growers and consumers, this denomination does indeed provide a clear-cut generic designation. Thus the denomination may not consist solely of figures, except where this is an established practice for designating varieties of a particular species. It must not be liable to mislead or cause confusion concerning the characteristics of the variety or its value or identity and it must, of course, be different from every designation which designates in any UPOV member State another variety of the same species or of a closely related species.

5.604 The technical criteria of distinctness, uniformity and stability, and the further criteria of commercial novelty and the establishment of a denomination accordingly represent the standard conditions that must be fulfilled to secure protection for a new plant variety under the laws of UPOV member States. The 1978 Act stipulates in Article 6(2) that, provided the breeder complies with its necessary formalities, a UPOV member State may not make the grant of protection subject to conditions other than the five conditions described above.

The Scope of Protection

5.605 Article 5 of the 1978 Act establishes the nature of the rights that member States must as a minimum undertake to grant to breeders. The breeder's right is limited to the exclusive production and sale of reproductive or vegetative propagating material of his variety. The breeder does not, for instance, in the case of a cereal variety, have the exclusive right to sell grain of that variety, but only seed. It is a question of fact to be established by evidence whether a sale is of seed or grain. A further very important aspect to note here is that under the 1978 Act the breeder's exclusive right relates only to production for the purposes of commercial marketing. If production of reproductive material is not for that purpose, or if such material is not marketed, it is not covered by the breeders' rights: a farmer, for instance, who produces seed on his own farm for the purposes of resowing on his own farm, can do so freely without obligation to the breeder.

5.606 The 1978 Act only establishes the minimum scope of the right that States must grant. Member States are expressly permitted, under their own laws, to grant to breeders of a particular genera or species a more extensive right than that described above, even extending to the marketed product of the variety. In practice, however, few states have availed themselves of this right.

5.607 Article 5 further provides that any authorization given by the breeder in relation to the production or marketing of his variety may be made subject to such conditions as he may specify. The breeder is thus to be free to decide whether he will exploit his exclusive right by producing and selling all the reproductive or propagating material of his variety that is needed by the market, or whether he will grant licenses to others, perhaps in exchange for a royalty. The practice in

individual states varies. In many countries, in relation to species where very large volumes of seed must be produced and sold, and where the ease of keeping their own seed influences the price that farmers are prepared to pay, the practice of plant breeders is to select the least costly method of production and distribution. For example, in the case of small grain cereals, in most European countries, licenses are granted very widely to organizations such as local cooperatives and grain merchants, who provide a wide range of services and supplies to farmers. Organizations of this kind produce seed locally under contract and sell it back to local farmers, thus minimizing the cost of transportation. The breeder is content to receive a royalty on each ton of seed which is sold. In the case of more specialized seed production such as the production of some cross-pollinating species, of hybrid varieties, of high-quality vegetable seed or of new varieties of trees or vines, the practice of the breeder is probably to control very tightly the production of seed or plants in order to maintain the quality and reputation of his variety. In these cases he may seek his reward directly in the price of the seed. Many different situations exist, however, depending upon the commercial structure of seed and nursery plant distribution in each country and the logistical aspects of the production and distribution of a particular species. The 1978 Act is silent on all these marketing questions. It simply requires of UPOV member States that they permit breeders to specify conditions of licenses for their varieties.

5.608 Article 5(3) of the 1978 Act contains a truly fundamental principle. It states that the authorization of the breeder shall not be required for the utilization of the variety as an initial source of variation for the purpose of creating other varieties. The only permitted exception to this rule arises when the repeated use of the variety is necessary for the commercial production of another variety. This limited exception relates to the use of an inbred line in the commercial production of seed of a hybrid. The free availability of protected varieties as a germ plasm source for other breeders is a fundamental tenet of the 1978 Act, and demonstrates that its authors were agriculturalists who were totally aware of the nature of plant breeding and of the manner in which incremental progress is achieved by building upon the progress embodied in existing varieties.

5.609 The 1978 Act requires States to grant a minimum period of protection of 18 years in the case of vines, forest trees, fruit trees, and ornamental trees and 15 years in the case of all other plants.

5.610 The 1978 Act does not immediately impose upon its member States the obligation to protect all botanical genera and species. The 1978 Act states that its provisions *may be applied* to all botanical genera and species, without requiring member States to protect all these. What it does require is that member States apply the Convention to a minimum of five genera when first acceding to the UPOV Convention and that, over a period of years, they progressively apply the Convention to a greater number of protected species. Most member States protect all species of economic importance in their countries and, in an increasing number of cases, the entire plant kingdom.

5.611 Article 10 of the 1978 Act includes amongst its provisions one to the effect that the breeder of a protected variety shall forfeit his right if he is no longer in a position to provide the authorities with reproductive or propagating material capable of reproducing the protected variety, with its morphological and physiological characteristics, as defined when the right was granted. In other words, the breeder must competently maintain his variety if he wishes to retain the benefit of protection.

5.612 Article 2 of the 1978 Act provides that a state may provide protection for plant varieties in the form of plant variety protection or of a patent, but once it has opted to protect varieties of a species by plant breeders' rights it may not subsequently protect varieties of that same specie by patent. This is the so-called prohibition on "double protection."

5.613 Article 3 of the 1978 Act states that each member State must accord to nationals and residents of other member States the same treatment as that which it accords to its own nationals.

5.614 Article 7 of the 1978 Act provides that member States shall only grant protection after the examination of the variety in the light of the criteria of distinctness, uniformity, stability and commercial novelty referred to above. This provision has been interpreted to mean that member States should require a growing test which should be conducted either by the State or by the breeder, provided that the test follows relevant guidelines and that the breeder is required to supply a sample of the variety at the time of application and to permit persons authorized by the State to visit the trials.

5.615 Article 9 of the 1978 Act provides that UPOV member States may not restrict the exercise of the exclusive right accorded to the breeder otherwise than for reasons of public interest and that, where any such restriction is imposed, the member State involved shall take all necessary measures to ensure that the breeder receives equitable remuneration.

5.616 Article 10 of the 1978 Act provides that the right of the breeder should not be annulled unless it is shown that the variety did not fulfil the commercial novelty and distinctness requirements when the rights were granted, or be cancelled unless the breeder fails to maintain the variety or pay the necessary fees.

5.617 Article 12 of the 1978 Act requires member States to establish rules giving priority for a period of 12 months to an application for a variety where an application has already been filed for that variety in another country. This means that an application in a member State must be treated as if filed on the date of an earlier application in another member State for which priority is claimed.

5.618 Article 14 of the 1978 Act provides that the grant or refusal of breeders' rights for a variety must be independent of the regulation in any UPOV member State which is concerned with the production, certification and marketing of seeds.

5.619 Articles 1 to 14 of the 1978 Act are the Articles which establish the main legal rules which the member States of UPOV undertake to incorporate in their national laws. The remaining provisions of the 1978 Act are for the most part concerned with the establishment of UPOV and its management.

5.620 The 1978 Act has worked well in practice, and is the basis of a rapidly expanding protection system. The question immediately arises: "*Why was revision necessary, and what changes have been incorporated in the 1991 Act?*"

The 1991 Act of the UPOV Convention

5.621 Advances in technology and the experience of operating the Convention since 1961 led to a number of suggestions for improvements to the Convention. Accordingly, in 1987, the Council of UPOV decided to effect a revision of the 1978 Act. After extensive consultation of interested circles and numerous sessions of expert committees, the Council approved in October 1990 a draft revised Convention ("the Basic Proposal") and decided to hold a Diplomatic Conference in March 1991 to revise the Convention.

5.622 The Diplomatic Conference adopted unanimously, on March 19, 1991, a revised 1991 Act of the UPOV Convention ("the 1991 Act"). Fifteen member States of UPOV signed the 1991 Act

either at the conclusion of the Conference or during the period when it remained open for signature. The effect of signature is not, of course, to bind the signatory State but simply represents an acknowledgment of its intention to enact a law based on the Convention and, in due course, to ratify the Convention. It is only the ratification of the Convention by an existing member State which has signed the Convention, or accession to the Convention by a new member State, which creates an international legal obligation.

5.623 Article 37 of the 1991 Act provided that it would come into force one month after five States had deposited their instruments of adherence, provided that at least three of such instruments were deposited by existing member States of UPOV. In the event, it entered into force on April 24, 1998. Owing to the fact that two States had deposited their instruments of adherence on the same date one month before, there was one more member State than the five required by Article 37 when the new Act came into force. After this, the 1978 Act was, in principle, closed to further accessions.

5.624 Article 34(1)(b) of the 1991 Act provides for possible membership of UPOV by an intergovernmental organization. This provision facilitates the membership of the European Community when the proposal for the Council Regulation (EEC) on Community Plant Variety Rights was adopted by the Community and came into force on April 27, 1995. Article 26(6)(b), which concerns voting in the Council, and Article 6(3) and 16(3) concerning novelty and exhaustion, also contain provisions which reflect the interests of the Community. Article 34(1)(b) applies also, for example, to the African Intellectual Property Organization (Organisation africaine de la propriété intellectuelle (OAPI)) which, in the form of Annex X of the Revised Bangui Agreement, adopted a regional system of plant variety protection in line with the 1991 Act of the UPOV Convention.

5.625 The structure of the 1978 Act was fundamentally revised in the new Act. In the 1991 Act, the articles are grouped together in ten chapters and the chapters follow a chronological order dealing first with the "General Obligations of the Contracting Parties," followed by "Conditions for the Grant of the Breeder's Right," provisions concerning the "Application for the Grant of the Breeder's Right," "the Rights of the Breeder," "Variety Denomination" and "Nullity and Cancellation of the Breeder's Right." The administrative and final provisions of the Convention are contained in the last three chapters.

5.626 The remainder of this section examines the text of the 1991 Act in the numerical order of the articles, mentioning the corresponding articles in the old text and the nature of the changes. It is not exhaustive and deals only with the parts of the Act which are of major substantive importance.

Definitions

5.627 Article 1 contains "definitions" which are, for the most part, self-explanatory. Item (vi) contains a definition of "variety." The 1978 Act contains no definition of "variety" while the 1961 Act of the Convention provides that "For the purposes of this Convention, the word "variety" applies to any cultivar, clone, line, stock or hybrid which is capable of cultivation and which satisfies the provisions of subparagraph (1)(c) and (d) of Article 6." The provisions of these subparagraphs specify the conditions of homogeneity and stability which must be satisfied by a plant variety prior to a grant of breeders' rights.

5.628 The definition of "variety" incorporated into the 1961 Act of the Convention is almost, but not quite, synonymous with "variety which is protectable under the Convention." In framing a definition in 1991, it was thought that there should be a clear distinction between the definition of "variety" and a variety which meets the technical criteria of Articles 7, 8 and 9 of the 1991 Act of

the Convention so as to be a protectable variety. This is to ensure that a variety with a level of uniformity which is unacceptable for the purposes of a grant of rights may still exist as a "variety" and be taken into account, for example, for the purposes of common knowledge and distinctness under Article 7. The fact that the definition of "variety" is wider than "protectable variety" is made clear by the use of the words "irrespective of whether the conditions for the grant of a breeder's right are fully met" in the introductory phrase.

5.629 In order to establish an identity for any variety, protectable or otherwise, it must be distinct from other varieties, certain characteristics must be displayed with reasonable uniformity by its component individuals, and it must retain its identity from one generation to the next. The conditions of distinctness, uniformity and stability which are necessary for the purposes of establishing an identity for a unit of plant material to which breeders' rights are to attach, are thus also necessary, but possibly to a more limited extent, when deciding that particular plant material constitutes a variety. The three indents in the definition correspond respectively to the requirements for uniformity, distinctness and stability but were considered to set these requirements at a lower level than that necessary for protection.

5.630 The expression "plant grouping" used within the definition corresponds to the French "ensemble végétal" and leaves open the question whether a variety must invariably be constituted by more than one whole plant.

The Basic Obligation of Contracting Parties

5.631 The basic obligation of States party to the Convention that "each Contracting Party shall grant and protect breeders' rights" is imposed by Article 2. "Breeder's right" is defined in Article 1 as "the right of the breeder provided for in this Convention." Accordingly, each State party to the Convention must grant protection on the conditions specified in Chapter III (and subject to no further and different conditions), with the minimum scope of protection required by Chapter V, and in accordance with all other relevant provisions of the Convention. The provisions of Article 2 correspond to the provisions of Articles 1 and 30(3) of the 1978 Act.

5.632 Unlike the first sentence of Article 2(1) of the 1978 Act, the 1991 Act is silent on the form of the breeder's right. It may take the form of a special *sui generis* breeder's right, or it may be called a "patent" or given any other designation provided it has the minimum substance provided for in the Convention. The 1991 Act equally contains no provision corresponding to the second sentence of Article 2(1) of the 1978 Act (the so-called "ban on double protection") so that a Contracting Party is, so far as the 1991 Act is concerned, free to protect varieties, in addition to the grant of a breeder's right, by the grant of other titles, particularly patents. A member State exercising this freedom to grant patents in addition to the breeder's right is free to decide whether an applicant must choose between a breeder's right and a patent, or whether he can apply for and be granted both. If, for any given variety, cumulative protection of this kind is obtained, the resolution of any conflict between the two kinds of protection is left to the legislation and courts of the member State where the titles were obtained and is not regulated by the Convention.

Genera and Species to be Protected

5.633 Article 3 corresponds to Article 4 of the 1978 Act and is concerned with the genera and species to be protected. The system of the 1978 Act requires member States to protect a minimum of five genera or species on accession to the Convention, and thereafter to protect additional genera or species on a progressive basis, leading to a minimum of 24 genera or species after eight years. Article 4 of the 1978 Act does contain a provision that member States should undertake to adopt all measures necessary for the progressive application of the Convention to the largest

possible number of botanical genera and species, but in no way imposes on member States a clear commitment to protect the whole plant kingdom. Article 3 of the 1991 Act, however, requires existing member States to protect all plant genera and species five years after becoming bound by the new text, and requires new member States to protect all plant genera and species 10 years after they become bound by the 1991 Act, so that over time a worldwide UPOV system of plant variety protection will emerge which requires all member States to protect all plant genera or species.

5.634 The emergence of such a system has some interesting implications for the future, particularly in view of the increased scope of protection which is now provided in Article 14 of the 1991 text. Since Sweden, for example, modified its national law so as to conform with the 1991 Act, it should in due course become possible to protect a new banana variety in Sweden, notwithstanding the fact that the variety will never be grown there, with a view to taking action against imports derived from the unlicensed propagation of the variety in countries where plant variety protection is not available. The absence under the 1978 Act of any protection of the harvested material of a plant variety in importing countries has meant that it has been a matter of no concern to exporting countries without breeders' rights if varieties were piratically exploited in their territories with no reward to the breeders of the varieties. This situation may well change in the future in relation to species where the harvested material of the variety moves in international trade.

Conditions for the Grant of the Breeder's Right

5.635 These articles contain the conditions for the grant of a breeder's right and correspond to Article 6 of the 1978 Act of the Convention. There have been extensive changes in language but, except where some express reference is made below, there is no specific intention to change the substance.

5.636 Article 6 of the new text deals with the novelty-destroying prior commercialization of a variety. In the existing text, a variety must not have been offered for sale or marketed with the agreement of the breeder prior to the filing of an application for protection in the territory where the application is filed or, where the law of the relevant State so provides, for one year prior to such filing. The new text requires all member States to make provision in their laws for this one-year grace period; it is no longer optional.

5.637 The provisions of Article 6(1)(b) of the 1978 Act state that the variety must not have been offered for sale or marketed with the agreement of the breeder prior to the date of application. The provisions of Article 6 of the 1991 Act state that propagating or harvested material of the variety must not have been sold or otherwise disposed of to others by or with the consent of the breeder for the purposes of exploitation of the variety. The language of the 1991 Act is very different from that of Article 6(1)(b) of the 1978 Act, and may have the effect of encompassing certain commercial activities with varieties that fall outside the corresponding provisions in the existing laws of some UPOV member States. An example might be the use of an inbred line as the parent of a hybrid where the inbred line was not itself sold or marketed. It has been claimed that the use of an inbred in this way, perhaps protected by trade secrecy, would not debar its breeder from applying for protection for the inbred line many years after it was first used for commercial purposes.

5.638 Paragraph (3) of Article 6 of the 1991 Act makes reference to special rules that may be adopted where sales are effected in the member States of an intergovernmental organization. This provision relates to the UPOV membership of the EC, and enables the EC and its member States to enact provisions which will make a sale in one EC member State a novelty-destroying event for all EC member States, thereby conforming to the concept of the single market.

5.639 Article 7 of the 1991 Act deals with distinctness and requires simply that a variety must be clearly distinguishable from any other variety whose existence is a matter of common knowledge at the time of the filing of the application. The language of the existing text, by which a variety must be clearly distinguishable by one or more important characteristics from any other variety, has been abandoned, since it was considered needlessly ambiguous. The word "important" has frequently suggested to persons reading the text of the 1978 Act for the first time that a variety must, to be protectable, be distinct from existing varieties by some feature related to merit. This has never been the case. The view has been consistently taken over the years in UPOV circles that the worth or merit of a variety varies too greatly with time and environment to be used as a criterion for the grant of protection in an international intellectual property rights' system. The simplified new text avoids the ambiguity of the word "important."

5.640 The 1978 Act provided a non-exhaustive list of examples of common knowledge which included "an entry in an official register of varieties already made or in the course of being made", which plainly does not constitute common knowledge in the normal sense, since the relevant information may not necessarily be publicly available. Accordingly, Article 7 in the new text leaves the notion of common knowledge undefined and refers only to the specific instances of applications for protection or entry in an official register where, for the purposes of the Convention, common knowledge is deemed to exist notwithstanding that the information may not be generally available.

5.641 An application for the grant of a breeder's right or for the entering of a variety in an official register of varieties does not, however, make the variety in question a matter of common knowledge unless the application leads to the granting of a breeder's right or the entering of the variety in an official register of varieties. This is to avoid a situation where the system becomes cluttered with large numbers of "varieties" put forward in applications which have been refused or withdrawn and which no longer exist since they have been discarded by their breeders.

Examination of the Application

5.642 Article 12 of the 1991 Act deals with the examination of the application and corresponds to Article 7 of the 1978 Act. There is some change of emphasis in the latest text in that it expressly makes reference to the authority responsible for the test "taking into account the results of growing tests or other trials which have already been carried out." The eventual extension of protection to the whole plant kingdom under Article 3 of the 1991 Act means that examining authorities may be called upon to examine plant varieties of any species for distinctness, uniformity and stability, including species which are rare or unknown or in relation to which the authority has little or no knowledge or experience. In these circumstances, the authority may not itself be in a position to conduct the necessary tests and may find it necessary to ask the breeder to conduct them or to take into account data originating from the breeder. In cases of this kind, tests conducted by the breeder may be acceptable provided that the data in question is presented in a common format, and is generated by tests which follow the principles established in the General Introduction to the UPOV Guidelines for the Conduct of Tests for Distinctness, Uniformity and Stability, and that a sample of the variety is made available to the authority at the date of application.

Provisional Protection

5.643 Provisional protection is dealt with in Article 7(3) of the 1978 Act which does not, however, make it compulsory for member States to provide provisional protection. Article 13 of the 1991 Act, however, obliges member States to make provision for protecting the interests of the breeder during the period between the filing or the publication of an application and the subsequent grant.

The Article requires Contracting Parties to ensure that, as a minimum, the holder of the breeder's right should be entitled to equitable remuneration in respect of acts which will require the breeder's authorization once the right has been granted. The Article reflects the present practice of some countries by enabling Contracting Parties to ensure that the provision of protection shall only take effect in relation to persons whom the breeder had notified of the filing of the application.

Scope of the Breeder's Right

5.644 Article 5 of the 1978 Act provides that the prior authorization of the breeder *"shall be required for*:

- the production for purposes of commercial marketing,

- the offering for sale,

- the marketing

- of the reproductive or vegetative propagating material, as such, of the variety."

The article further provides that *"vegetative propagating material shall be deemed to include whole plants"* and that *"the right of the breeder shall extend to ornamental plants or parts thereof, normally marketed for purposes other than propagation, when they are used commercially as propagating material in the production of ornamental plants or cut flowers."*

5.645 The fact that the breeder's authorization is only required for the production of propagating material "for purposes of commercial marketing" means that production of propagating material that is not intended for marketing, but only for use on the farm where it was produced, falls outside the scope of protection. This has the effect of creating implicitly the so-called "farmer's privilege," whereby farmers may replant on their farms propagating material from the previous year's harvest.

5.646 Article 14(1) of the 1991 Act provides that, in respect of the propagating material of a protected variety, any production, reproduction (multiplication), conditioning for the purpose of propagation, offering for sale, selling or other marketing, exporting or importing, or stocking for any of these purposes, shall require the authorization of the breeder. Accordingly, the basic scope of the protection extends to all production or reproduction (multiplication) without a reference to its purpose and, unlike the 1978 Act, does not have the effect of creating, by implication, a "farmer's privilege."

5.647 The very different agricultural industries of UPOV member States and the varying political situations in these States have nonetheless led to the inclusion in the new Act of a provision entitling States to the option of excluding the planting of farm-saved seed from the requirement for the breeder's authorization. The provision in question is contained in Article 15(2). The structure of the provision should ensure that countries give careful thought to the interests of plant breeders when exercising this option. It was intended that States would examine the issues involved on a species by species basis. The Diplomatic Conference formally recommended that the provision of Article 15(2) "should not be read so as to be intended to open the possibility of extending the practice commonly called "farmer's privilege" to sections of agricultural or horticultural production in which such a privilege is not a common practice."

5.648 Apart from the special provision relating to the production of ornamental plants or cut flowers, the mandatory minimum scope of protection under Article 5 of the 1978 Act is limited to

the reproductive or vegetative propagating material, as such, of the variety. Paragraph (4) of Article 5 does provide that member States may grant to breeders, in respect of certain botanical genera or species, a more extensive right than that otherwise provided in Article 5, extending, in particular, to the marketed product. Few States took advantage of this optional provision. A major question debated in the course of the revision process was whether the scope of the breeder's right should be extended in a more general way to the harvested material of the protected variety and even to products produced by processing the harvested material.

5.649 The Diplomatic Conference decided the above question in the affirmative. Article 14(2) of the 1991 Act does make provision for the scope of the breeder's right to extend to harvested material, including entire plants and parts of plants where these have been obtained through the unauthorized use of propagating material of a protected variety, but qualifies the scope by providing that this scope of protection exists, "unless the breeder has had reasonable opportunity to exercise his right in relation to the propagating material of the variety."

5.650 The majority of the member States of UPOV which voted in the Diplomatic Conference on the text of Article 14(2) were not prepared to extend to the breeder an untrammeled choice between the exercise of his right in relation to the propagating material and its exercise in relation to the harvested material. They were not, for example, prepared to permit the breeder to be totally free to exercise his intellectual property right over the grain instead of the seed. There was, however, general agreement in the Diplomatic Conference that a breeder needed to have a right exercisable over the harvested material of his variety when he had had no opportunity to exercise a right in relation to the propagating material. The most commonly quoted example of the breeder being unable to exercise his right was that of the piratical use of a breeder's variety in another country, perhaps a country which makes no provision for plant variety protection, followed by a subsequent import of harvested material of the variety into a country where the variety is protected. A further example would be the exercise by the breeder of his right in relation to any harvested material which arises from an infringement, of which he was unaware, of his rights in respect of propagating material.

5.651 Article 14(2) provides that the breeder has a right to protection in relation to harvested material "unless he has reasonable opportunity to exercise his right in relation to the propagating material." Accordingly, it is the alleged infringer who will usually bear the burden of establishing that the breeder has indeed had reasonable opportunity to exercise his right in relation to the propagating material of the variety.

5.652 Article 14(3) of the 1991 Act provides for the further extension of the right of the breeder to products made directly from harvested material. This provision is not, however, part of the mandatory minimum scope of protection under the 1991 Act. States adhering to the 1991 Act may choose whether they wish to extend the breeder's right in accordance with Article 14(3). Under the Article, the authorization of the breeder is required to produce, sell, market, etc. any product made directly from harvested material, provided that the harvested material itself results from infringement. Once again, the exercise by the breeder of any right under the Article in relation to products made directly from harvested material exists "unless the breeder has had reasonable opportunity to exercise his right in relation to the harvested material." The provisos attached to Article 14(2) and (3) together constitute what has been called a "cascade." The idea of those who promote the notion of a cascade is that the breeder should only exercise his right in relation to harvested material if he has not been able to exercise it in relation to the propagating material, and that he should only exercise his right in relation to a product made directly from harvested material if he has been unable to exercise his right in relation to the harvested material.

5.653 As already mentioned, interesting future consequences arising from the extended scope of protection in the 1991 Act can be envisaged once protection extends to the whole plant kingdom.

Essentially Derived Varieties

5.654 Under the provisions of Article 6(1)(a) of the 1978 Act, any variety is protectable which, *inter alia*, is clearly distinguishable, at the time of application, by one or more important characteristics from other commonly known varieties and which is sufficiently uniform and stable. Article 5(3) of the 1978 Act provides that a protected variety may be used as an initial source of variation for the purpose of creating other varieties. The two provisions taken together create a situation in which an existing protected variety may be used as a source of initial variation and a variety selected therefrom may be freely exploited by the selector, free of any obligation to the breeder of the protected variety, provided that the selection is clearly distinguishable by one or more important characteristics from the protected variety. Since the word "important" in this context has been construed to mean "important for the purposes of making a distinction" and not "important in the sense of having value," this has meant that a person selecting a mutant or a minor variant from an existing variety or inserting an additional gene into it by back-crossing or some other procedure, can protect the resulting variety without rewarding the original breeder for his contribution to the final result. Typical examples are the selection of a color mutant from an ornamental variety, the insertion of a single gene into a maize line by back-crossing (under the favorable conditions of the tropics, multiple back-crosses can be effected in one year) and more recently, the insertion of a single gene by genetic engineering. The fact that the 1978 Act does not enable the breeder to prevent breeding approaches of this kind, has been criticized as unjust by industrial circles and the 1991 Act remedies this situation by introducing the principle of "essential derivation." Article 14(5) of the 1991 Act provides that a variety which is essentially derived from a protected variety cannot be exploited without the authorization of the breeder of the protected variety. A variety is deemed to be essentially derived from another variety ("the initial variety") for this purpose when:

> "(a) it is predominantly derived from the initial variety or from a variety that is itself predominantly derived from the initial variety while retaining the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety;
>
> it is clearly distinguishable from the initial variety;
>
> except for the differences which result from the act of derivation, it conforms to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety."

5.655 Article 14(5) provides a non-exhaustive list of examples of acts that may result in essential derivation, including the selection of a natural or induced mutant, or of a somaclonal variant, the selection of a variant individual from plants of an initial variety, back-crossing, or transformation by genetic engineering.

5.656 It is not envisaged that a determination concerning the essential derivation of a variety will be made by an examining office as part of the grant procedure, but rather that the question will be resolved between plant breeders by agreement, or in the last resort through litigation.

5.657 The existence of the new principle should ensure in future that those working as innovators in the field of plants will reach agreement before they undertake a program of activity which could result in varieties that are essentially derived from protected varieties. If a plant breeder inserts a gene falling within the claims of an invention relating to genetic information (a "patented gene")

into his variety, the resulting variety could fall within the scope of the patent enabling the patentee, in effect, to prohibit the exploitation of the variety. If, on the other hand, the patentee inserts the patented gene into the same variety, the breeder of the variety has no possibility at present to forbid the exploitation of the modified variety. In future, if a patentee of a gene inserts his patented gene into a protected variety, there will exist the possibility that the modified variety will be essentially derived and fall within the scope of protection of the protected variety. It is considered that the new balance established between the two systems in this way will facilitate the exchange of technology between plant breeders and biotechnologists. Plant breeders and biotechnologists are described here as if they pursue fundamentally separate activities. UPOV is well aware that their activities may be pursued in one and the same organization or by one person but it does still help, occasionally, for present purposes to talk of the two activities separately. It should be noted that there is no suggestion in the essential derivation provision that the breeder of an essentially derived variety should be able to force the breeder of the initial variety to grant a license, through some compulsory license procedure.

Exceptions to the Breeder's Right

5.658 A description has already been given, in connection with the scope of protection, of the provisions of Article 15(2) relating to an optional exception from the scope of protection in favor of certain farmers in certain circumstances. Article 15(1)(iii) provides that "acts done for the purpose of breeding other varieties" are compulsorily excepted from the breeder's right. This provision reproduces the substance of Article 5(3) of the 1978 Act whereby the authorization of the breeder is not required for the utilization of a protected variety as an initial source of variation for the purpose of creating other varieties, thus creating the so-called "breeder's exemption."

5.659 This is a very important feature of the Convention and is strongly supported by plant breeders and by interested circles generally. The breeder's exemption principle was strongly reaffirmed by the Diplomatic Conference. Some parties suggested that the introduction of the principle of essential derivation represents a fundamental departure from the breeder's exemption. Essential derivation is not seen in this light in UPOV. A variety will be essentially derived from another only when it retains the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety. Accordingly, a variety will only be encompassed by the essential derivation provision when it resembles the initial variety very closely and uses virtually the whole genetic structure of the initial variety apart from specific limited modifications.

5.660 Any variety may still be used under the 1991 Act of the Convention for the purpose of breeding other varieties and, unless they fall within the limited category of varieties which are essentially derived, such newly bred varieties may be freely exploited. The nature of the essential derivation principle is such that any breeder who embarks upon a program which will result in a variety which is essentially derived, will know what he is doing and why, and will either reach agreement with the breeder of the initial variety or will take the risk that the time and effort of his program will be wasted if the breeder of the initial variety declines to grant a license.

5.661 The new principle is seen in UPOV circles as an important extension of the zone of protection around a protected variety. This zone will in future comprise the minimum distance that results from the existing distinctness rule together with an additional zone created by the essential derivation principle.

Exhaustion of the Breeder's Right

5.662 The breeder's right (Article 16) does not extend to acts concerning any material of the protected variety which has been sold or otherwise marketed by the breeder or with his consent, unless such acts:

- involve further propagation of the variety, or

- involve an export of material of the variety, which enables the propagation of the variety, into a country which does not protect varieties of the plant genus or species to which the variety belongs, except where the exported material is for final consumption purposes.

5.663 The breeder's right to prohibit propagation of the variety is thus never exhausted.

Duration of the Breeder's Right

5.664 Article 19 adjusts the minimum period of the breeder's right from 18 years for trees and vines and 15 years for all other species, to periods of 25 years and 20 years respectively for these same categories. In large measure, these adjustments reflect the existing practice of member States. The substitution of the 20-year period for the 18-year period of protection ensures that the period of protection available for the majority of applicants in the plant breeders' rights system will be the same as that available in the patent system.

Administrative and Final Provisions

5.665 For the most part, the administrative and final provisions of the 1991 Act, which are contained in Articles 21 to 42, reproduce the substance of the 1978 Act.

5.666 Article 35 of the 1991 Act is worthy of comment. It provides that any State which, at the time of becoming a party to the 1991 Act, is a party to the Act of 1978 and which, as far as varieties reproduced asexually are concerned, provides for protection by an industrial property title other than a breeder's right, shall have the right to continue to do so without applying this Convention to those varieties. This provision is designed, as was Article 37 of the 1978 Act, specifically for the situation of the United States of America, which protects asexually reproduced plant varieties, other than potatoes and Jerusalem artichokes, by a special form of plant patent (which does not strictly conform to the provisions of the UPOV Convention) and which protects sexually reproduced and tuber-propagated varieties by a Plant Variety Protection Act (which does conform to the provision of the UPOV Convention). Accordingly, unless the United States of America changes its law fundamentally, it will not be in a position to meet the requirements of Articles 2 and 3 which will ultimately require it to grant and protect breeders' rights (that is, rights which conform to the UPOV Convention) for all plant genera and species. Article 35 of the 1991 Act, which can only apply to the United States of America, enables it in large measure to continue with its present system, unless or until, it decides to rationalize the present provisions of its law.

5.667 The 1991 Act of the UPOV Convention entered into force on April 24, 1998. Due to the fact that two states had deposited their instruments of adherence on the same date one month before, there were six adherences when the new Act came into force, one more than requested in Article 37.

Developments in Plant Variety Protection

5.668 Increasing numbers of countries, both in the developed and developing world, are interested in the UPOV Convention or taking steps to accede to it. Still others are enacting or have already enacted legislation on plant variety protection, which is in conformity with, or influenced by, the UPOV Convention.

5.669 Protection of plant varieties is addressed in the TRIPS Agreement (see section below). Article 27 of that Agreement, which relates to patents, provides that members of the World Trade Organization may exclude from patentability plants and animals other than microorganisms, and essentially biological processes for the production of plants and animals other than non-biological and microbiological processes, but must provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. A model of an "effective *sui generis* system" is provided by the UPOV Convention.

5.670 The States party to the International Convention for the Protection of New Varieties of Plants (UPOV) are listed in the appropriate document to be found inserted in the back flap of this volume.

The Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS') and WIPO-WTO Cooperation

Introduction

GATT, the WTO and the TRIPS Agreement

5.671 The Uruguay Round of multilateral trade negotiations held in the framework of the General Agreement on Tariffs and Trade ("GATT") was concluded on December 15, 1993. The agreement embodying the results of those negotiations, the Agreement Establishing the World Trade Organization ("WTO Agreement"), was adopted on April 15, 1994, in Marrakech.

5.672 Those negotiations included, for the first time within the GATT, discussions on aspects of intellectual property rights related to international trade. The result of those negotiations, contained in an Annex to the WTO Agreement, was the Agreement on Trade-Related Aspects of Intellectual Property Rights (the "TRIPS Agreement").

5.673 The WTO Agreement, including the TRIPS Agreement (which is binding on all WTO Members), entered into force on January 1, 1995. The former agreement established a new organization, the World Trade Organization, which began its work on January 1, 1995.

Transitional Arrangements and Technical Cooperation (Part VI)

5.674 Member States of WTO were given certain periods of time after the entry into force of the Agreement establishing WTO before being obliged to apply the TRIPS Agreement. The date on which the relevant transitional period expires for a Member, referred to as the date of application of the Agreement for that Member, is as follows:

- generally, *January 1, 1996* (Article 65.1);

- developing countries in the process of transformation into a market, free-enterprise economy, of structural reform of intellectual property systems, and facing special problems, *January 1, 2000*, excepting obligations involving national treatment and most-favored-nation treatment (Articles 65.2 and 65.3);

- developing countries obliged by the Agreement to extend product patent protection to types of products not previously patentable in those countries, *January 1, 2005,* before applying the agreement to such products (Article 65.4);

- least-developed countries, excepting provisions involving national treatment and most-favored-nation treatment, *January 1, 2006,* extendable upon duly motivated request (Article 66.1).

5.675 The TRIPS Agreement also requires developed country Members to provide, on request and on mutually agreed terms and conditions, technical and financial cooperation in favor of developing and least-developed country Members, including assistance in preparation of laws and support regarding establishment or reinforcement of domestic offices and agencies, including training of personnel (Article 67).

Institutional Arrangements (Part VII)

5.676 The WTO Agreement creates a three-tiered organizational structure. The highest tier is the Ministerial Conference, which meets at least once every two years (Article IV.1). It has the authority to take decisions on all matters under the WTO Agreement. The second tier is the General Council, consisting of representatives of all the Members, which is to meet "as appropriate" to carry out its own duties as well as those of the Ministerial Conference in the intervals between meetings of the latter body (Article IV.2). The General Council also serves as the Dispute Settlement Body and the Trade Policy Review Body (Article IV.3 and IV.4).

5.677 The WTO Agreement (Article IV.5) also establishes a Council for Trade-Related Aspects of Intellectual Property Rights (the "TRIPS Council") which, under the general guidance of the General Council, is to oversee the functioning of the TRIPS Agreement (Article IV.5). Membership in the TRIPS Council is open to representatives of all Members. Under the provisions of the TRIPS Agreement (Part VII, Article 68), the TRIPS Council is responsible for monitoring the operation of the TRIPS Agreement and Members' compliance with the obligations under that Agreement. The TRIPS Council shall also review the implementation of the TRIPS Agreement after the expiration of the transitional period for developing countries (that is, after January 1, 2000), and every two years thereafter, or when amendment or modification is warranted by new developments (Article 71.1). The first meeting of the TRIPS Council was held on March 9, 1995.

Arrangements for Cooperation with WIPO

5.678 Consultations to establish arrangements for cooperation and a mutually supportive relationship between the WTO and WIPO concerning intellectual property are required by the TRIPS Agreement.

5.679 The TRIPS Agreement further states that the TRIPS Council, in carrying out its functions, may consult with and seek information from any source it deems appropriate and that, in consultation with WIPO, the Council is to seek to establish, within one year of its first meeting, appropriate arrangements for cooperation with bodies of WIPO (Article 68). Consultations for specific areas of

cooperation between WIPO and WTO are also required by the Agreement, in particular, under Article 63.2, which concerns notification of laws and regulations by Members to the TRIPS Council.

General Provisions, Basic Principles and Final Provisions (Parts I and VII)

5.680 A basic principle concerning the nature and scope of obligations under the TRIPS Agreement is that Members must give effect to the provisions of the Agreement and accord the treatment provided for in the Agreement to the nationals of other Members. A "national" is understood as meaning those natural or legal persons who would be eligible for protection if all Members of WTO were also bound by the Paris, Berne and Rome Conventions and by the Washington Treaty on Intellectual Property in Respect of Integrated Circuits ("the IPIC Treaty").

5.681 Members are free to determine the appropriate method of implementing the provisions of the TRIPS Agreement within their own legal system and practice, and may implement more extensive protection than is required, provided that such additional protection does not contravene other provisions of the Agreement (Article 1.1 and 1.3).

Definition of Intellectual Property

5.682 The TRIPS Agreement states that, for the purposes of the Agreement, the term "intellectual property" refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II of the TRIPS Agreement, namely, copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits and undisclosed information (Article 1.2).

Incorporation by Reference of the Paris and Berne Conventions

5.683 The TRIPS Agreement is built on principles more than a century old, embodied in the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works. In fact, almost all the substantive provisions of these two Conventions are incorporated by reference directly in the TRIPS Agreement.

5.684 Concerning industrial property, the TRIPS Agreement requires that Members comply with Articles 1 through 12 and Article 19, of the Paris Convention, in respect of Parts II, III and IV of the Agreement (Article 2.1). This includes all the substantive provisions of the Paris Convention.

5.685 In the field of copyright, Members are required to comply with Articles 1 through 21 of the Berne Convention and its Appendix. However, Members do not have rights or obligations in respect of Article 6*bis* of the Berne Convention concerning moral rights, or of the rights derived therefrom (Article 9.1).

5.686 The TRIPS Agreement, however, stipulates that nothing in Parts I to IV of the Agreement shall derogate from existing obligations that Members may have to each other under the Paris or Berne Conventions (Article 2.2).

The Principle of National Treatment

5.687 TRIPS provides for the principle of national treatment, requiring that Members accord the treatment provided for in the Agreement to the nationals of other Members, the latter defined, for the corresponding rights, in terms of the relevant provisions of the Paris, Berne and Rome

Conventions and the IPIC Treaty. Exceptions provided for under the relevant conventions are respected within the context of the TRIPS Agreement. As regards industrial property and copyright, this principle applies to all rights. As regards rights in respect of performers, producers of phonograms and broadcasting organizations, the obligation only applies in respect of the rights provided under the Agreement. Also exempted from this principle are procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights.

The Most-Favored-Nation Principle (MFN)

5.688 The TRIPS Agreement contains the most-favored-nation principle, which has not traditionally been provided for in the context of intellectual property rights on the multilateral level. This principle provides that any advantage, favor, privilege or immunity granted by a Member to the nationals of any other country (whether a Member or not) shall be accorded immediately and unconditionally to the nationals of all other Members, with certain specified exemptions. As is the case for national treatment, procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights are exempted from this principle.

Protection of Existing Subject Matter

5.689 The TRIPS Agreement contains specific provisions regarding the effect of the Agreement on the subject matter of intellectual property rights that exists, on the date of application of the Agreement, in a Member. While the Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question (Article 70.1), the Agreement does give rise to obligations in respect of all subject matter existing and protected on the date of application of the Agreement, or which then or subsequently meets the criteria for protection under the terms of the Agreement (Article 70.2). However, copyright obligations with respect to existing works and obligations in connection with the rights of producers of phonograms and performers in existing phonograms are determined solely under Article 18 of the Berne Convention (Article 70.2).

5.690 A Member may provide for limited remedies for acts which become infringing as a result of the implementation of the Agreement and which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the Agreement. These must include at least the payment of equitable remuneration (Article 70.4).

5.691 There are certain exceptions to these general rules. In particular, there is no obligation to restore protection to subject matter which has fallen into the public domain (Article 70.3). In addition, certain obligations concerning computer programs, cinematographic works and phonograms (Articles 11 and 14(4)) need not be applied with respect to originals or copies purchased prior to the date of application of this Agreement (Article 70.5). Further, provisions concerning guidelines for use without authorization (Article 31) and non-discrimination as to the field of technology (Article 27.1) need not be applied to use without the authorization of the right-holder where authorization for such use had been granted by the government before the date the Agreement became known (Article 70.6).

5.692 Applications for protection of intellectual property rights which are pending on the date of application of the Agreement may be amended to claim any enhanced protection provided under the Agreement, but such amendments may not include new matter (Article 70.7).

Reservations

5.693 Reservations may not be entered in respect of any of the provisions of the Agreement without the consent of the other Members (Article 72).

Security Exceptions

5.694 The Agreement provides a general exception for matters which are deemed to be essential to national security interests; a Member is not required to furnish any information if it considers disclosure to be contrary to its essential security interests. In addition, it may take any action which it considers necessary for the protection of its essential security interests relating to fissionable materials or the materials from which they are derived, relating to traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment, or taken in time of war or other emergency in international relations. It may also take any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security (Article 73).

Standards Concerning the Availability, Scope and Use of Intellectual Property Rights (Part II)

5.695 Part II of the TRIPS Agreement provides minimum standards concerning the availability, scope and use of intellectual property rights. This Part contains eight sections relating, respectively, to copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits, protection of undisclosed information and control of anti-competitive practices in contractual licenses (the latter subject is not contained in the definition of intellectual property of Article 1.2).

Copyright and Related Rights (Section 1)

5.696 The essential elements of the standards concerning the availability, scope and use of copyright and related rights include the following:

- Members must comply with Articles 1-21 of the 1971 Paris Act of the Berne Convention and, where applicable, with the Appendix to that Act (containing special provisions for developing countries). However, Members do not have rights or obligations under the Agreement concerning the subject matter of Article 6*bis* of the Berne Convention (concerning moral rights), or of the rights derived therefrom (Article 9.1);

- copyright protection shall extend to the expression and not to ideas, procedures, methods of operation or mathematical concepts as such (Article 9.2);

- computer programs, whether in source or object code, must be protected as literary works under the Berne Convention (Article 10.1);

- compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected "as such." The protection does not extend to, but is without prejudice to any copyright subsisting in, the data or material itself (Article 10.2);

- a commercial rental right is provided in respect of at least computer programs except where the program itself is not the essential object of the rental, and to cinematographic works; however, Members are excepted from the latter obligation unless such rental has led to widespread copying which materially impairs the exclusive right of reproduction in a Member (Article 11);

- the term of protection for works other than photographic works or works of applied art, where the term is calculated on a basis other than the life of a natural person, shall be no less than 50 years from the end of the calendar year of authorized publication or, if publication has not taken place within 50 years from the making of the work, 50 years from the end of the calendar year of the making of the work (Article 12);

- limitations or exceptions to exclusive rights are confined to cases which do not conflict with normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right-holder (Article 13);

- with respect to related rights, performing artists shall have the right to prevent the fixation and reproduction of their unfixed performances on phonograms, and the wireless broadcasting and communication to the public of their live performances (Article 14.1);

- producers of phonograms shall have the right to authorize or prohibit the direct or indirect reproduction of their phonograms (Article 14.2);

- broadcasting organizations (or, if such rights are not granted to broadcasting organizations, the owners of copyright in the subject matter of broadcasts) shall have the right to prohibit the fixation, reproduction, wireless rebroadcasting and communication to the public by television broadcast (Article 14.3);

- a rental right is provided for producers of, and certain other right-holders in, phonograms; Members may maintain systems, in existence on April 15, 1994, of equitable remuneration in respect of the rental of phonograms, provided such system does not materially impair exclusive rights of reproduction (Article 14.4);

- the term of protection for performers and producers of phonograms is at least 50 years from the end of the calendar year of fixation or performance, and for broadcasters at least 20 years from the end of the calendar year of broadcast (Article 14.5);

- the conditions, limitations, exceptions and reservations permitted by the Rome Convention may be applied to certain related rights (under paragraphs 14.1 to 14.3) granted in the Agreement; however, the provisions of Article 18 of the Berne Convention apply, *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms (Article 14.6).

Trademarks (Section 2)

5.697 The essential elements of the standards concerning the availability, scope and use of trademark rights include the following:

- any sign capable of distinguishing the goods or services of one undertaking from those of other undertakings (thus including service marks) shall be eligible for registration as a trademark (Article 15.1);

- registrability may be conditional upon visual perceptibility and, for signs which are not inherently distinctive, on distinctiveness acquired through use (Article 15.1);

- registrability may be conditional upon use (Article 15.2), but use may not be a condition for filing and an application may not be refused solely on the ground that intended use has not taken place within three years of the filing date (Article 15.3);

- the nature of the goods or services to which a trademark is to be applied may not be an obstacle to the registration of the mark (Article 15.4);

- Members shall publish each trademark and afford a reasonable opportunity for petitions to cancel the registration, and may afford an opportunity to oppose the registration (Article 15.5);

- the rights conferred by registration shall include the exclusive right to prevent third parties from using identical or similar signs for identical or similar goods or services, where such use would result in a likelihood of confusion, the latter to be presumed where the goods or services are identical (Article 16.1), subject to certain allowable exceptions such as the fair use of descriptive terms (Article 17);

- certain rights are provided for the owners of well-known trademarks and service marks (Article 16.2 and 16.3);

- the term of initial registration and renewals shall be no less than seven years, renewable indefinitely (Article 18);

- if a showing of use is required for the maintenance of a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons for non-use are shown (Article 19.1);

- certain restrictions on use are not permitted (Article 20);

- compulsory licensing of trademarks is not permitted (Article 21);

- trademarks may be assigned with or without the transfer of the business to which the trademark belongs (Article 21).

Geographical Indications (Section 3)

5.698 The essential elements of the standards concerning the availability, scope and use of rights involving geographical indications include the following:

- "geographical indications" are defined as indications which identify a product as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the product is essentially attributable to its geographical origin (Article 22.1);

- Members must provide the legal means for interested parties to prevent the use of indications that misleadingly indicate or suggest that a good originates in a geographical area other than the true place of origin (Article 22.2(a));

- Members shall refuse or invalidate the registration of a trademark which consists of a misleading indication (Article 22.3), and provide means to prevent any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (Article 22.2(b));

- protection shall be applicable against a geographical indication which is literally true but misleading (Article 22.4) and, in the case of wines or spirits, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as 'kind', 'type', 'style', 'imitation' or the like (Article 23.1);

- protection is not required in respect of a geographical indication of another Member which is identical with the common name for goods or services, or, for products of the vine, which is identical with the customary name of a grape variety existing in the territory of that Member as of the date of entry into force of the WTO Agreement (Article 24.6);

- there is no obligation to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country (Article 24.9);

- guidelines are provided for additional protection for geographical indications for wines and spirits (Article 23), including concurrent protection of homonymous geographical indications for wines (Article 23.3), certain exceptions to substantive rights such as prior rights (Article 24.4) and the right to use personal names (Article 24.8), and time limits for registration in certain cases (Article 24.7);

- in order to facilitate the protection of geographical indications for wines, negotiations are to be undertaken in the TRIPS Council, concerning the establishment of a multilateral system of notification and registration of geographical indications for wines, which would be effective for those Members participating in the system (Article 23.4).

Industrial Designs (Section 4)

5.699 The essential elements of the standards concerning the availability, scope and use of industrial design rights include the following:

- Members shall provide protection for independently created industrial designs that are original or new, certain standards for determining protectability being allowed (Article 25.1);

- requirements for protection of textile designs, which may be provided through industrial design or copyright law, shall not unreasonably impair the opportunity to obtain protection, particularly in regard to any cost, examination or publication (Article 25.2);

- exclusive rights shall include the right to prevent third parties from making, selling or importing, for commercial purposes, articles bearing or embodying a protected industrial design (Article 26.1), subject to certain allowable exceptions (Article 26.2);

- the duration of protection shall amount to at least 10 years (Article 26.3).

Patents (Section 5)

5.700 The essential elements of the standards concerning the availability, scope and use of patent rights include the following:

- patents shall be available for products and processes in all fields of technology, provided they are new, involve an inventive step and are capable of industrial application (Article 27.1), except that Members may exclude inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect *ordre public* (public safety), including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law (Article 27.2); and Members may further exclude diagnostic, therapeutic and surgical methods for the treatment of humans or animals, plants and animals other than microorganisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes (Article 27.3); however, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof (Article 27.3);

- patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced (Article 27.1);

- exclusive rights shall include, for products, the right to prevent third parties from making, using, offering for sale, selling or importing the patented product, and for processes, the right to prevent third parties from using the process and from using, offering for sale, selling or importing for those purposes the product obtained directly by that process (Article 28.1), subject to certain allowable exceptions (Article 30);

- patents shall be assignable, transferable and shall be available for licensing (Article 28.2);

- certain conditions are imposed concerning the disclosure of the invention in a patent application (Article 29);

- any use allowed without the authorization of the right-owner (commonly known as a compulsory license), and such use by the government, is made subject to certain enumerated conditions (Article 31); such use in the case of semi-conductor technology is limited to certain enumerated purposes (Article 31(c));

- judicial review shall be available for any decision to revoke or forfeit a patent (Article 32);

- the term of protection shall be at least 20 years from the date of the filing of the application (Article 33);

- the burden of proof concerning whether a product was made by a patented process shall in certain cases be placed on the alleged infringer (Article 34).

5.701 In addition to the foregoing obligations, where a Member had not made available, as of the date of entry into force of the WTO Agreement (that is, January 1, 1995), patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member must provide as from that date a means by which applications for patents for such inventions can be filed. The Member must, as of the date of application of the Agreement, apply to such applications the criteria for patentability as if those criteria were being applied on the filing date or priority date of the application. If the subject matter of the application meets the criteria for protection, the Member must provide patent protection for the remainder of the patent term counted from the filing date (Article 70.8).

5.702 Where such an application is filed, exclusive marketing rights must be granted for a period of five years after the obtaining of marketing approval or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in that other Member (Article 70.9).

Layout-Designs (Topographies) of Integrated Circuits (Section 6)

5.703 The TRIPS Agreement incorporates nearly all the substantive provisions, with a few exceptions, of the Treaty. The Treaty provides for a regime of legal protection for layout-designs (topographies) of integrated circuits, and includes provisions on, *inter alia*, protectable subject matter, the legal form of protection, national treatment, scope of protection, exploitation, registration, disclosure and duration of protection. The requirements of the TRIPS Agreement are as follows:

- Members must provide protection for the layout-designs (topographies) of integrated circuits in accordance with Articles 2 through 7 (other than Article 6(3), which contains provisions on compulsory licenses), Article 12 and Article 16(3) of the IPIC Treaty (Article 35);

- the TRIPS Agreement substitutes a minimum term of ten to 15 years instead of the minimum term of eight years provided in Article 8 of the IPIC Treaty (Article 38);

- the TRIPS Agreement restricts the circumstances in which layout-designs may be used without the consent of right-holders (Article 37.2);

- the TRIPS Agreement contains an additional prohibited act to those listed in the IPIC Treaty, namely any act relating to an article incorporating an integrated circuit, but only in so far as it continues to contain an unlawfully reproduced layout-design (Article 36);

- the TRIPS Agreement provides that certain acts engaged in unknowingly will not constitute infringement (Article 6(4) of the IPIC Treaty explicitly allows such exclusions), but that a reasonable royalty shall be payable with respect to stock on hand after notice is given (Article 37.1).

Protection of Undisclosed Information (Section 7)

5.704 The TRIPS Agreement provides that, in the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention, Members shall protect undisclosed information and data submitted to governments or governmental agencies in accordance with the following provisions (Article 39.1):

- natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices (Article 39.2);

- such protection is required for information which is secret (that is, not generally known among or readily accessible within the circles that normally deal with such information), which has commercial value because it is secret, and which has been subject to reasonable steps to keep it secret (Article 39.2);

- certain undisclosed test or other data submitted as a condition of approving the marketing of pharmaceutical or agricultural chemical products which utilize new chemical entities, shall

be protected against unfair commercial use and, under certain circumstances, against disclosure (Article 39.3).

Control of Anti-Competitive Practices in Contractual Licenses (Section 8)

5.705 Recognizing that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology (Article 39.1), the TRIPS Agreement provides that Members may specify in their national laws licensing practices or conditions which may, in particular cases, constitute an abuse of intellectual property rights with an adverse effect on the competition in the relevant market, and that they may adopt appropriate measures to control or prevent such practices (Article 40.2).

5.706 Members agree to enter into consultations with each other, upon request, to secure compliance with laws in this regard (Article 40.3) or where their nationals are subject to such proceedings in the territory of other Members (Article 40.4).

Enforcement of Intellectual Property Rights (Part III)

General Obligations (Section 1)

5.707 The TRIPS Agreement requires that specified enforcement procedures be available to permit effective action against any act of infringement of intellectual property rights covered by the Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. The procedures must be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse (Article 41.1).

5.708 Enforcement procedures are to be fair and equitable, not unnecessarily complicated or costly, nor entail unreasonable time-limits or unwarranted delays (Article 41.2). Decisions on the merits of a case shall preferably be in writing and reasoned, shall be made available at least to the parties to the proceeding without undue delay, and shall be based only on evidence in respect of which parties were offered the opportunity to be heard (Article 41.3). Parties to a proceeding shall have an opportunity for review of final administrative decisions and of at least the legal aspects of initial judicial decisions on the merits of a case, except for acquittals in criminal cases (Article 41.4).

5.709 However, Members have no obligation to put in place a judicial system for intellectual property enforcement distinct from that for the enforcement of law in general, nor for the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general (Article 41.5).

Civil and Administrative Procedures and Remedies (Section 2)

5.710 The TRIPS Agreement establishes guidelines concerning civil and administrative procedures which must be followed with respect to enforcement of intellectual property rights. These include provisions on fair and equitable procedures (Article 42), evidence (Article 43), injunctions (Article 44), damages (Article 45), and other remedies, such as the authority to order disposal of infringing goods or materials and implements used in the creation of infringing goods (Article 46); these provisions also deal with right of information, for example the authority to order that the infringer inform the right-owner of the identity of third persons involved in the production and

distribution of infringing goods or services and of their channels of distribution (Article 47), indemnification of the defendant (Article 48), and application of the above guidelines to administrative procedures (Article 49).

Provisional Measures (Section 3)

5.711 The TRIPS Agreement establishes guidelines concerning provisional measures to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry of goods into the channels of commerce in their jurisdiction, including imported goods immediately after customs clearance. These measures cover also the preservation of relevant evidence in regard to the alleged infringement, and the adoption of provisional measures *inaudita altera parte,* where delay is likely to cause irreparable harm or where there is a risk of evidence being destroyed (Article 50).

Special Requirements Related to Border Measures (Section 4)

5.712 The TRIPS Agreement provides for certain enforcement procedures related to border measures, to enable a right-holder who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application for the suspension by the customs authorities of the release into free circulation of such goods. Guidelines are established with respect to suspension of release by customs authorities (Article 51), application for such procedures (Article 42), security or equivalent assurance (Article 53), notice of suspension (Article 54), duration of suspension (Article 55), indemnification of the importer and of the owner of the goods (Article 56), right of inspection and information (Article 57), *ex officio* action (Article 58), remedies (Article 59) and *de minimis* imports (Article 60).

Criminal Procedures (Section 5)

5.713 The TRIPS Agreement requires that Members provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. They also have to provide for remedies such as imprisonment, monetary fines and seizure, forfeiture and destruction of the infringing goods and of any materials and implements predominantly used for the commission of the offense.

Acquisition and Maintenance of Intellectual Property Rights and Related Procedures (Part IV)

5.714 The TRIPS Agreement contains general provisions on principles concerning procedures for acquisition and maintenance of industrial property rights. Members may require, as a condition of the acquisition or maintenance of the industrial property rights covered by the Agreement (except protection of undisclosed information), compliance with reasonable procedures and formalities consistent with the Agreement (Article 62.1). Any procedures for grant or registration must permit a reasonable period of time to avoid unwarranted curtailment of the period of protection (Article 62.2). Procedures concerning acquisition, maintenance, administrative revocation and *inter partes* procedures are to be governed by the guidelines applicable to enforcement (Article 62.4, referring to Article 41.2 and 41.3), and most final administrative decisions are subject to judicial or quasi-judicial review (Article 62.5).

5.715 The Agreement also stipulates that Article 4 of the Paris Convention concerning the right of priority shall apply, *mutatis mutandis*, to service marks.

Dispute Prevention and Settlement (Part V)

Transparency

5.716 The TRIPS Agreement requires that laws and regulations, final judicial decisions, administrative rulings of general application and bilateral agreements pertaining to the subject matter of the Agreement be published or made publicly available by Members (Article 63.1).

5.717 Members are further required to notify such laws and regulations to the TRIPS Council. The Council, in turn, is to attempt to reduce this burden on Members by engaging in consultations with WIPO on the possible establishment of a common register containing these laws and regulations (Article 63.2).

5.718 The TRIPS Council will also consider, in this connection, any action on notifications pursuant to the obligations under the Agreement which arise from Article 6*ter* of the Paris Convention.

Dispute Settlement

5.719 A particularly important element of the TRIPS Agreement is the system of dispute settlement established under the WTO Agreement. The TRIPS Agreement itself invokes the provisions of Articles XXII and XXIII of GATT 1994 (the WTO Agreement), as elaborated by the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes (included as an Annex to the WTO Agreement), which applies to consultations and the settlement of disputes under the TRIPS Agreement (Article 64.1).

5.720 However, subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994, which refer to so-called "non-violation" dispute settlement cases, are not to apply to the settlement of disputes under the TRIPS Agreement for at least five years from the date of entry into force of the WTO Agreement (that is, at least until January 1, 2000). Any extensions of that period are to be decided in the Ministerial Conference by consensus (Article 64.2 and 64.3).

Cooperation Between the World Intellectual Property Organization and the World Trade Organization

5.721 The cooperation is based upon a WIPO-WTO Agreement signed by the Directors General of the two organizations which entered into force on January 1, 1996. It contains three substantive areas, namely laws and regulations, implementation of Article 6*ter* of the Paris Convention and legal-technical assistance to developing countries. The relevant activities undertaken by WIPO under the WIPO-WTO Agreement are described below.

Laws and Regulations

Information and Documentation Service in the Field of Intellectual Property Legislation

5.722 WIPO provides an information and documentation service which responds to both internal and external enquiries and requests, concerning national legislation and treaties in the intellectual property field, and makes available copies of the relevant texts and/or information concerning WIPO's database, the Collection of Laws for Electronic Access (CLEA).

Maintaining and Updating the Collection of Laws

5.723 WIPO's Collection of Laws contains texts of treaties administered by WIPO and the texts of intellectual property-related treaties not administered by WIPO, as well as the intellectual property legislation of the European Communities and of more than 150 other countries.

5.724 CLEA has been available on the WIPO website free of charge since September 1999 and contains at present the texts of treaties administered by WIPO and the texts of intellectual property-related treaties not administered by WIPO, the intellectual property legislation of 67 countries and of the European Communities. As of March 2003, it contains bibliographic references for 2,781 texts and permits access to 2,909 documents in English, French and/or Spanish with hyperlinks for around 1,500 legislative texts. The legislative texts have been communicated to WIPO by its Member States under Article 15(2) of the Paris Convention and Article 24(2) of the Berne Convention, or notified to the Council for TRIPS and communicated to WIPO by WTO under Article 2(4) of the WIPO-WTO Cooperation Agreement.

Publishing Texts of Laws and Treaties

5.725 In its periodical *Intellectual Property Laws and Treaties* (in English and French), WIPO publishes two legislative inserts, "Industrial Property Laws and Treaties" and "Copyright and Related Rights Laws and Treaties," in which texts of national laws and treaties are published in their most recent (whenever possible consolidated) versions. Since 2002, *Intellectual Property Laws and Treaties* has been published in an electronic version only, to be found on the WIPO website.

IPLEX

5.726 An updated version of the IPLEX CD-ROM, which is a database containing legislative texts (multilateral treaties, regional laws, bilateral treaties, national laws) in English and French in the field of intellectual property, is currently in preparation for publication in the last quarter of 2003. The IPLEX CD-ROM is user-friendly and functional and offers an extensive and flexible search system.

Assistance in the Translation of Laws

5.727 Assistance in the translation of laws and regulations is given by WIPO to its Member States under the Organization's ongoing programs. In accordance with Article 2(5) of the WIPO-WTO Agreement, this service was made available to developing country Members of WTO that are not Member States of WIPO to enable them to fulfill their obligation to notify their laws and regulations to the TRIPS Council. Between January 1996 and December 31, 2002, assistance in translation has been given to 191 countries (not limited to developing countries), for which laws and regulations have been translated from or into Arabic, Dutch, English, French, German, Portuguese and Spanish.

Article 6ter of the Paris Convention

5.728 Under Article 3 of the WIPO-WTO Agreement, the procedure relating to the communication of emblems and transmittal of objections under the TRIPS Agreement are to be administered by the International Bureau of WIPO, in accordance with the procedures applicable under Article 6*ter* of the Paris Convention.

5.729 Since January 1, 1996, the International Bureau, pursuant to Article 3 of the WIPO-WTO Agreement, has communicated:

- to WTO Members not party to the Paris Convention all the State emblems, official hallmarks and emblems of intergovernmental organizations communicated to the States party to the Paris Convention before and since that date.

5.730 It should be noted that such communications are without prejudice to the date on which WTO Members are bound, under the TRIPS Agreement, to protect the emblems that were the subject of the communication.

Joint Activities of WIPO and WTO

5.731 The two Organizations are committed under the WIPO-WTO Agreement to provide legal-technical assistance and to enhance their technical cooperation activities under Article 4 of the Agreement. Specifically, each Organization agrees to make available to developing countries Members of the other Organization "the same legal-technical assistance relating to the TRIPS Agreement as it makes available to [its own] Member States" under paragraph 1 of the Agreement. They further agree, in paragraph 2 of the Agreement, to "enhance cooperation in their legal-technical assistance and technical cooperation activities relating to the TRIPS Agreement for developing countries, so as to maximize the usefulness of those activities and ensure their mutually supportive nature." Lastly, they specify in paragraph 3 of the Agreement, that the two Organizations "shall keep in regular contact and exchange non-confidential information" for the purposes of legal-technical assistance to developing countries.

5.732 Numerous activities have been undertaken by WIPO and WTO under Article 4 of the WIPO-WTO Agreement, including attendance at each other's meetings as observers, provision of resource persons in each other's symposia, workshops, seminars and training courses and, in particular, joint organization of symposia.

WIPO-WTO Joint Initiative

5.733 In furtherance of the cooperation specified in the WIPO-WTO Agreement, WIPO launched a joint initiative with WTO in July 1998. The purpose of the joint initiative was to assist developing countries Members of WTO in meeting the January 1, 2000, deadline for conforming to the TRIPS Agreement.

5.734 The joint initiative was in the form of a joint communication by the Directors General of the two Organizations, Dr. Kamil Idris of WIPO and Mr. Renato Ruggiero of WTO, which was sent to the ministers of each of the developing countries concerned. Its aim was for WIPO and WTO to maximize their use of available resources in the coming critical period by improved planning and coordination of technical cooperation activities, with an understanding that the bulk of the assistance would be coming from WIPO.

5.735 Many responses have been received from developing and least developed countries since the launching of the joint initiative. Many of the requests were incorporated into the activities of the development cooperation programs.

5.736 In response to the requests made under the joint initiative, officials of the two Organizations have met on several occasions and discussed the coordination of efforts and, in some cases, the joint handling of specific requests by holding a joint consultation with the requesting country or territory. The assistance requested has been provided to the Members concerned in the course of 1999 and 2000. In particular, a large number of WIPO and WTO missions took place in 1999, including a joint regional symposium on "Implementation of the TRIPS Agreement" in Bangui, Central African Republic, for French-speaking sub-Saharan African countries from March 23 to 26,

1999. In addition, three national seminars were planned and carried out jointly by WIPO and WTO in Colombia, Cuba and Venezuela during the latter part of 1999 and in 2000.

5.737 For the least-developed country Members of WTO facing the January 1, 2006, deadline, a similar joint effort is planned for 2001.

Progressive Development of International Intellectual Property Law

Introduction

5.738 The development of industrial property law has traditionally been based on international treaties between sovereign states. These treaties now form the foundation of the international system for the protection of intellectual property. The pace of change in the field of intellectual property, however, makes it necessary to consider new options for accelerating the development of international harmonized common principles and rules. An outstanding example is WIPO's response to the challenge increasingly faced by trademark owners because of abusive registration and use of Internet domain names by third parties: WIPO has undertaken a process of international consultation which has produced a series of recommendations on mechanisms to combat such practices. This has led to the adoption of the Uniform Domain Name Dispute Resolution Policy (see chapter 7).

5.739 In the field of harmonization of industrial property principles and rules, a more flexible approach, or the coordination of administrations, could produce more rapid results, thus ensuring earlier practical benefits for administrators and users of the industrial property system. Such approaches have been referred to on occasion as "soft law" instruments.

5.740 Several options exist in this respect: projects of an essentially administrative nature could, for example, culminate in a Memorandum of Understanding (MoU), rather than a formal treaty; activities aimed at harmonization of national laws could be advanced through the adoption of a resolution by the WIPO General Assembly (or another WIPO Assembly), recommending that Member States and interested intergovernmental Organizations adopt and implement particular principles and rules. Work requiring a rapid, interim result could, pending further agreements, be achieved through the publication of model principles and rules that would be available to any legislator or other authority seeking guidance on how to solve specific problems.

5.741 The General Assembly of WIPO and the Assembly of the Paris Union have adopted three such instruments: a Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (1999), a Joint Recommendation on Trademark Licenses (2000) and a Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (2001). These Recommendations do not, of course, have the same legal effect as a treaty which is legally binding on all States party to it. As recommendations by Member States representatives in two authoritative bodies of WIPO, they will, however, have a strong influence. It is hoped that they will persuade States to bring their national legislation into line with these provisions. The Trade Marks Act (adopted in 1999) of the Republic of India, for example, explicitly refers to the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (Trade Marks Act, 1999, Chapter II, 11(6) to (10)).

5.742 Their adoption as recommendations does not preclude the provisions from being incorporated into a treaty at a later stage. Thus, a recommendation might constitute a first step

towards the creation of international rules and standards which, once matured, could be formally adopted as, or inserted in, an international treaty.

The Joint Recommendation Concerning Provisions for the Protection of Well-Known Marks

5.743 The Joint Recommendation Concerning Provisions for the Protection of Well-Known Marks is intended to clarify, consolidate and supplement the existing international protection of well-known marks as established by Article 6*bis* of the Paris Convention for the Protection of Industrial Property (Paris Convention) and by Article 16.2 and 16.3 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It includes detailed provisions regarding the determination of whether a mark is a well-known mark in a Member State (Article 2), and remedies in cases of conflict between well-known marks and other marks (Article 4), business identifiers (Article 5) or domain names (Article 6). The provisions will thus facilitate the application of the existing international standards.

5.744 They supplement these standards in that:

- they provide, in Article 2(1), a non-exhaustive list of factors that Member States can consider when determining whether a mark is well-known, such as, in particular, that a mark shall be considered to be well-known if it is determined to be so in at least one relevant sector of the public of a Member State (Article 2(2)(b));

- they list, in Article 2(3), factors that Member States shall not require as a condition for determining whether a mark is well-known, such as, in particular, that a mark has been used or registered or that an application for registration has been filed in that Member State (Article 2(3)(i));

- they require that a well-known mark, which is not registered in the country where protection is sought, be protected against use of an identical or similar mark for dissimilar goods or services, even though in certain cases a Member State may require that the mark be well-known by the public at large (Article 4(1)(b) and (c));

- they provide for remedies in cases of conflicts between well-known marks and business identifiers (Article 5 of the draft provisions) and domain names (Article 6 of the draft provisions).

The Joint Recommendation Concerning Trademark Licenses

5.745 Many countries require the recordal of trademark licenses with a governmental authority. The requirements for such recordal vary from country to country and, in some instances, impose heavy burdens on trademark owners and licensees. The Recommendation Concerning Trademark Licenses aims at harmonizing and simplifying the formal requirements for recording. In that respect, the Recommendation supplements the Trademark Law Treaty of October 27, 1994 which does not address trademark licenses.

5.746 The Recommendation provides a maximum list of indications and elements that an Office may require for the recording of a license (Article 2(1)); Offices are free to require some only of the

listed elements, but may not require other or additional information (Article 2(7)). In order to facilitate the processing of requests in several countries, the Recommendation provides a Model International Form which groups all the information that may be required by an Office. Offices are obliged to accept requests that contain all the indications or elements specified in that Form (Article 2(3)). The Recommendation also attempts to limit the effect of non-compliance with recording requirements to the license agreement itself by stipulating that the non-recording of a license should not affect:

- the validity of the trademark which is the subject of the license (Article 4(1));

- any right that a licensee might have under the legislation of Member States to join infringement proceedings initiated by the holder (Article 4(2)(a)), unless the law of a Member State expressly prohibits a non-recorded licensee from joining such proceedings (Article 4(2)(b));

- the question whether use of a mark by a third person can be considered use by the trademark holder, which can be relevant in the context of use requirements (Article 5).

The Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet

5.747 Whilst industrial property rights and particularly mark rights are territorial in nature, the Internet is globally accessible. Rights in a mark, used for similar or even identical goods or services, may in the real world coexist peacefully in different countries, but used on the Internet marks can be seen by visitors coming from all over the world on their computer screen. Coexistence of rights may therefore easily turn into conflicts of rights. The Joint Recommendation has been established in order to help the authorities and courts involved in such conflicts and in all other questions arising from the contradiction between the principle of territoriality of rights and the global nature of the Internet. These issues include the following:

- under what conditions can the use of a sign on the Internet be considered to have occurred in a particular country?

- what can be done in order to avoid conflict where the owners of rights in identical or similar signs, granted for use in different countries, all use these signs on the Internet?

- how can courts take account of the territorial basis of industrial property rights when determining remedies?

5.748 The first question is relevant for determining whether use on the Internet contributed to establishing, maintaining or infringing an industrial property right in a sign in a particular country. In general, this requires that the sign can be deemed to have been used in the country concerned. Under the Recommendation, only use that has a "commercial effect" in a particular country shall be deemed to have occurred in that country. To facilitate this determination, the provisions provide a detailed, but non-exhaustive, list of factors which can be relevant in that context, such as actual delivery of goods or services, language, interactivity of the web site, and registration of the web site under a country code top level domain.

5.749 The second question relates to conflicting rights in signs. Because industrial property rights are limited to individual countries or regions for which they were granted, different owners can hold

industrial property rights in identical or similar signs in different countries. This creates problems if such a sign is used on the Internet. Because of the necessarily global nature of the Internet, such use might be considered as infringing a right under the law of another country in which the user's right is not recognized.

5.750 To address such conflicts, the provisions introduce a "notice and avoidance of conflict" procedure under which right-owners and other legitimate users are exempt from liability until they are notified of a conflicting right. Right-owners and other legitimate users can therefore use "their" sign on the Internet without first having to undertake a worldwide search for conflicting registered or unregistered rights. A user, once notified of a conflicting right, must take certain measures for avoiding the conflict. The user who fails to do so, can be subject to liability. In order to provide right-holders and other legitimate users in good faith with a sufficient degree of legal certainty as to how to avoid liability for the infringement of conflicting rights, it is recommended that a "disclaimer" be regarded as sufficient. Such disclaimers are statements designed to avoid a commercial effect in a particular country. The disclaimer is only effective if the user acts on its stated intent by asking customers where they are located, and refusing delivery to those who indicate that they are based in the country disclaimed. The user would not, however, be required to verify such indications.

5.751 The third question addresses another problem resulting from the tension between territorial rights and a global medium. An injunction to cease every use of a sign on the Internet would go far beyond the territory for which the conflicting right was granted. Its effect would potentially be as global as the Internet. A decision as to remedies should therefore take the territorial limitation of marks or other rights in signs into account. Remedies should be limited, as far as possible, to the territory in which the right is recognized, and they should only be available if the allegedly infringing use of the sign can be deemed to have taken place in that territory. This is determined with regard to the "commercial effect" of such use in the Member State in question. Thus, the Recommendation proposes that the "commercial effect" of Internet use should serve as a yardstick for determining a "proportionate" remedy. Use of a sign on the Internet that infringes an industrial property right in a Member State should not be prohibited any more than is proportionate to the commercial effect that such use has produced in that Member State.

Chapter 6

Administration and Teaching of Intellectual Property

Administration of Industrial Property

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Administration of Industrial Property

Introduction

6.1 The organizational structures which need to be established by the government of a country for industrial property laws to operate effectively fall into three categories:

- bodies operated directly as part of the government machinery — namely an Industrial Property Office and a Policy Unit;

- bodies outside the government machinery but which may call for government supervision — namely patent and trademark agents;

- special arrangements in the courts.

6.2 The Industrial Property Office is often called the Patent Office for short, even though it handles trademarks and designs as well as patents. In some countries the three functions are, for historical or other reasons, operated independently by separate offices, but it is usually more efficient to combine the functions in one office.

6.3 The Industrial Property Office is essentially a government institution. Its precise position in the government organization as a whole can vary according to the administrative structure of the government of the country in question.

6.4 The Office may be integrated completely into a Ministry concerned, being staffed by civil servants who can be transferred into and out of the Office from other parts of the Ministry. The advantage of frequent transfers is that the Office receives a regular intake of staff with wider experience and perhaps fresh ideas; the disadvantage is that experienced officials are lost as they move elsewhere.

6.5 The Office may be organized as a semi-autonomous body, able to recruit and train its own staff on its own terms, to control its own fees and other charges and to manage its own finances. It may then have a management board representing both the government and the people who use the Office's services. The advantages are freedom from general government restrictions on manpower and spending, more freedom to finance investment in new developments, greater ease in responding to user and consumer interests, and more retention of experienced staff. The disadvantage, particularly for a small Office, is that the staff's career is more restricted and that might affect the quality of the recruits to the Office.

6.6 Whatever administrative structure is adopted the Office must be judicially autonomous. The decisions of the Office to grant, refuse or revoke an industrial property right, or to resolve disputes between parties, are quasi-judicial decisions, not administrative ones. The Office must, therefore, be free from any interference in particular decisions, being answerable only to the court in so far as there is a right of appeal from an Office decision to the court.

6.7 The Office must be subject to administrative supervision by the Ministry in charge of its general performance, on the level of its fees and on the appointment of the head of the Office or members of any management board. In addition, it is highly desirable to establish an advisory

committee of representatives of user organizations (such as patent and trademark agents' institutes, chambers of commerce, industrial federations and consumer groups).

Administrative Structure in the Industrial Property Office

6.8 The managers of many of today's Industrial Property Offices are increasingly called upon to plan and organize their operations with optimum efficiency in mind. In recent years, Industrial Property Offices have become much more active in the promotion and delivery of services related to the role of industrial property information as important factors for technological development, in addition to the carrying out of the traditional functions of search and examination related to the granting of industrial property rights.

6.9 Most Industrial Property Offices have also experienced, in recent years, substantial increases in workloads because of rises in filing rates, which have not always been accompanied by corresponding increases in human resources. Consequently, managers have been looking at various ways and means, including automation, to increase the efficiency of their operations and deliver more with the same or fewer resources. In this context, managers have been studying different organizational set-ups in order to promote the most efficient use of their human resources.

6.10 The current trend is to group all the industrial property activities under one authority, since this results in the more efficient use of management skills and the interchangeability of a certain number of employees, particularly in the support areas. Such an organizational structure allows having managers with specific technical and operational knowledge and experience at certain levels but liberates others to concentrate on primarily management issues. The structure also reduces the number of managers requiring in-depth knowledge of industrial property. Other advantages are:

- providing a variety of advancement paths for employees;

- possibility of amalgamation of certain functions and avoidance of duplication of certain others;

- management teams with a variety of experience and background;

- making optimum use of management skills by having them applied over wider areas;

- presents the possibility of shared services, often reducing costs and the amount of equipment and office space required.

6.11 This structure also has some disadvantages — of certain employees having to become generalists rather than acquiring in-depth experience in any one field, and of certain managers being called upon to deal with a multitude of areas that are quite different in nature. Others are:

- because the educational requirements are different in the different sectors, the employees of one sector can tend to dominate the managerial levels;

- because of fewer management positions at certain levels, there are fewer prospects of advancement to those levels.

There is also an increasing tendency to merge the industrial property administration with the copyright administration, as in Indonesia, Malaysia, Mongolia, Singapore and Thailand.

Directorate General

6.12 The Directorate General is the authority to which all the organizational centers report. The actual title of this position may vary as, for instance, Commissioner of Patents, Registrar of Trademarks, etc., as well as that of Director General. The officer holding this position is responsible for the management of all operations related to industrial property.

6.13 In practically every Industrial Property Office, this responsibility would be too vast for only one manager. The situation may be handled by the appointment of Deputy Directors General who are responsible for specific operations, or by dividing the Directorate General into legal and administrative areas of responsibility.

Industrial Property Operations

6.14 Industrial property operations are managed by the various centers under the Directorate General. These centers are the ones which are involved with the activities leading to the grant of industrial property rights: they deal as appropriate with patent examination, trademark examination, industrial design examination, support services, appeals and oppositions, PCT, documentation and information, automation and programs and research.

The Patent Office

Tasks

6.15 In the field of patents for inventions the main task of the Industrial Property Office consists in receiving applications for the grant of patents and deciding, separately for each application, whether a patent should be granted or refused. A further task of the Industrial Property Office is to deal with the renewal of the patents granted. Finally, an Industrial Property Office may have functions of disseminating technological information to the general public and deciding on cases of requests for compulsory licenses. A more detailed review of certain tasks of the Patent Office can be found in the Section of this chapter entitled "The Patent and Trademark Attorney," where the role of the Patent Office is placed in the context of the efforts of the applicant and the patent attorney.

Receiving the Patent Application and the Fees—Examination as to Form

6.16 Patent applications are usually prepared by professionals, that is, by patent attorneys or patent agents. The Industrial Property Office nevertheless has to check that the requisite legal formalities have been complied with, and this is called examination as to form. The Industrial Property Office will check whether the application is on the right size of paper, typed with the prescribed margins and containing all the prescribed elements of which the most typical are the request, the description and the claims. It will check whether the prescribed fees were paid. If there are defects, it will invite the applicant to make corrections. Furthermore, the Office will examine whether the subject matter of the application is one which must be kept secret because of national security concerns.

Publication of the Application

6.17 If the applicable law or treaty prescribes that applications be published, the Industrial Property Office will have to prepare the application for publication and make paper copies available

to the public. The preparation typically consists of preparing the first page of a pamphlet that usually comprises the text of the application and any drawings that are part of the application. The first page shows, in a standard format, the so-called bibliographic data: name and address of the applicant, the inventor (if he is not the applicant) and the patent agent; title of the invention; date of the filing of the application; date, place and serial number of any earlier application filed abroad the priority of which is claimed. The Industrial Property Office will have to give each application a serial number and will have to assign to it a classification symbol showing the sub-division of the International Patent Classification (IPC) into which the claimed invention belongs. The resulting serial number and classification will be shown on the title page. Finding the right classification symbol is a task that requires familiarity with the IPC and understanding of the invention that is the subject matter of the application. It requires a high degree of professional skill, namely, that of a scientist or engineer. But if the application involves the priority of an earlier foreign application, it is usually safe, at this stage, to simply request that the applicant indicate the classification symbol given to the priority application by the foreign Industrial Property Office and to allocate the same symbol to the domestic application. Since many of the applications are of foreign origin and involve priority, such a method will solve, in most cases, the problem of assigning IPC symbols.

6.18 The number of copies to be prepared by the Industrial Property Office is a function of demand. The requisite number of copies may vary between a few dozen and a few hundred. Copies will be needed for exchange purposes with foreign industrial property offices and for sale to anyone who wishes to buy them. The copies are usually produced by photocopying the first page prepared by the Industrial Property Office and the rest of the pages as prepared by the applicant and appearing in the application. In other words, there is no need for setting type. Photo-offset reproduction is typical. In addition to paper copies, the Industrial Property Office may also prepare and offer for sale copies on microfilm or in electronic form, such as CD-ROM or uploading on the Internet.

Examination as to Substance

6.19 If the applicable law or treaty prescribes that applications be examined as to substance, then the Industrial Property Office will determine, for each application, whether it complies with the requirement of unity of invention and whether the invention claimed is patentable, that is, whether it is new, non-obvious and industrially applicable.

6.20 The carrying out of examination as to substance requires skilled professionals, engineers or scientists, called "examiners." They have to compare the claimed invention with the state of the art in order to determine whether the claimed invention is novel and represents a significant step forward in respect of the state of the art on the relevant filing date.

6.21 In order to know what the state of the art is, the Industrial Property Office must either have a collection of its own patent documents, scientific books and scientific periodicals, or it must have recourse to other means of receiving the required information. Establishing and maintaining the collection is an expensive undertaking even if it is determined that worldwide coverage is not necessary. Other means may be that patent applications filed under the Patent Cooperation Treaty are accompanied by so-called international search reports or international preliminary examination reports prepared by one of the leading industrial property offices of the world. Another is to have recourse to one of the services offered to developing countries, in certain circumstances, by WIPO: the state-of-the-art search reports program and the International Cooperation in the Search and Examination of Inventions (ICSEI). Finally, the Industrial Property Office may require, where the application involves the priority of a foreign application, that the applicant furnish the results of the search and examination carried out in respect of the said foreign application.

6.22 Irrespective of what method is used for establishing the state of the art, the Industrial Property Office will have to make a decision, in respect of every application, whether the claimed invention is patentable or not. Its decision may be supplemented by what is called an opposition procedure, provided for in the legislation of several countries. Under such a procedure, the application is published, and anybody may write to the Industrial Property Office opposing the grant of a patent. Opposition is usually based on an allegation that the invention is already in the state of the art, and on evidence produced in support of the allegation. Thus, the Industrial Property Office receives the results of a search, carried out by the opposing party, on the state of the art, and then checks the correctness of those results and the conclusions drawn from them. All this may be done without a patent document collection of the Industrial Property Office itself.

Refusal or Grant

6.23 Once the examination as to form is completed and the law or treaty does not require examination as to substance, and provided that the examination as to form has not led to rejection because of an uncorrected defect, the Industrial Property Office will grant a patent. Where examination as to substance is also requested and the Industrial Property Office finds the claimed invention patentable, it will grant a patent. Otherwise, it will refuse the application.

6.24 The grant is expressed in a certificate that is signed and sealed by the Industrial Property Office and given to the applicant who, from then on, is called the patentee or the owner of the patent. Furthermore, the grant is inscribed in what is usually called the patent register, kept by the Industrial Property Office. The grant is also announced in the official gazette of the government or the special gazette of the Industrial Property Office. Finally, granted patents must be published and put on sale in a sufficient number of copies, in the form of paper pamphlets, by the Industrial Property Office. The procedure is similar to the one mentioned above in respect of the publication of patent applications.

Maintenance of Patents

6.25 Patents have a limited duration of validity, usually for a period of 20 years. But a patent once granted does not remain valid until the expiration of the said period unless it is "maintained" or "renewed." Maintenance and renewal usually require the payment of an annual fee by the owner of the patent. In several systems, the amount of the annual fee increases as one approaches the end of the maximum term of protection.

6.26 The tasks of the Industrial Property Office consist of receiving these fees and noting the receipt in the register of patents. In some systems, the resulting renewal is published in the gazette.

Cost of Maintaining the System

6.27 Ideally, an Industrial Property Office should be able to cover the cost of its tasks from the fees it collects from patent applicants and patent owners. Those costs consist mainly of the salaries of the employees of the Industrial Property Office, the cost of publishing pamphlets containing patent applications or, at least, granted patents, and, where the Industrial Property Office has its own collection of the documents, books and periodicals necessary for carrying out examination as to substance, the cost of creating and maintaining such collections.

Compulsory Licenses

6.28 If the law provides for the possibility of granting compulsory licenses, that is, licenses to work the patented invention in the country even against the wish of the patentee where

non-working by him or public interest justifies the grant of a compulsory license, the Industrial Property Office is sometimes entrusted with the task of receiving requests for the grant of compulsory licenses and of granting or refusing such requests after having heard the patentee and the requesting party.

6.29 This is a quasi-judicial function which requires a thorough familiarity with the general economic policy of the government and the industrial possibilities and economic need for working the patented invention. It also requires the ability to judge the financial and technical ability to work the invention of the party requesting the grant of a compulsory license. Because of the economic aspects of the question, government authorities other than the industrial property office, such as ministries of industry or planning, are generally better suited to deal with requests for compulsory licenses.

Patent Information Services

6.30 Some of the industrial property offices provide technological information services based on patent documents. This means that a person may ask the Industrial Property Office to identify patent documents (and even provide copies thereof) that deal with the solution to a given technological problem. Such a problem will have to be described by the party requesting the information. Only those industrial property offices are in a position to provide this kind of information which either have a substantial patent collection themselves or which can access existing services, some of them online, located in the same country or abroad. Derwent Publications Limited (London), International Patent Documentation Center (INPADOC) (Vienna) and Pergamon Infoline Limited (London) are among the best known of such online services. Today, many industrial property offices have created patent information digital libraries. Most of them are available on the Internet.

The Trademark Office

Tasks

6.31 In the field of trademarks and service marks, the main task of the Industrial Property Office consists in receiving applications for the registration of trademarks and service marks and deciding, separately for each application, whether registration should be effected or refused. A further task is to deal with requests for the renewal of existing registrations. Finally, an Industrial Property Office may be required to give information, at the request of any member of the public, on the existence, in its register, of trademarks or service marks that are identical or similar to a sign in respect of which that member of the public requests the information. The activity performed by the Industrial Property Office in this last respect is called "search" or "search for identical or similar trademarks or service marks."

Receiving the Application for Registration and the Fees—Examination as to Form

6.32 An application for the registration of a trademark has to contain the name and address of the applicant and, if he is represented by an attorney or trademark agent, the name and address of the latter. Furthermore, it has to indicate the word, drawing or other sign proposed for registration as a trademark. Finally, it must list the goods and/or services for which the registration is requested. This list must be accompanied by the indication of the class or classes — among the 45 of the International Trademarks Classification — to which the goods and/or services listed in the application belong.

6.33 Trademark applications are usually prepared by professionals, that is, by trademark attorneys or agents. The Industrial Property Office nevertheless has to ensure compliance with legal requirements, a procedure known as examination as to form. The Industrial Property Office will check whether the application is within the required limits as to size and is of a clarity which allows reproduction. If colors are among the features of the trademark for which protection is claimed and publication is effected by the Industrial Property Office only in black and white, it is usually required that the colors be indicated in a claim.

6.34 The Industrial Property Office will have to check whether prescribed fees for registration have been paid by the applicant. Usually, the amount of fees varies according to the number of the classes in which the listed goods and/or services belong: the greater the number of classes, the higher the fees. The indications on class or classes furnished by the applicant will be checked by the Industrial Property Office in order to determine the correct amount of the fees payable.

Examination as to Absolute Grounds of Nullity

6.35 The Industrial Property Office is also required to examine the trademark as to whether there are absolute grounds which prevent its registration, as distinct from relative grounds. Relative grounds are those that prevent the registration of a sign as a trademark because the sign is in conflict — is identical with or is similar to — another trademark that has already been registered for the same or similar goods and/or services, or because it is in conflict with a well-known trademark. In other words, a relative ground is formed by comparing the sign requested to be registered with an existing trademark. On the other hand, absolute grounds are not based on such comparison, and are independent of existing registrations. Typical examples of absolute grounds for refusal are that the sign requested to be registered as a trademark is not distinguishable (is merely descriptive, is generic, etc.), or is offensive to the moral sense (for example, is pornographic), or is offensive to religious or patriotic feelings (for example, the mark uses in a certain way a religious symbol or the name or picture of a personality, or national ruler). At this stage of the examination only absolute grounds for refusal are taken into consideration. If any are found, the application for registration will be refused by the Industrial Property Office.

Examination as to Relative Grounds of Nullity

6.36 Not all laws require examination as to relative grounds for refusal. Where there is no such requirement, the registration will be effected, unless there is some defect in form or an absolute ground for refusal. Such registration, however, may be attacked by an interested person on the relative grounds for refusal and, if those grounds are found for by the Industrial Property Office or the court, the registration will be cancelled.

6.37 But where the law requires examination, prior to registration, of relative grounds for refusal, such examination will be carried out by the Industrial Property Office. This examination, also called examination as to possible conflict with existing marks, can be carried out either on the request of what is called an opposing party or *ex officio*, that is, independently of any such request. Where the law allows third parties to oppose registration, the trademark has to be published by the Industrial Property Office. An "opposition" may be filed within the prescribed time limit, for example, three months from the publication in the gazette. Thus, in such a system, one of the tasks of the Industrial Property Office is the publication, for opposition, of the signs requested to be registered as trademarks. Where there is a system of *ex officio* examination, the Industrial Property Office has to keep indexes which allow it to effect the search for identical or similar trademarks. There are several indexes. One shows all the word marks in alphabetical order; another lists them according to characteristic endings or beginnings; yet another lists them according to the sequence of vowels. The indexing and searching of marks that have or consist of figurative elements are

described in words, and the concepts go from the broader to the narrower. For example, where the sign is a parrot, the sequence of indexing is "living beings," "animals," "birds."

6.38 The indexes have to cover all the prior applications and the registered trademarks whose registration is still valid. This means a relatively high number of entries and it means that the indexes must be kept up to date constantly, that is, every newly filed or registered trademark has to be entered in the appropriate — usually several — indexes and every trademark whose registration ceases to be valid must be removed from all the indexes. This is a major task, requiring specially trained staff, usually called "trademark searchers."

Refusal of Registration

6.39 Once the examinations are completed, the Industrial Property Office will either reject the application or allow it. In the latter case, it will inscribe the trademark in its trademark register, issue a certificate of registration to the applicant (who thereafter will be called the owner of the registration) and announce the registration in the official gazette of the Government or in the special gazette of the Industrial Property Office. Staff must work on the preparation of each issue of the gazette and on printing and distributing it, with appropriate equipment.

Renewal of Registration

6.40 The initial registration of a trademark is usually valid for 10 years. The validity of any registration may be prolonged through what is called renewal. Renewal may be requested any number of times, each having a validity of a certain number of years, for example 10.

6.41 Renewal must be requested and must be paid for, that is, the owner of the registration is required to pay the prescribed fee ("renewal fee") within a prescribed period of time, for example, six months before or six months after the date on which the term of the previous registration expires. The task of the Industrial Property Office consists in receiving the renewal fee, checking that it has been paid within the prescribed period, checking that its amount is that required, entering the renewal in the trademark register, announcing it in the gazette and issuing a certificate of renewal to the owner of the registration.

Cost of Maintaining the System

6.42 As in the case of patents an industrial property office should, ideally, be able to cover the cost of its tasks from the fees it collects from trademark applicants and owners of trademark registrations. Those costs consist mainly of the salaries of the Industrial Property Office staff and the cost of publishing the gazette. More staff will be needed if the Industrial Property Office has to carry out the examination as to relative grounds for refusal, not only for purposes of undertaking such examination but also for keeping up to date the indexes required for this type of examination. The printing costs will be higher if trademarks having color features are published in color.

6.43 Experience shows that, if the fees are set at an appropriate level, it is relatively easy to make the trademark operations of an Industrial Property Office self-supporting.

Search Service

6.44 Industrial property offices which administer a system providing for examination for relative grounds for refusal have, as already indicated, to maintain several kinds of indexes and will have to have staff that is skilled in searching in such indexes. Such industrial property offices usually maintain what is called a search service or preliminary examination. Any person may request it to

tell him whether a given word or other sign is identical with or similar to one or more registered trademarks. The service is particularly useful for a person who intends to adopt a new trademark, which usually means considerable investment, including heavy expenditure on advertising. The risk of adopting a trademark which might turn out to be in conflict with another trademark can thus be considerably reduced.

The Industrial Designs Office

Tasks

6.45 In the field of industrial designs, the main task of the Industrial Property Office consists of receiving applications for the registration of industrial designs and deciding, separately for each application, whether registration should be effected or refused. In a few countries, including China and the United States of America, design patents are granted for industrial designs. However, even in those countries, the tasks of the Industrial Property Office, in respect of industrial designs, differ very little from what is described in the following sections. A further task of the Industrial Property Office is to deal with requests for the renewal of existing registrations for industrial designs.

Receiving the Application for Registration and the Fees—Examination as to Form

6.46 An application for the registration of an industrial design has to contain the name and address of the applicant and, if he is represented by an attorney or industrial property agent, the name and address of the latter. Furthermore, the application must be accompanied by one or several drawings or photographs showing the design that is proposed to be registered as an industrial design. Furthermore, the application must indicate the object in which the industrial design is to be used, for example, "ashtray," "handbag," "fountain pen," "shoe," "necklace." If colors are regarded as essential elements of the industrial design, the drawings or photographs must show the color and the application must indicate that the color features are part of the design.

6.47 The industrial property office has to check whether the application is in the required form, that is, in particular, whether it is made by using the form that the Industrial Property Office puts at the disposal of the applicants, whether the form is filled in as required, whether the drawing or photograph is attached and is of the right size, and whether the prescribed fee has been paid.

Examination as to Admissibility

6.48 The Industrial Property Office is also required to examine whether there are grounds of morality or public order on which the application should be rejected, for example, because the design is pornographic, offensive to religious or patriotic feelings, etc.

Refusal of Registration

6.49 Once the examinations are completed, the Industrial Property Office will either reject or allow the application. In the latter case, it will enter the industrial design in its industrial design register, issue a certificate of registration to the applicant (who thereafter will be called the owner of the registration) and announce the registration in the official gazette of the Government or in the special gazette of the Industrial Property Office. The latter means work on the preparation of each issue of the gazette and on its printing and distribution.

6.50 It is to be noted that an industrial design that is the same as, or closely resembles, an industrial design that has already been published or registered, is not protected by law. Nevertheless, in most countries, industrial property offices do not have the task of examining to establish industrial designs whose registration is applied for in order to establish the existence or non-existence of prior identical or closely resembling industrial designs. The remedy that is available for the owner of such prior industrial designs consists of the possibility of asking for the cancellation of the registration of the conflicting industrial design. In most countries, such cancellation must be applied for before an ordinary court. In some countries, it can be applied for, at least in the first instance, at the Industrial Property Office. Where the latter possibility exists, the hearing and deciding of requests for cancellation are among the tasks of the Industrial Property Office.

Renewal of Registration

6.51 The initial registration of an industrial design is usually valid for five years, but may be prolonged, usually once, in some countries twice, for an additional period, or for two additional periods.

6.52 Renewal must be requested and the owner of the registration is required to pay the prescribed fee ("renewal fee") within a specified period of time (for example, one year) near the date on which the validity of the previous registration would otherwise expire. The task of the Industrial Property Office consists in receiving the renewal fee, checking that its amount is that required, entering the renewal in the industrial property register, announcing it in the gazette and issuing a certificate of renewal to the owner of the registration.

Cost of Maintaining the System

6.53 As in the case of patents and trademarks, an Industrial Property Office should ideally be able to cover the cost of performing its tasks from the fees it collects from applicants and owners of registrations. Those costs consist mainly of the salaries of the Office's staff and of the cost of publishing the gazette. Experience shows that, with appropriate fees, it is quite possible to make the industrial design operations of an Industrial Property Office self-supporting.

Intergovernmental Cooperation

Introduction

6.54 The procedure for the grant and maintenance of industrial property rights involves the performance of administrative functions which are substantially the same or at least similar in a large number of countries. Intergovernmental cooperation in the field of industrial property can accordingly lead to substantial economies in manpower and costs. For that reason, countries in several regions of the world have combined their efforts in order to make procedures relating to the grant of industrial property rights more efficient and economical.

6.55 The International Bureau of WIPO administers three major systems of intellectual property registration, which are outlined below. These systems, based on international treaties and conventions, greatly facilitate international cooperation in the administration of intellectual property.

6.56 The Patent Cooperation Treaty (PCT) is a multilateral treaty for the filing of international patent applications. Under the PCT, international patent applications may be filed in any of the

national industrial property offices of the member States, with the European Patent Office, or directly with WIPO. All applications, wherever filed, are processed by the International Bureau of WIPO. The international application has the same effect as that of national patent applications (that is, applications filed in the national offices or in the European Patent Office) for each country designated in the application. Under the PCT, the decision on the denial or grant of a patent is made by the national industrial property office on the basis of the international application.

6.57 The Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks are two multilateral treaties for the registration of marks. An application for international registration (an "international application") may be filed only by a natural person or a legal entity which or who has a real and effective industrial or commercial establishment in, or is domiciled in, or is a national of, a country which is party to the Madrid Agreement or the Madrid Protocol, or has such an establishment in, or is domiciled in, the territory of an intergovernmental organization which is a party to the Protocol, or is a national of a member State of such an organization. A mark may be the subject of an international application only if it has already been registered (or, where the international application is governed exclusively by the Protocol, if registration has been applied for) in the Trademark Office of the Contracting Party with which the applicant has the necessary connection, as described above, to be able to file an international application. This Office is referred to as the Office of origin. An international application must be presented to the International Bureau through the Office of origin. An international application which is presented directly to the International Bureau by the applicant will not be considered as such and will be returned to the sender. The effect of the international registration is the same as that of separate registrations in the national registry of trademarks of each of the other countries designated in the international application, except that each national industrial property office may, as far as its country is concerned, deny such effect if the trademark would not have been registrable in its own registry had a national registration been applied for.

6.58 The Hague Agreement Concerning the International Deposit of Industrial Designs establishes a system of deposit of industrial designs with the International Bureau of WIPO. That deposit has the same effect as if the industrial design had been deposited separately, in the national industrial property office of each of the countries designated.

<u>African Regional Industrial Property Organization (ARIPO)</u>

6.59 Since 1973, WIPO and the United Nations Economic Commission for Africa (ECA) have been collaborating to assist the governments of English-speaking African countries in their efforts to harmonize and develop their industrial property systems to create the appropriate intergovernmental structures.

6.60 Those efforts resulted in the adoption, by a Diplomatic Conference held at Lusaka, Zambia, in December 1976, and at which 13 governments of English-speaking African countries were represented, of an Agreement on the Creation of an Industrial Property Organization for English-speaking Africa (ESARIPO). The Agreement entered into force on February 15, 1978. In December 1985 the Organization changed its name to African Regional Industrial Property Organization (ARIPO), by decision of its Council. ARIPO has its headquarters in Harare, Zimbabwe. Its members are listed in the appropriate document in the back flap of this volume.

6.61 The objectives of ARIPO are, *inter alia*:

- to promote the harmonization and development of the industrial property laws, and matters related thereto, in accordance with the needs of its members and of the region as a whole;

- to establish such common services or organs as may be necessary or desirable for the coordination, harmonization and development of the industrial property activities affecting its members;

- to assist its members in the development and acquisition of suitable technology;

- to evolve common views on industrial property matters.

6.62 Upon the request of (ES)ARIPO, WIPO, in association with the ECA, assisted the Organization in the establishment of a Patent Documentation and Information Centre, at its headquarters in Harare. The purpose of the center is to promote the objectives of ARIPO by providing member States with technological information available for patent and patent-related documentation in order to assist those States in the achievement of their development objectives.

6.63 The establishment of the center, after an initial preparatory assistance phase, commenced in 1981 within the framework of a UNDP-financed project with WIPO, in association with the ECA, as Executing Agency.

6.64 Within the framework of its Committees for Patent Matters and for Trademark and Industrial Design Matters, the Organization has developed Model Laws on Patents and on Trademarks to assist its member States in the strengthening of their legislation in those fields.

6.65 A Protocol on Patents and Industrial Designs Within the Framework of (ES)ARIPO, adopted at a Special Meeting held in Harare in December 1982, entered into force on April 25, 1984, initially in Ghana, Malawi, Sudan, Uganda and Zimbabwe. Other countries have since joined the Protocol and are listed along with the original member States in the appropriate document in the back flap of this volume.

6.66 The Protocol establishes a system under which patent and industrial design applications are processed and granted or registered, as the case may be, on behalf of Contracting States designated in the applications, by the Office of ARIPO. The scheme established by the Protocol enables the technical processing of patent and industrial design applications, and the administration of granted patents and industrial designs, to be undertaken by a central authority. Any designated State has the right, however, where an application does not conform to the provisions of the Protocol or to those of its national industrial property legislation, to declare, prior to the grant of the patent or registration of the industrial design, that, if granted or registered, such grant or registration will have no effect within the territory of that State. Where no declaration is made, the grant of the patent or registration of the industrial design by ARIPO has the same effect as any grant or registration carried out under the national law of the States designated in the relevant application.

6.67 Part of the income generated from application and maintenance fees under the Protocol is used for the Office of ARIPO while the remainder is distributed among the Contracting States concerned.

6.68 On the occasion of its annual session held in Banjul (The Gambia) in 1993, the Administrative Council of ARIPO agreed on a Protocol on Trademarks under which it would be possible to file applications with the ARIPO Office. Under the said Protocol, once in force, the ARIPO Office would have the competence to process applications and to register trademarks and service marks on behalf of Contracting States designated in the applications.

6.69 Also in 1993, the Administrative Council had, in principle, agreed that PCT applicants should be able to designate, for an ARIPO patent, States which are party to both the PCT and the Harare Protocol. In 1994, the Administrative Council of ARIPO adopted the necessary amendments to the Harare Protocol and its Implementing Regulations with effect from July 1, 1994. As a result, it has been possible from that date for PCT applicants to designate, for an ARIPO patent, any State party to both the Harare Protocol and the PCT. Those States are listed in the appropriate document in the back flap of this volume.

African Intellectual Property Organization (OAPI)

6.70 A system of intergovernmental cooperation in the field of industrial property among twelve French-speaking African countries was established by the Libreville Agreement of 1962 for the creation of an African and Malagasy Office of Industrial Property (OAMPI). The Libreville Agreement was subsequently revised by the Bangui Agreement Relating to the Creation of an African Intellectual Property Organization (OAPI, corresponding to the French name, Organisation africaine de la propriété intellectuelle), which entered into force on February 8, 1982. The Libreville Agreement established, among the member States, a common system for the grant and maintenance of industrial property titles (patents, trademark registrations, industrial design registrations) in accordance with uniform legislation contained in Annexes to the Agreement, which are applicable in each member State. The system provides for common formalities for the grant of industrial property titles by a central industrial property office, the African Intellectual Property Organization (OAPI), situated in Yaoundé (Cameroon), which acts as the industrial property office for each of the member States. States members of OAPI are listed in the appropriate document in the back flap of this volume.

6.71 Under the system, titles granted by the central office have effect in all member States; there is no possibility of limiting the effect to only one or some of the member States. Applications are normally filed with the central office in Yaoundé; however, nationals of member States may file applications with national administrations, which then have to transmit the applications to the central office; national administrations cannot grant titles themselves.

6.72 The industrial property rights granted have the effect of national industrial property rights in each of the Contracting States, i.e., not of supranational titles of protection. Therefore, their invalidation has effect only in the territory of the member State or States concerned.

6.73 Apart from certain modifications in the uniform substantive law (e.g., the gradual introduction of examination of patent applications for compliance with the substantive requirements of patentability), the main features of the revision introduced by the Bangui Agreement include the extension of OAPI's field of competence to copyright and the protection of the cultural heritage, and the inclusion, in addition to patents, marks and industrial designs, of the following objects of industrial property: trade names, utility models, appellations of origin, indications of source and unfair competition. The uniform substantive law with respect to each object of intellectual property is set forth in separate annexes to the Agreement.

6.74 In February 1999, the Agreement revising the Bangui Agreement was adopted. This agreement modified the Bangui Agreement to be in line with the requirements under the TRIPS Agreement.

6.75 Upon the request of OAPI, WIPO has assisted it in the establishment, within the headquarters in Yaoundé, of a Patent Documentation and Information Department (Département de la documentation et de l'information en matière de brevets or DEDIB). The aim of DEDIB is to contribute to the technological and industrial development of the member States by putting at the disposal of governments, research institutions, industry and other users of such information, technological information based on a collection of patent documentation and to establish a network of national industrial property structures in the OAPI member States for liaison with the Organization. The establishment of DEDIB and of the network of national structures was accomplished with the assistance of the United Nations Development Programme (UNDP) under a project, covering the period fom 1979 to 1982, of which WIPO was the Executing Agency.

6.76 OAPI is financed entirely from the income it receives from fees it collects for the grant and administration of industrial property rights.

Eurasian Patent Organization

6.77 On February 17, 1994, at the headquarters of WIPO in Geneva, representatives of ten of the 12 member States of the Commonwealth of Independent States adopted and initialled a multilateral treaty entitled "Eurasian Patent Convention" — Armenia, Azerbaijan, Belarus, Georgia, Kazakstan, Kyrgyzstan, the Republic of Moldova, the Russian Federation, Tajikistan and Ukraine.

6.78 The Convention entered into force on August 12, 1995. The States party to the Convention are listed in the appropriate document in the back flap of this volume.

6.79 The treaty establishes a new intergovernmental organization called the "Eurasian Patent Organization." Once operations have begun, the treaty will allow nationals of any country to obtain patents of invention from the Eurasian Patent Office, to be established in Moscow. Such regional (Eurasian) patents will have effect in all countries of the Eurasian patent system.

6.80 The Eurasian Patent Convention not only provides for modalities of applying for and obtaining Eurasian patents but also for their legal effects: patented inventions can be used only with the authorization of the holders of the patents. Subject to the payment of a yearly renewal fee, any Eurasian patent can be maintained in force for 20 years.

6.81 The Eurasian patent system will be of great advantage both for local and foreign applicants. They will not have to apply for a patent separately in each country but with a single application, filed in the Russian language in Moscow, they can obtain, with a single act and a single payment, patent protection in all the States members of the new system. Foreigners will be able to apply for Eurasian patents via the Patent Cooperation Treaty (PCT), which allows them to postpone the translation of their applications into Russian for 20 or 30 months.

6.82 Any country may become a party to the Eurasian Patent Convention, provided it is a party to two WIPO-administered treaties — the Paris Convention for the Protection of Industrial Property and the Patent Cooperation Treaty. Most of the States members of the Commonwealth of Independent States already meet this condition.

6.83 The Convention reflects the contemporary trends of patent legislation and administration and is compatible with the multilateral industrial property treaties administered by WIPO and the

provisions on patents contained in the TRIPS Agreement concluded in the framework of the negotiations in the Uruguay Round of GATT.

European Patent Organization

6.84 Efforts to achieve intergovernmental cooperation in patent-granting procedures in Western Europe started in the 1950s, and aimed at avoiding duplication of the work of Patent Offices as regards the search and examination of patent applications and the grant of patents. The European Patent Convention entered into force on October 7, 1977; it established the European Patent Office (EPO). Its Contracting States are listed in the appropriate document in the back flap of this volume. All those States are also party to the Paris Convention for the Protection of Industrial Property and the Patent Cooperation Treaty (PCT). The EPO, which has its headquarters in Munich (Germany) and branch offices in The Hague, Berlin and Vienna, processes and grants patents on behalf of Contracting States designated in the European patent applications. The EPO has been financially self-supporting since 1981.

6.85 Under the system of intergovernmental cooperation introduced by the Convention, it is possible to file a single patent application, in one of the three official languages (English, French and German), and thereby obtain a European patent with effect in one, several or all of the Contracting States. Prior to the entry into force of the Convention, it was necessary, where protection of an invention was desired in a number of countries within the region, to file separate applications in each of those countries.

6.86 The Convention established a system of law common to the Contracting States and a uniform procedure for the grant of patents. The EPO undertakes the examination of applications as to formal requirements, the preparation of search reports and their publication and the examination of patent applications for compliance with the substantive requirements of patentability, namely, novelty, inventive step and industrial applicability.

6.87 The elimination of the duplication of the work involved in the processing of applications results in a reduction of cost not only for the applicant but also for the patent offices of Contracting States. The Contracting States nevertheless maintain national patent offices and process national applications filed with them.

6.88 Applications may be filed irrespective of the nationality of the applicant. They may be filed via the PCT, that is, any international application filed under the PCT may ask (also) for the grant of a European patent. Such applications are usually referred to as "Euro/PCT applications." Statistical information on patents granted by the EPO, on Euro/PCT applications, and on European patents in general, can be found in the appropriate document in the back flap of this volume.

6.89 The EPO is one of the International Searching and Preliminary Examining Authorities under the PCT. It is also an intergovernmental industrial property organization which has certain functions under the Budapest Treaty.

6.90 An Agreement on working relations and cooperation was concluded by WIPO and EPO on May 17, 1978. The cooperation between EPO and WIPO has always been close. This is particularly needed in respect of PCT operations. Cooperation is very active also in the field of patent documentation and information. Furthermore, cooperation is very generously given by the Office in the field of technical assistance to developing countries.

Cooperation Among the Member States of the European Union

The Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)

6.91 In the European Union, Council Regulation (EC) No. 40/94 on the Community Trade Mark was adopted on December 20, 1993, and Council Regulation (EC) No. 6/2002 on the Community Design on December 12, 2001. Together they establish an Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM), which has its headquarters in Alicante (Spain).

6.92 The task of the Office is to administer the procedure for the registration of the (European) Community Trade Mark and Community Design, which have effect in the territory of the European Union. As regards designs, they are protected as so-called "unregistered Community design patents." Along with this intellectual property right, a further protection of design can be obtained by registration. Application for the registration of a Community trademark or a Community design may be filed either directly with the Office of Alicante or through one of the industrial property Offices of a State member of the European Union.

6.93 An application for a Community trade mark may be filed in one of the official languages of the European Union. The applicant must, however, indicate a second language chosen from the five official languages of the OHIM (English, French, German, Italian, Spanish) as a possible language of proceedings for opposition, revocation or invalidity proceedings. The application may be refused by the OHIM on absolute grounds. If the application is not rejected on absolute grounds and if the applicant does not withdraw his application in view of the search reports established by the Office of Alicante or by Offices of member States, it is published in the *Community Trade Marks Bulletin* in all official languages of the European Union. Within a period of three months following the publication, third parties may give notice of opposition to registration of the trademark. On completion of the registration procedure, the Community trademark is entered in the register. The Office's *Bulletin* makes available to the public the information contained in the register.

6.94 As regards designs, proceedings at the OHIM are only concerned with registration and there is no examination base on novelty and individual character. In accordance with the Regulation, a design is considered new if no identical design has been made available to the public before, and is considered to have individual character if the overall impression produced by it on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public. Proceedings in unproblematic cases should be completed within no more than three months. The publication of the registration occurs in all official languages of the European Union in the *Community Designs Bulletin*. In design patent matters, any of the official languages of the European Union may be used for corresponding with the Office.

Harmonization of National Laws

6.95 On December 21, 1988, the Council of the European Union adopted the first Directive to Approximate the Laws of the Member States Relating to Trade Marks. The Directive deals, among other matters, with the signs which can constitute a mark, grounds for refusal or invalidity, including conflicts with other rights, sanctions for non-use and grounds for revocation. On October 13, 1998, the European Parliament and the Council of the European Union adopted the Directive on the Legal Protection of Designs. The Directive defines, for instance, the terms "designs," "product" and "complex product."

Counterfeit Goods

6.96 Council Regulation (EEC) No. 3295/94 of December 22, 1994, Laying Down Measures to Prohibit the Release for Free Circulation, Export, Re-Export or Entry for a Suspensive Procedure of Counterfeit and Pirated Goods lays down the conditions under which customs authorities must intervene in the case of goods entering for free circulation where they are suspected of being counterfeit or pirated, and the measures which must be taken by the competent authorities with regard to these goods where it has been established that they are indeed counterfeit.

The Benelux Trademark Office and the Benelux Designs Office

6.97 For some of the member States of the European Union, namely the Benelux countries (Belgium, Netherlands, Luxembourg), regional cooperation in the field of marks and industrial designs had already been established in the 1960s and the 1970s. The Benelux Convention on Trademarks, signed on March 19, 1962, came into force on July 1, 1969, and the uniform Benelux Law on Trademarks (which was appended to the said Convention) came into force on January 1, 1971. The Benelux Convention on Designs, signed on October 25, 1966, and the Uniform Benelux Designs Law (appended to the said Convention) entered into force on January 1, 1974, and January 1, 1975, respectively. According to Article 1 of each of the Conventions, the Benelux countries incorporated the uniform Benelux Laws on Marks and Designs into the national legislation. They also established administrative Offices common to their countries, namely the Benelux Trademark Office (BBM) and the Benelux Designs Office (BBDM), which have their headquarters in The Hague (Netherlands). These offices have, to a large extent, a combined administrative structure and are financially self-supporting. The registrations have effect in all three of the member States. There are no national procedures in the Benelux countries for the registration of marks or the deposit of industrial designs.

6.98 For the purposes of the international registration of marks under the Madrid system administered by the International Bureau of WIPO, the BBM has the same role as a national trademark office: regional registrations effected in the Benelux Trademark Registry may serve as a basis of international applications and, in international applications (based on non-Benelux registrations), the three Benelux countries may be designated.

6.99 As far as the international deposit of industrial designs under the Hague system administered by the International Bureau is concerned, the BBDM has the same functions as a national office. International deposits have automatic effect in the three Benelux countries. Nationals of the three countries may make international deposits.

6.100 The Benelux Offices participate in an observer capacity in WIPO meetings of interest to them, particularly in the Assemblies of the Paris, Madrid and Hague Unions and in committees of experts dealing with the international registration of marks and the international deposit of industrial designs, as well as in meetings of working groups established under the auspices of the Madrid and Hague Unions.

6.101 Proceedings based upon the uniform laws are to be decided by the competent civil courts the decisions of which are also recognized in the two other states. The Benelux Court of Justice, staffed with Judges from each of the Contracting States, has to take cognizance of any question of interpretation of the uniform laws.

Subregional Integration Agreement of the Andean Community

6.102 Under the above-mentioned Agreement, also called the Andean Pact or Cartagena Agreement, which was concluded in 1969, the Commission of the Andean (Bolivia, Colombia, Ecuador, Peru and Venezuela) was given the power to promulgate "Decisions" for the implementation of the Agreement. In the field of industrial property, a common regime on industrial property was first introduced by Decision 85 of the Commission in 1974. That Decision established the basic framework for a common industrial property legislation. Decision 85 was subsequently replaced by Decisions 311, 313, 344 and 486, which entered into force on December 1, 2000.

6.103 Decision 486 regulates, in particular, patents, utility models, industrial designs, layout designs of integrated circuits, marks, trade names and geographical indications (appellations of origin). It also contains provisions on the repression of unfair competition, including acts affecting undisclosed information (trade secrets), and provisions on enforcement procedures. Even though matters not covered by Decision 486 remain governed by the provisions of the national laws, its provisions operate a far-reaching harmonization of the industrial property legislation in the Andean Group countries. In general, Decision 486 has considerably strengthened the protection of industrial property rights and developed in greater detail new areas of industrial property law. The Andean Pact countries, however, maintain independent patent and trademark offices. Although no central Andean Industrial Property Office has been established yet, this matter has received some consideration. The Andean Court of Justice is entrusted with the interpretation of all Andean Decisions and other Andean legislation, in order to ensure a harmonized application of the regional norms and consistent practices by the competent national authorities. It is noteworthy, that the Commission of the Cartagena Agreement has also issued decisions relating to plant breeders rights (Decision 345), to copyright (Decision 351) and to access to genetic resources (Decision 391).

Common Market of the South (MERCOSUR)

6.104 The Common Market of the South (MERCOSUR) was established in 1991 among four South American countries, Argentina, Brazil, Paraguay and Uruguay. In 1995, the MERCOSUR countries concluded a Protocol for the harmonization of norms relating to marks and geographical indications. The Protocol deals with a selected number of substantive matters regarding marks, indications of source and appellations of origin, which are of particular relevance to the common market. When the Protocol is ratified by the four MERCOSUR countries it will harmonize and align the national laws thereof with respect to those matters.

6.105 In 1998 the MERCOSUR countries concluded a Protocol for the harmonization of norms relating to industrial designs. Upon ratification, this Protocol will operate as a harmonization directive among those countries, to align provisions of substance and procedure relating to the protection and registration of industrial designs.

Group of Three (G-3)

6.106 In 1994, Colombia, Mexico and Venezuela concluded a Free Trade Agreement, which includes a special Chapter (XVIII) on intellectual property. The provisions contained in this Chapter deal, in particular, with copyright and related rights, marks, geographical indications and appellations of origin, trade secrets and plant breeders' rights, and the enforcement of those rights.

North American Free Trade Agreement

6.107 The North American Free Trade Agreement (NAFTA) between the United States of America, Canada and Mexico entered into force on January 1, 1994. One of its main objectives is to provide adequate and effective protection and enforcement of intellectual property rights. At the same time, the Contracting States have to ensure that measures to enforce intellectual property rights do not themselves become barriers to legitimate trade. The Agreement contains, in its Chapter 17, provisions on intellectual property. Many of the provisions contained therein are similar to the provisions in the TRIPS Agreement.

6.108 In addition to enforcing the provisions of Chapter 17 of the NAFTA Agreement, the Contracting States must give effect to the substantive provisions of several international conventions and treaties administered by WIPO which deal specifically with the protection of intellectual property, namely the Paris Convention, the Berne Convention, the UPOV Convention and the Geneva Convention for the Protection of Producers of Phonograms. The negotiations for the NAFTA Agreement led, as early as 1991, to a general revision and updating of the intellectual property laws of Mexico and, in 1993, to amendments to the Canadian intellectual property legislation which include, in particular, the repeal of provisions on the compulsory licensing of pharmaceutical patents. The United States of America have amended their patent law recently to eliminate the discriminatory effects of Section 104 of its Patent Statute against Canadian and Mexican applicants for US patents. Consequently, minimum standards of protection which are set by the NAFTA Agreement are already provided for under the current legislation of the Member States.

The ASEAN Framework Agreement on Intellectual Property Cooperation

6.109 The ASEAN Framework Agreement on Intellectual Property Cooperation was signed by the then seven (there are now 10) ASEAN member countries (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam) in December 1995. The most recent members are Cambodia, the Lao People's Democratic Republic and Myanmar.

6.110 The Framework Agreement of 1995 sets forth the important role of intellectual property rights in the conduct of trade and the flow of investment among the member States, and recognizes that closer cooperation in the intellectual property field provides a basis for economic progress and for realizing the ASEAN Free Trade Agreement. Against this background, the Agreement pursues the primary objectives of the promotion and strengthening of intellectual property cooperation between government agencies as well as with and within the private sector, and the promotion of technological innovation and transfer and dissemination of technology.

6.111 To achieve the objectives of the Agreement, a Program of Action on ASEAN Intellectual Property Cooperation for the period 1996-1998 was adopted. The Program contained measures to enhance and strengthen cooperation in intellectual property enforcement and protection, intellectual property administration, legislation, public awareness, human resource development and private sector cooperation, and a proposal to explore the possibility of setting up a common patent and trademark system. To implement the program of action, the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) was formalized.

6.112 At the level of concrete measures, the Framework Agreement provides that the ASEAN States should explore the possibility of setting up an ASEAN trademark and patent system, including ASEAN Trademark and Patent Offices, if feasible, to promote the region-wide protection of trademarks and patents, bearing in mind regional and international developments in protection in those areas. As a result of work undertaken to examine these possibilities, an ASEAN Common

Form for Domestic Filing for Trademarks is now available, and member countries are encouraged to adopt it, with adjustments where necessary, for the domestic filing of trademark applications. The form incorporates many common ASEAN requirements, the intention being that ASEAN businesses and investors should find largely the same requirements regardless of where the application is filed.

The Hanoi Plan of Action

6.113 The Hanoi Plan of Action (HPA) was adopted in December 1998 in Hanoi, Viet Nam, in order to realize the long-term vision of closer economic integration within ASEAN, as set out in ASEAN Vision 2020, and adopted by the ASEAN Heads of State in December 1997. That vision includes free flow of goods, services, investments and capital, equitable economic development and reduced poverty and socio-economic disparities in the ASEAN Economic Region.

6.114 The plan includes measures related to regional intellectual property cooperation, thus reaffirming that intellectual property forms an integral part of the ASEAN leaders' commitment to greater economic integration. The intellectual property content of the plan, which is now the main document guiding the work of the AWGIPC, is based on three main elements: (a) protection, (b) facilitation and (c) cooperation, according to the principles of Most-Favored-Nation treatment, national treatment and transparency as set out under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The plan is a reflection of the emerging needs of the times, as it touches on policy, enforcement at the borders, well-known marks, intellectual property teaching and, most importantly, on information exchange, all of which enhances greater cooperation among the member countries.

Administration of Copyright and Related Rights

6.115 This subchapter deals with two different aspects of the implementation and exercise of copyright and related rights. The first has to do with the authorities responsible in the governmental structure for performing State functions in the field of copyright, and explains the role and functions of those national governmental or other public institutions or offices, while the second concerns the collective or joint management of copyright and related rights, and the organizations responsible for exercising such rights, their operation and their role. The latter organizations are today predominantly private organizations which are outside the area of State administration.

The Role of Public Authorities in Copyright and Related Rights

6.116 The administrative role of the State in the field of copyright and related rights varies greatly from country to country. In general terms, it is, in most countries, far less important than in the field of industrial property. This is mainly due to the fact that the international protection system is based on the principle of automatic protection, according to which the enjoyment and exercise of copyright must not be subject to any formality, such as registration, deposit or the like (see also Chapter 5, subchapters on the Berne Convention, and on the WIPO Performances and Phonograms Treaty as regards related rights).

6.117 A minimum role generally implemented in a government structure is the policy level function, monitoring legislation and enforcement strategies. In addition, a number of administrative tasks may be performed, depending on the role attributed by national legislation to

public administration. In countries where a system of registration of works and subject matter protected by related rights is in place, this function may often be the most important and burdensome administrative task, the amount of the burden depending on the prosperity of the copyright industries, on the popularity of the registration system and on the incentives for its use provided by national legislation. Another administrative task may be the issuing of compulsory licenses, such as translation and/or reproduction licenses, as provided for in the Special Provisions regarding Developing Countries in the Appendix to the Berne Convention (see Chapter 5). Furthermore, national legislation may provide for an administrative control of the establishment and/or the operation of private organizations exercising copyright and/or related rights collectively or jointly on behalf of rights-holders represented by them (see below, on Collective Management of Copyright and Related Rights). In certain countries, such government supervision is limited to the prevention of possible abuses of a monopoly position of rights management organizations.

6.118 Finally, in specific circumstances the legislator may have chosen to entrust a public authority, such as the Copyright Office, also with the collective or joint management of copyright and related rights. The trend, however, has recently been more towards entrusting this to private organizations, in particular in countries which have been in transition from a centrally planned to a market economy, most of which have privatized this task. On the other hand, in a number of African countries, where the copyright infrastructure is still relatively new and vulnerable, the public organization option has been chosen.

Collective Management of Copyright and Related Rights

Introduction

6.119 Throughout the world, the rights of creators such as writers and music composers are known to be their personal rights or, if those rights have been legally transferred, the rights of the new owners. They form part of the individual rights provided for in Article 27 of the Universal Declaration of Human Rights of December 10, 1948. They are called exclusive rights in the Berne Convention for the Protection of Literary and Artistic Works.

6.120 In the field of copyright and related rights, the experience of recent years has increasingly confirmed that the individual exercise of rights is impractical in cases where users need rapid access to a large number of works. Collective management organizations, also frequently called authors' societies, therefore play an important and very useful role for authors, composers and performers as well as for users. This is why they have experienced considerable development in parallel to the increased use of works made possible by new technology.

6.121 With the ever more widespread application of digital technology, including the advent of multimedia productions and the use of digital networks like the Internet, the exercise and the management of rights are facing new challenges. New technological solutions (encryption technology, digital identification numbers, rights management information systems, etc.) have been worked out in response to those challenges, and are still being developed. The freedom of owners of rights to choose between individual and collective management of their rights and among various possible forms of collective management ("traditional" collective management, "clearing houses," "one-stop-shop" systems, etc.) seems to have grown. New methods of licensing and monitoring use and collecting and distributing remuneration have been introduced.

6.122 New challenges, but also new means to meet them with, will be the concern of authors' societies of developing countries, as they are today facing the authors' societies of the industrialized

countries. Mechanisms embodying the latest in digital technology are being developed to form the infrastructure for electronic copyright management. Some non-governmental organizations are already working on the establishment of a new global system for managing information about works, creators and owners of rights.

6.123 Another important development is linked to the adoption of the TRIPS Agreement, which provides that Members shall comply with Articles 1 to 21 of the Berne Convention (with the exception of Article 6bis) and the Appendix to it, as well as affording the specific protection provided by the TRIPS Agreement itself. By acceding to the TRIPS Agreement, Members undertake to give effect to the provisions of the Agreement. That means granting the minimum protection provided for in the substantive provisions of the Berne Convention and also complying with the specific provisions on copyright and related rights of the TRIPS Agreement. While many developing countries have already taken steps towards the legal implementation of the TRIPS Agreement, work still remains to be done on the collective management of copyright and related rights (see also chapter 3).

6.124 The present section describes all the various parts of present collective management of copyright and related rights as well as some future developments. The sub-sections are on the basic operation of collective management, and in particular the traditional system in place in many countries for the management of musical works, some further developments in performers' rights, reprographic reproduction rights, and a few considerations on the digital environment with particular emphasis on the rights management information and technological measures provided for in the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

The Basic Operation of Collective Management of Copyright and Related Rights

6.125 The creator of a work has the right to allow or to prohibit the use of his works. A playright can consent to his work being performed on stage under certain agreed conditions, a writer can negotiate a contract with a publisher for the publication and distribution of a book, and a composer or a musician can agree to have his music or performance recorded on compact disc. These examples illustrate how the owners of the rights can exercise their rights in person.

6.126 Other cases show for practical reasons that individual management of rights is virtually impossible with regard to certain types of use. An author is not capable of monitoring all uses of his works; he cannot for instance contact every single radio or television station to negotiate licenses and remuneration for the use of his works. Conversely, it is not practical for a broadcasting organization to seek specific permission from every author for the use of every copyrighted work. An average of 70,000 musical works are broadcast on television every year, so thousands of owners of rights would have to be approached for authorization. Hence the importance of collective management, which is the exercise of copyright and related rights by organizations acting on behalf of the owners of rights.

6.127 Composers, writers, musicians, singers, performers and other talented individuals are among society's most valuable assets. They have to be encouraged to create, by receiving incentives, namely remuneration, in return for permission to make use of their works. The essential role of a collective management organization is to collect copyright fees and to distribute the appropriate amount to the copyright owners, after deducting the sum required to cover expenses, on a non-profit-making basis.

6.128 Membership of collective management organizations is open to all owners of copyright and related rights, such as authors, composers, publishers, writers, photographers, musicians,

performers or phonogram producers. On joining the collective management organization, members provide some personal particulars and declare the works that they have created. The information provided forms part of the documentation of the collective management organization that allows the link between the use of works and payment for that use to be made to the real owner of the rights. The works declared by the organization's members constitute what is known as the "national" or "local" repertoire, as opposed to the international repertoire which is made up of the foreign works managed by collective management organizations.

6.129 Collective management organizations most commonly are active in the exercise of the following rights:

- the right of public performance (music played or performed in halls, discotheques, restaurants and other public places);

- the right of broadcasting (live and recorded performances on radio and television);

- the mechanical reproduction rights in musical works (the reproduction of works in compact discs, tapes, vinyl records, cassettes, mini-discs, or other forms of recordings);

- the performing rights in dramatic works (stage plays);

- the right of reprographic reproduction of literary and musical works (photocopying);

- related rights, or the rights of performers and producers of phonograms to obtain remuneration for broadcasting or the communication to the public of phonograms.

6.130 There are various kinds of collective management organizations or groups of such organizations, depending on the category of works involved. "Traditional" collective management organizations, acting on behalf of their members, negotiate rates and terms of use with users, issue licenses authorizing uses, collect and distribute royalties. The individual owner of rights does not become directly involved in any of these steps. Rights clearance centers grant licenses to users that reflect the conditions for the use of works and the remuneration terms set by each individual holder of rights who is a member of the center (in the field of reprography, for instance, authors of written works such as books, magazines and periodicals). Here the center acts as an agent for the owner of the rights who remains directly involved in setting the terms of use of his works. "One-stop-shops" are a sort of coalition of separate collective management organizations which offer users a centralized source where authorizations can be easily and quickly obtained. There is a growing tendency to set up such organizations on account of the growing popularity of "multimedia" productions (productions composed of, or created from, several types of work, including computer software) which require a wide variety of authorizations.

6.131 In the field of musical works (encompassing all types of music) documentation, licensing and distribution are the three pillars on which the collective management of the rights of public performance and broadcasting is based. The collective management organization negotiates with users (such as radio stations, broadcasters, discotheques, cinemas, restaurants and the like), or groups of users and authorizes them to use copyrighted works from its repertoire against payment and on certain conditions. On the basis of its documentation (information on members and their works) and the programs submitted by users (for instance, logs of music played on the radio), the collective management organization distributes copyright royalties to its members according to established distribution rules. A fee to cover administrative costs, and in certain countries also socio-cultural promotion activities, is generally deducted from the copyright royalties.

6.132 In the field of dramatic works (which includes scripts, screenplays, mime shows, ballets, theater plays, operas and musicals), the practice of collective management is rather different in that the collective management organization acts as an agent representing authors. It negotiates a general contract with the organizations representing theaters in which the minimum terms are specified for the exploitation of particular works. The performance of each play then requires further authorization from the author, which takes the form of an individual contract setting out the author's specific conditions. The collective management organization then communicates the author's permission and collects the corresponding remuneration.

6.133 In the field of printed works (meaning books, magazines, and other periodicals, newspapers, reports and the lyrics of songs), collective management mainly involves the grant of the right of reprographic reproduction, in other words allowing protected material to be photocopied by institutions such as libraries, public organizations, universities, schools and consumer associations. Non-voluntary licensing arrangements, when allowed by international conventions, can be written into national legislation; in such cases, a right of use against remuneration is accorded that does not require the consent of the right-owner. Collective management organizations administer the remuneration. In the special case of reproduction for private and personal use, some national legislation contains specific provision for equitable remuneration payable to the owners of rights and funded by a levy imposed on equipment or photocopies or both.

6.134 National legislation in some countries provides for a right of remuneration payable to performers or producers of phonograms or both when commercial sound recordings are communicated to the public or used for broadcasting. The fees for such uses are collected and distributed either by joint organizations set up by performers and producers of phonograms or separate ones, depending on the relation of those involved and the legal situation within the country (see below, paragraphs 6.170 and 6.171)

6.135 The application of national laws that establish rights in literary and artistic works and in related rights is effective only within the boundaries of that country. According to the national treatment principle enshrined in both the Berne Convention and the Rome Convention, foreign owners of rights are treated in the same way as nationals in most respects. This principle is upheld by collective management organizations which, under reciprocal representation agreements, administer foreign repertoires on their national territory, exchange information and pay royalties to foreign owners of rights.

6.136 There is now a well-established global network of collective management organizations, and they are strongly represented by non-governmental organizations such as the International Confederation of Societies of Authors and Composers (CISAC), the International Federation of Reprographic Reproduction Organisations (IFRRO), and at the European level, the Association of European Performers' Organizations (AEPO) and ARTIS GEIE.

6.137 As part of its international development cooperation activities (see chapter 3), WIPO is working closely with the above organizations and also with others, such as the International Federation of Actors (FIA), the International Federation of Musicians (FIM) and the International Federation of the Phonographic Industry (IFPI), to assist developing countries in establishing collective management organizations, and in strengthening existing organizations to ensure that they can be fully effective, among other things in their response to the challenges of the digital environment.

6.138 Such collective management encourages creators to contribute to the development of culture, attracts foreign investment and generally enables the public to benefit from a large number

of works. Cultural industries, including collective management organizations, contribute up to six per cent of the gross national product of some major countries.

6.139 The creation of a properly administered fund can ensure financial assistance to authors and performers, whose active life may be relatively short. Such welfare benefits may include assistance with payment for medical treatment or insurance, for permanent or temporary disability, annuities on retirement or some sort of guaranteed income based on the members' record of royalty payments.

6.140 Welfare protection and the promotion of cultural activities are not compulsory, but when they are provided for, they may take the form of a deduction that the collective management organization makes from the royalties collected. There is no unanimous view among collective management organizations on the idea of such a deduction, which according to the rules of CISAC should not represent more than 10 per cent of net income. Collective management organizations may sponsor cultural activities to promote the national repertoire of works at home and abroad. It is an important function for those organizations to take steps for the preservation, protection and encouragement of creative activities in the fields of literature, art, music, etc. Preservation of national culture is of particular interest for developing countries where, for instance, music from traditional national folklore is reproduced illegally.

6.141 Collective management organizations may be private, or public autonomous organizations or government offices undertaking these functions. One view is that the State should exercise adequate control and supervision, and also render financial support to the extent required for the efficient functioning of such organizations. While most were set up in the form of societies under civil law, there are a number of developing countries which have preferred to establish bureaus or offices under public law for the management of authors' rights. This choice seems to have been made because such institutions, in a developing country, operate better with government support and backing.

Collective Management of Musical Works

6.142 One of the best ways of explaining the concept and practice of collective management of copyright is to take the example of musical works. Today, in the face of the mass consumption of music, the only way of safeguarding the rights of public performance and broadcasting of composers, songwriters, arrangers and translators consists of the creation of a link between the music "producers" and the music "consumers." The concentration of the rights of performance and broadcasting of musical works in the hands of one collective management organization in each country and the blanket authorization to perform in public or broadcast protected music, granted by that organization, constitute the collective management of the rights in question.

6. 143 The collective management organization in a given country secures all the rights of performance and broadcasting of musical works, if it is to serve music users of that country satisfactorily with a single blanket authorization. This aim of concentrating all rights may be promoted and furthered by the creation, in some countries, of a monopoly. In itself, however, a monopoly does not confer any copyright on the collective management organization: with or without a monopoly, the organization still has to persuade creators to assign their rights of performance and broadcasting to it.

6.144 The assignment or transfer of rights of performance and broadcasting normally takes place under a contract of association or management contract, signed by the rights-owners and the collective management organization, enabling the organization to represent them. Under such a contract, the author and the composer of a musical work normally transfer their rights to the

collective management organization. They may however have transferred their rights to third parties, for example a music publisher, before joining the collective management organization. In such a case, the collective management organization would administer the rights transferred by the publisher in accordance with the membership contract signed between them (see paragraph 6.153). The practice is for authors to assign their rights also in future works, in other words for works that they will be creating during the term of their membership or during the validity of the mandate.

6.145 Assignments and transfers generally cover performances and broadcasts anywhere in the world. This territorial dimension enables the collective management organization to sign contracts with foreign counterparts and thus to safeguard the national musical heritage at the international level. This does not rule out the possibility of certain creators — often the best-known — being already registered as members or clients of foreign management organizations before they apply to the collective management organization in their country.

6.146 Under a publishing contract signed with a music creator, the publisher is authorized to reproduce the work and to sell copies to the public. Often, the music publisher also has the rights of performance and broadcasting. A collective management organization therefore may also represent publishers.

6.147 Every collective management organization assigns or transfers the rights acquired from its members to its foreign counterpart for public performances and broadcasts in the latter's area of concern. In this way each organization controls the performance and broadcasting rights of the world music repertoire in its own country. This concentration of rights puts it in a very strong position. Contracts signed between collective management organizations of the various countries are called "reciprocal representation contracts." These model contracts were elaborated under the auspices of the International Confederation of Societies of Authors and Composers (CISAC). The first provision stipulates the following: "The Model Contract of Reciprocal Representation meets the need to ensure in the international field, in a practical way, the best possible protection of authors' rights and interests through harmonizing the conditions in which the Authors' Societies represent each other in their respective territories."

6.148 All those who wish to perform publicly or broadcast protected music are given authorization for the entire world music repertoire at once. This greatly eases the users' job of respecting the rights of all rights-owners concerned. Collective management thus has to be looked upon as a considerable service to the world of music. The authorization is given the form of a contract under which the collective management organization consents to a precisely specified use of the music, and the user undertakes to pay the agreed royalty and submit accounts of the works performed or broadcast.

6.149 The right-owner sets the monetary compensation for his authorizations at his discretion. Certain organizations have claimed the same freedom for their collective management activities. These procedures are unreliable, however; any arbitrary action in a monopolistic management scheme is a short cut to anti-trust intervention. Equal treatment for users, and consequently the introduction of a clear and well-ordered scale of royalties, are indispensable elements underlying any collective management of copyright.

6.150 The efforts directed towards the introduction of well thought-out and logical tariffs are reflected in the observance of certain basic standards for the charging of royalties. An often claimed standard is the requirement that the rights-owners receive a 10 per cent share in the revenue from the use of their work. In the case of the performance of both protected and unprotected works, the percentage is reduced in proportion to the performance time of the protected and unprotected works (the *pro rata temporis* rule). If the performance of the music is

associated with the performance of a ballet, the composer of the music and the choreographer share the 10 per cent royalty, each having a five per cent participation in the performance of the ballet (ballet rule). With these and similar rules, it is possible to lay down all the tariffs for publicly performed and broadcast music. In many countries, the representation monopoly of collective management organizations requires State inspection of tariffs to prevent any monopoly abuses. In such cases, the approved tariffs are regarded as official tariffs to be upheld also by the courts in the event of dispute. If the royalties collected are to be distributed correctly, users have to be made to provide accounts itemizing the works actually performed or broadcast by them.

6.151 Those who publicly perform or broadcast protected music without first having been authorized to do so by the rights-owners or by the collective management organization are guilty of copyright infringement. If this principle were to be strictly and inflexibly applied, the collective management organization would have to deal annually with thousands upon thousands of court cases, and would become bogged down in ruinous expenditure and lose all credibility within the country. It is essential to offer delinquent users the possibility of rectifying their position after the event before taking them to court.

6.152 Another important pillar of an efficient system of collective management is the documentation. This word is used to designate all the information concerning authors, composers and publishers and their works, which is essential for the distribution of royalties.

6.153 The collective management organization has to make its members declare all works created by them and accompany the declarations with supporting documents. Works not in the usual written form (manuscripts or scores) may be declared in other forms, such as a cassette recording. The obligation to declare works extends to publishers, who have to give notice of any publication that has taken place. The documentation may also include copies of the contracts concerning works, especially publishing contracts. It can later become one of the main references for historical and scientific research.

6.154 Through the network set up by the collective management organizations throughout the world, collective management has assumed worldwide dimensions. With the reciprocal representation contracts, they are entitled to administer foreign repertoires in their own country. It is for this reason that two international tools were constituted under the auspices of CISAC: these are the CAE list (Composers, Authors, Editors (publishers) established in 1973, administered and continually updated since then by the Swiss Society for Authors' Rights in Musical Works (SUISA), and the WWL (Worldwide Works List), drawn up and updated by the American Society of Composers, Authors and Publishers (ASCAP), together with the changes they have undergone in becoming "Interested Parties Information" (IPI) and "Works Information Database" (WID), respectively.

6.155 Computerized tools have replaced the old-fashioned techniques (microfiches, etc.) and the societies of authors have adopted this progress, particularly with the installation of computerized systems adapted to the small- and medium-sized societies in developing countries. This CAE list is not only useful in managing the rights of foreign authors, but also in providing constantly updated information. Because the societies of authors are in possession of the latest information they are able to forward the royalties collected to their counterpart societies. The IPI administered by SUISA is a system which enables the identification of rights-owners, be they natural persons or legal entities (interested parties). It is based on a unique number allocated by the IPI centre to each interested party. As stated by CISAC, "the purpose of the system is the global unique identification of interested parties acting across multiple creation classes, roles and rights through an IP base number, which is the backbone of the system." This database, which contains information on the rights-owners, such as date of birth, nationality, pseudonyms and collective management

organization, is an enhanced version of the CAE file, differing from it in that it can encompass additional categories of works and rights-owners. The IPI became operational in September 2001.

6.156 The other tool, the WWL documentation, springs from the idea that each society of authors knows those works of its repertoire that enjoy an international audience. The basic data on those works, i.e. their titles, the names of the authors or business names of their publishers (except for data on possible sub-publications) can be inserted in this list updated by ASCAP. It is up to each society of authors to choose which works will be transmitted to ASCAP. Prior to the establishment of the WWL documentation, the societies obtained information by means of "fiches internationales" on works distinguished by the following characteristics: they enjoyed international success, they were of exceptional duration or instrumentation and they were subject to sub-publishing. Contrary to the WWL documentation, the "fiches internationales" gave information on the applicable distribution scales. Cue-sheets contain the basic data of films, and more specifically of the music for those films. Unlike international fiches, cue-sheets are not sent automatically by collective management organizations; this documentation is supplied on request in the case of showings or television broadcasts in other countries. These will disappear with the new developments linked to digital information and networks.

6.157 The emergence of transmission by worldwide digital networks has also revolutionized the collective administration sector, that has had to adapt itself to the new situation. Thus, CISAC has set up its Common Information System (CIS). This is a method for administering authors' rights using a set of linked databases. These databases will enable works and their right-holders to be identified precisely and will result in improved monitoring of the various uses made of the works. The machinery for exchanging electronic information should contribute to rationalizing collective administration operations, to automating them and to an eventual reduction in administrative costs.

6.158 Designed to operate in the digital environment, CIS is a system for standardizing information and data communication, comprising various subsystems. Those subsystems include the IPI (Interested Parties Information) and WID (Works Information Database) (see paragraph 6.154). The other databases are the TIS (Territory Information System) containing information on the various territories administered by CISAC member societies, the ASI (Agreements and Schedule Information) which will contain information on publication contracts, the audiovisual works database (IDA) which contains information on holders of rights in audiovisual works and is linked to the numbering system for identifying audiovisual works (ISAN), the database for sound carriers and recordings (SCRI: Sound Carrier and Recording Information) which enables the societies of authors to identify musical works by means of standardized information on the carriers and recordings, the database of musical works in the audiovisual domain (AV Index) designed to manage the cue sheets, and the CIS standards database (CSC) which is the documentary reference database required for the setting-up of the various subsystems. As stated by CISAC, it is "a series of tools that provide the building blocks to global copyright administration by standardizing and streamlining the exchange of information amongst member societies." The Executive Bureau of CISAC has adopted "Principles for a CIS governance framework" which are legal, financial and technical rules required for the management of the system.

6.159 Thus, the implementation of the system permits improved management of information by removing the areas of duplication and by using the architecture of a common system. Such management of information on works and right-holders will facilitate the automation of various transactions, the granting of licenses, searching and monitoring to be carried out by the societies in a digital environment. Based essentially on the allocation of a unique identification number that will follow the work throughout its lifetime, the system will enable societies to administer the rights of their members more effectively and at lower cost and will enable users to find information more easily, to obtain the necessary authorization and to pay the relevant amounts. CISAC is developing

an international tool, CISNET, to link, through a search engine, various databases, whether individual society databases or a central one.

6.160 The computer tool has become indispensable for collective management and should be made available to all societies throughout the world. WIPO is implementing a cooperation program for the developing countries under which specific aid is allocated for computerizing the collective management organizations of those countries. Aware of the dimensions of the problems encountered in the developing countries, WIPO has developed a program in order to produce a standard software intended for the small and medium-sized societies in those countries to enable them to become fully autonomous and independent in the collective management of the rights of their members. Thanks to this progress, newly established collective management organizations should be in a position to envisage rapidly their integration within the CIS system of CISAC. More familiarity with the computerized tools is necessary and unavoidable in order to improve collective management in the field of copyright and related rights in the years to come. That is the direction taken by WIPO and CISAC in their continuous commitment to improving the management of rights worldwide in accordance with the mandates of their Member States in the case of WIPO and Member Societies in the case of CISAC.

6.161 On the basis of the documentation and after collection of the royalties and of the accounts of works performed or broadcast, the collective management organization has to calculate the amount payable to each rights-owner concerned. This operation is known as "distribution," and is one of the most laborious jobs that the organization has to do. Every rights-owner may demand to be paid the amounts corresponding to what the collective management organization has charged for his/her works, after deduction of management overheads and social and cultural expenses, which are dealt with in greater detail below. This principle also stems from the legal position of the collective management organization as the trustee of authors, composers and publishers. For all the goodwill that is shown, however, accounts of works performed or broadcast are never provided in full detail, and in certain cases it proves impossible to demand them, for instance in the case of the broadcasts relayed to the public or the use of jukeboxes. Royalties for such performances have to be apportioned on the basis of accounts of other performances of comparable music. All owners of rights are to be treated on a strictly equal footing, in the sense that no preferential treatment or privilege can be allowed. That applies in particular to relations between national owners of rights and those of other countries.

6.162 Management costs are paid for out of the royalties collected. With the rights of public performance and broadcasting — unlike recording rights — the practice is for deductions to be confined to actual, genuine expenses. The percentage of deduction for expenses therefore varies from year to year. Deductions that do not exceed 30 per cent are considered acceptable in the first years of a newly-born authors' society in developing countries; rates have been following a downward trend in recent years. In European collective management organizations there is an average deduction of around 15 per cent for this purpose.

6.163 The principle of equality of treatment also operates in the area of deductions for expenses. National and foreign authors, composers and publishers have to accept the same percentage of deduction.

6.164 Every collective management organization, in regular and close consultation with its members, will do its utmost to promote their social welfare and publicize their music. It is possible for the collective management organizations to agree, in their bilateral contracts, that up to one-tenth of the royalties charged, after deduction of expenses, may be used for social and cultural purposes for the benefit of their members and clients. This 10 per cent deduction may be made

both from sums intended for foreign authors, composers and publishers and from amounts to be credited to national members.

6.165 In the field of cultural activities, collective management societies welcome initiatives and new ideas. Solutions differ from country to country and include — among others — the following activities: music competitions, prizes and festivals, action to promote music publishing, launching of publication series and sets, disc or cassette production, recording facilities, provision of recording studios, publications on musical subjects, biographies, manuals and catalogues, financing of music gazettes and a press service for musical matters.

Publishers' Organizations

6.166 In many countries in Western Europe the activities of authors' societies concern not only the safeguarding of the rights and interests of authors but also the protection of the interests of publishers, mainly in the case of the management of music performing and mechanical rights. In such situations, publishers of musical works take an active part in the management of the society, being normally members of its governing bodies.

6.167 The main objective of publishers' organizations is to protect the interests of the publishing industry and to promote its development, with particular regard to the printing and editing of, and trading in, books and periodicals. The purpose is to encourage the widest possible distribution not only at home but also abroad, since publishing activities are increasingly international.

6.168 Several publishers' organizations also have programs enabling their members to be assisted in managing their companies or to be aware of government policies on matters of concern to publishers (such as taxes, trade conditions, censorship, and also copyright protection). Publishers' organizations also try to strengthen public understanding of the role of books in the cultural, social and economic evolution of society.

Collective Management of Performers' Rights in the Field of Music

6.169 Performers enjoy the right of fixation of their performances, the right of reproduction of those fixations on sound recordings and the right of broadcasting and communication to the public of their live (unfixed) performances. A new right of making available fixed performances has been recognized in the WIPO Performances and Phonograms Treaty (WPPT) adopted in December 1996, in relation to the question of access, by the public, to fixed performances embodied in phonograms through digital networks. Thus, performers enjoy exclusive rights and remuneration rights in several countries, where a collective management infrastructure has been developed in this field. As in the case of authors' societies, performers' organizations representing their members in various cases may also provide for benefit schemes.

6.170 When a phonogram which has been published for commercial purposes is used directly for broadcasting or communication to the public, which is recognized in Article 12 of the Rome Convention, performers and producers of phonograms may receive an equitable remuneration. The right to this remuneration is a matter for the law of the Contracting State where it is due. The beneficiaries may be performers, producers of phonograms or both. The WPPT (Article 15) contains a similar right of remuneration which, unlike the Rome Convention, concerns both performers and producers of phonograms. Once in force, the contracting member States may introduce such a system if they so wish insofar as reservations are possible in this case. From a practical point of view, there are different approaches. In certain countries, rights-owners concerned have established joint collective management organizations; in others, they have separate ones and in still

others they have entrusted collective management organizations of authors with administering performing rights.

6. 171 The methods of distribution of the remuneration among performers and producers of phonograms differ from country to country. As in the case of authors' societies, the necessity to obtain information from the broadcasters or from users in the case of communication to the public of the phonograms and performances used is an important element for the distribution. In the first situation, distribution among individual performers is possible and based on programs transmitted by radio and television; in the second one, distribution is made by methods of sampling.

6.172 As regards remuneration for private copying, certain countries have included in their national legislation provisions whereby performers and producers of phonograms receive home taping royalties. The exercise of an exclusive right to authorize reproduction of phonograms for private use being impossible, some national legislators have introduced a levy, as compensation, on blank tapes or blank carriers used for the making of private copies. Some national legislation also contains provisions imposing on manufacturers and importers of recording equipment the obligation to pay a remuneration. Radio broadcast logs, disc sales figures and other available data are used to identify and quantify the relative home taping of each work and recording. Thus, distribution of those royalties is made by collective management organizations representing the rights-owners concerned on the basis of a sampling system.

Collective Management of Reprographic Reproduction Rights

6. 173 In the field of reprographic reproduction rights, the situation is different from that of copying phonograms or audiovisual works in private circles. The purposes of reprographic reproduction are not the same as those of home taping. They usually concern copying of material necessary for education, research and library services in respect of which special public considerations prevail. The phenomenon of private reprographic reproduction remains relatively small even though sophisticated reprographic machines have become more widespread partly because of their cheaper selling price and their small size.

6. 174 From the legal point of view, the right of reproduction is an exclusive right under the Berne Convention which cannot be restricted — either allowing free use or in the form of non-voluntary licenses — except in cases which are defined by the Berne Convention (Article 9 (1) and (2)). It is clear that reprography is a form of reproduction covered by such a right. Limitations or exceptions may be introduced by national legislators in certain special cases, unless the reproduction conflicts with a normal exploitation of the works concerned, and unless it unreasonably prejudices the legitimate interests of authors. This prejudice may in some cases be compensated or mitigated by means of an equitable remuneration. In such cases, non-voluntary licensing systems can be stipulated in national laws in conformity with international protection. Although the consent of rights-owners concerned is not required, they have a right of remuneration which is exercised through collective management systems.

6. 175 Reproduction for private and personal use is a particular case. Many legislators have considered that copying for private use is free. However, some have decided an indirect compensation through an equitable remuneration in the form of a levy on equipment and/or on the underlying material, like paper.

6.176 In the area of massive reprographic use, collective management organizations are necessary to collect and distribute the equitable remuneration. There are different legal techniques to support collective management, for example, the system of extended collective license, contracts with indemnity clauses and legal presumption. In the first system, which is used in Nordic countries, the

law extends the reach of a collective agreement on the use of works to cover also unrepresented rights-owners. Indeed, organizations representing rights-owners do not have the powers to grant licenses for use of works of non-members of the organization. Through the agreement concluded between the organization and the user on the basis of free negotiations, the agreement is made binding by law on unrepresented rights-owners who are entitled to individual remuneration. In the second system, an indemnity clause is incorporated in the contract, according to which the organization assumes the liability for the payment of remuneration to unrepresented rights-owners. In the third one — the legal presumption system — it is presumed that the organization has a general authorization to represent the rights-owners. The legal and practical effects hardly differ from those of the extended collective license. It does not provide the organization with a general right of representation but only extends an agreement that it concludes also to cover unrepresented rights-owners.

6.177 Whilst providing users with authorization for copying, collective management organizations secure fair payment for their members whose works are copied. As in the field of music, reprographic right organizations collect and distribute payments to national rights-owners and conclude reciprocal agreements with foreigners. The International Federation of Reproduction Rights Organizations (IFRRO) which links together all the national reproduction rights organizations (RROs), facilitates formal and informal agreements and relationships between and on behalf of its members. IFRRO is also fostering the creation of RROs.

6.178 The advent of digital technology has greatly changed the situation, since material is stored, reproduced and transmitted in the form of digits, in binary code consisting of zeros and ones. Some questions have emerged with computer technology, such as storage, temporary display and further uses of protected material. In fact, the storage of works in digital form in an electronic medium was discussed as early as in June 1982, when a WIPO/Unesco Committee of Governmental Experts clarified that such storage is reproduction, and the WCT contains an agreed statement which confirms this. It reads as follows: "The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention."

Collective Management and the Digital Environment

6.179 The rights-owners — and users also — are looking for different approaches to deal with the management of copyright and related rights in the digital environment, in particular in the context of multimedia productions.

6.180 Copyrighted works will be increasingly delivered in digital form via global networks such as the Internet. As a result the collective management of copyright and related rights by public, semi-public and market sector entities will be re-engineered to take advantage of the efficiency gains offered by information technology. The increasing opportunities offered to the holders of rights by the Internet and the advent of "multimedia" productions are interfering with the conditions of protection, with the exercise and management of copyright and related rights and also with the enforcement of rights.

6.181 In the online world of the new millennium, the management of rights is taking on a new dimension. Protected works are now digitized, compressed, uploaded, downloaded, copied and distributed on the Internet to any place in the world. The expanding power of digital networks allows more and more mass storage and online delivery of protected material. The possibility of downloading the contents of a book, or of listening to and recording music from cyberspace is a

daily reality. While this presents immeasurable opportunities, there are also many challenges for owners, users and collective management organizations.

6.182 Many collective management organizations have developed systems for on-line delivery of information relating to the licensing of works and content, the monitoring of uses and the collection and distribution of remuneration for various categories of works within the digital environment. These digital information systems, which depend on the development and use of unique numbering systems and codes that are embedded in digital carriers such as CDs and DVDs, allow the works, the right-owners, the digital carriers themselves, etc. to be properly identified and to provide other relevant information.

6.183 As explained in Chapter 5, the two treaties concluded in 1996, under the auspices of WIPO, responded to the challenges of protecting copyright and related rights in the digital age. Known as "the Internet treaties," the WCT and WPPT deal among other things with obligations concerning technological protection measures and rights management information in the digital environment; they ensure that the owners of rights are protected when their works are disseminated on the Internet; they also contain provisions requiring national legislators to provide efficient protection for technological measures, by prohibiting the import, manufacture and distribution of illicit circumvention tools or material and also outlawing acts detrimental to rights management information systems. Indeed, an adequate legal protection is also needed at the national level to prevent acts intended to circumvent technical protection measures, and also to combat the removal or alteration of any elements of the digital information systems and other such practices.

6.184 Digitalization has brought another dimension to the exercise of certain rights. Protection and management of rights in an electronic environment are linked to the development of different types of technological measures, apart from the recognition of rights at the national and international levels. In the digital era, a combination of individual and collective exercise of rights is possible and facilitated by the information and data that are "attached" to the works and objects of related rights. As indicated in Article 12(2) of the WCT, "rights management information means information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public." The digital identification of works and objects of related rights (there is a similar article in the WPPT for performances and phonograms, namely Article 19(2)) needs to be adequately protected by technological measures.

6.185 The WCT and WPPT specify a protection of rights management information aiming at protecting the identification of works and objects of related rights against various acts. Both treaties, respectively in Article 11(WCT) and Article 18(WPPT), have left to national legislators of Contracting States the ways to implement protection, without any specification of the type of protection nor the definition of protected devices.

6.186 Technological measures cover various devices and electronic tools, which consist of systems allowing and monitoring the access to protected material and information. Those systems encompass passwording, encryption, digital envelopes, etc. Other systems like watermarking or fingerprinting are techniques based on invisible digital marking of protected works and objects of related rights and their right-owners, used to facilitate their identification. There are other technological means, which are used for example to prevent the making of copies of protected material, like the Serial Copy Management System, or similar anti-copy devices in the field of digital video recording. More in the field of collective management of rights, the Electronic Copyright Management Systems (ECMS) which permit the identification of copyright and related rights

material, and the licensing and remuneration of right-owners, are also technological measures, since they go beyond the mere role of identification.

6.187 Despite the practical impact of such technical means, the need to have legal texts protecting technological means of protection and rights management information is crucial for the proper implementation of collective management in the digital environment, since the core of copyright management systems is content and rights identification together with licenses. Indeed, the ECMS, which relates to those components, must be protected not only against removal, alteration, distribution, importation for dissemination, etc. but also against any circumvention, as stipulated in the WCT and WPPT.

6.188 As regards multimedia productions — both in the form of offline production and in the way the different categories of works and objects of related rights are used together in digital networks — there are more and more "coalitions" of various collective management organizations offering a centralized source of authorization; they are known as "one-stop shops."

6.189 Finally, in the field of collective management of musical works, some authors' societies have reached reciprocal agreements aiming at offering users some global licenses for use of protected music over the Internet. These worldwide Internet licenses are intended to provide a mechanism to assure proper distribution of license fees to authors, composers and music publishers. These agreements cover webcasting, streaming, online music on demand and also music included in video transmitted online. They have been concluded by the authors' societies BMI (United States of America), BUMA (Netherlands), GEMA (Germany), PRS (United Kingdom) and SACEM (France), and were signed at the CISAC 2000 World Congress held in Santiago de Chile.

6.190 Such developments constitute a real progress for collective management of musical works, granting for such works licenses which are not limited to territorial boundaries, to be performed on the Internet. The authors' societies concerned will be in a position to authorize content providers to exploit on-line the music repertoire administered by those authors' societies against fixed remuneration. The agreements contain some rules for the distribution of royalties. Collective management of copyright and related rights will gain in efficiency and precision and improve through digital technology, including computer programs specially designed to allow new authors' societies to access such digital systems and the data on works and recordings transmitted therein.

Intergovernmental Cooperation

6.191 Within the framework of the sector of development for cooperation in WIPO, a number of meetings and activities are initiated and undertaken by the regional Bureaus and by the Copyright Collective Management Division. In order to maximize its efficiency, WIPO concluded two major Cooperation Agreements with CISAC and IFRRO in September 2002 and October 2003 respectively. Complementary activities are organized in cooperation with these organizations in favor of reinforcing copyright protection in developing countries and least developed countries, as well as in Eastern and Central Europe. Such an approach reflects the common cause inherent in the main and proper objectives of those non-governmental organizations and WIPO, in assuring rights-owners of respect for their rights, for instance through the implementation of collective management systems on a national or regional basis, when appropriate. It also reflects the implications of the expansion of culture and information and their accessibility to the public, taking into consideration the economic impact and the growth of digital technology worldwide.

The Patent and Trademark Attorney

Introduction

6.192 Industrial property agents deal generally with all matters in the field of industrial property, to the extent permitted by their national laws, and especially with the following three:

- the filing and processing of applications for patents for invention (and utility models where applicable), trademarks and industrial designs, and the maintenance of their registration;

- advising in matters relating to industrial property rights, including unfair competition, licensing, know-how and transfer of technology;

- litigation in all fields of industrial property.

The Functions of a Patent Agent

Introduction

6.193 The professionals who practice the profession most commonly known as that of "patent agents" can also be called, depending on the circumstances and the particular country, "patent attorneys" or "industrial property agents" or "attorneys." Their basic function is to offer the following professional services:

- advice in the initial phase of the explanation and definition of the right;

- service and performance in the phase of the acquisition of the right;

- representation and advice in the phase of the maintenance and working of the right and in the period of possible conflicts which may arise in connection with obtaining and/or protecting the right.

6.194 Generally speaking, the patent agent must give counsel and advice to two types of client in his home country or abroad, namely:

- individual inventors;

- industry, consisting of small- and medium-sized companies, as well as large and important industrial enterprises.

The Pre-Application Phase

6.195 In this phase, the prospective applicant will have to decide:

- first, whether it is probable that a patent for invention can be obtained for the invention;

- second, whether he should seek patent protection for the invention or should try to keep the invention secret and not seek patent protection;

- third, if the decision is to seek patent protection, the applicant must decide in which countries such protection should be sought;

- fourth, if protection is to be sought in several countries, some of which may be party to the Patent Cooperation Treaty or members of a regional patent agreement, the applicant will need to decide whether to file an international application and/or a regional application or whether to file separate national applications.

6.196 Furthermore, in this pre-application phase, the application(s) will have to be prepared.

6.197 If patent protection is desired, a patent application will have to be filed. The alternative is secrecy, without filing an application.

Secrecy

6.198 If the alternative of secrecy is chosen, every attempt is made to keep the invention secret.

6.199 The choice between these two possibilities requires careful consideration. An invention for which a patent application has been filed will remain secret only if the application is withdrawn before the application is published or, under patent laws not providing for the publication of applications, if no patent for invention is granted either because the application is withdrawn by the applicant or because the application is considered withdrawn, or is refused by the Patent Office.

6.200 Patent laws guarantee, in the case of patented inventions, that the knowledge which becomes public through the patenting of the invention cannot be used for manufacturing, etc., without the authorization of the owner of the patented invention. Consequently, publication of the invention which is patented usually does not contain any risk for the owner of the patent for invention. The risk which still exists is that if the grant of a patent for invention is refused after the application had been published, or if the granted patent is later invalidated, the invention is no longer secret. However, if the reason of such refusal or invalidation is lack of novelty, the alleged invention is not really a patentable invention, and the fact that it is known to the public is not the result of the publication of the application or of the patent for invention but flows from the fact that it is part of the state of the art. This argument does not necessarily apply where the reason for the said refusal or invalidation lies in some procedural error or omission, for example, failing to pay the required fees to the Patent Office.

6.201 Another factor that one should consider when one has to choose between trying to keep the invention secret and trying to have it patented, is the risk that any applicant assumes in respect of what is called "inventing around" by third parties. "Inventing around" means that a third party will describe a solution which is essentially based on or "around" the ideas of the applicant's invention but is still sufficiently different from it to qualify as a patent for invention, if sought.

6.202 In general, it is better and safer to try to obtain a patent for the invention than to try to keep the invention secret. This is so because, even if the invention has been kept secret, there is generally a high risk of a third party getting a patent for the same invention created independently.

Determining Patentability

6.203 The question whether the invention fulfills the conditions of patentability is decided by the Patent Office or, if the decision of the Patent Office is challenged in a court, by that court.

6.204 Assisting the prospective applicant in identifying the state of the art and in comparing it with the invention may be among the tasks of an agent. However, the prospective applicant may decide not to ask for the opinion of the agent in this matter.

6.205 The prospective applicant may reach such a decision for a variety of reasons, for example because it increases his expenses, or because he is generally better informed about the state of the art than the agent. Another reason may be that the same invention was already the subject matter of a patent application in another country and the necessary checking of the state of the art has already been completely and correctly effected — at least in the opinion of the applicant — in connection with the other application.

Determining in which Countries to Seek Patent Protection

6.206 When it comes to the question in which foreign countries, if any, patent protection should be obtained, the prospective applicant and the agent have to compare and combine their respective experience and information about the situation prevailing in respect of each foreign country in which protection is contemplated. Is that country a potentially important market for the products for which the invention will be used? Is that country one in which there is research for the same or similar inventions? Is that country one in which there are likely licensees or assignees or in which there are potential competitors who may try to exploit the invention if it is not patented there? If the answer to at least one of these questions is in the affirmative, patent protection should be considered.

6.207 Not only the local agent but also an agent in the foreign country in which protection is contemplated should be consulted on the question of whether patent protection should be sought in that country. The foreign agent may be of the opinion that, for some reason connected with the patent law of that country, an application, if filed, would probably not succeed. Or he may know of anticipatory publications, which were unknown to the prospective applicant, and which virtually exclude the possibility of obtaining a patent for invention in that country.

6.208 If the prospective applicant decides to seek patent protection in several foreign countries and if at least some of those countries are party to the Patent Cooperation Treaty (PCT) and/or members of a regional patent organization, the question arises whether it is advisable to file an international patent application under the PCT and/or a regional patent application instead of filing national patent applications in each of the said countries.

Preparation of the Application

6.209 It is the agent who is primarily responsible for the correct preparation of the application. The practiced drafting of the key parts of the application, namely, the description and the claims, is important for the applicant to get adequate protection of his rights in the invention. Naturally, most of the facts that will be stated in the application are furnished to the agent by the prospective applicant, and it is the latter's responsibility that those facts be correct. But the expression of those facts in the application so that all the requirements of the law are fulfilled, and that nothing is omitted that must be included, or appears to be useful to be included, in the application, are the responsibility of the agent. All that the prospective applicant can do here, and only if there is a possibility of choosing among several agents, is that good judgment is used in selecting the agent.

6.210 The responsibility for timely filing is shared by the prospective applicant and the agent. If the application is a first application, it should be filed, in most cases, as soon as possible. Since, in the course of drafting, the agent may have to consult — sometimes repeatedly — the prospective applicant, prompt replies, or immediate availability for consultations, on the part of the prospective applicant, will be indispensable. The urgency of any first filing resides in the fact that, according to the patent laws of almost all countries, when simultaneous applications are filed for the same invention, the patent will be granted to the applicant whose application was filed at the earliest date, or claims the earliest priority date, as the case may be.

6.211 Where the application is a later application in respect of which the applicant has invoked the priority of the first application, timely filing means filing before the expiration of 12 months after the filing of the first application. In respect of the chances of obtaining a patent for invention, it is immaterial when, during those 12 months, the application is filed because the relevant date for judging novelty and inventive step is the date of the filing of the first application and not the date of the filing of the subsequent application. It is the agent's responsibility to know the date on which the 12 months period will expire and to ensure that the application is received by the Patent Office no later than that date. But it is the responsibility of the prospective applicant to furnish all the data required of the applicant well before this date, so as to allow time for the agent to ask for additional information from the prospective applicant, to make translations where translations have to be made and to exchange views with the prospective applicant on any unclear points.

The Application Phase

6.212 This phase starts once the application has been filed and ends with one of the following events:

- the application is withdrawn by the applicant;

- the application is abandoned by the applicant;

- the application is refused by the Patent Office;

- the application is accepted by the Patent Office, that is, a patent for invention is granted by the Patent Office.

6.213 Soon after having received the application, the Patent Office proceeds with what is called the "formal" examination, or the "preliminary" examination, of the application.

6.214 Such examination is called formal to distinguish it from the substantive examination. The latter is the examination which is mainly concerned with the conditions of the patent law which concern patentability, namely whether the claimed invention is new, involves an inventive step, is industrially applicable and is sufficiently disclosed. The formal examination is concerned with most of the other conditions that the patent law prescribes for obtaining a patent.

6.215 The formal examination is characteristically designed to examine the following six questions or groups of questions:

- Whether the application contains all the prescribed indications concerning the applicant and the inventor. Usually, what is required is that the application identify the inventor and the applicant (the two may of course be the same), and that the identification be done by giving their full official names (this is important not only for natural persons but also for legal entities and enterprises) and their addresses. Incomplete indications of the name,

spelling errors in the names and addresses, omission of the addresses and the indication of incorrect addresses are usually considered to be correctable mistakes. These mistakes may be discovered by the agent himself. If such mistakes are discovered by the Patent Office, it will invite the agent to submit corrections, and the agent should do so within the prescribed time limit.

- Whether an agent has been indicated in the application, and, if so, whether he is a person who has the right to act as an agent, whether his appointment has been duly effected by the applicant (by the applicant's signing the application or a separate "power of attorney," that is, a document appointing the agent) and whether the name and address of the agent are given in full.

- Whether the application contains all the parts prescribed by law. Patent laws usually require the following parts: request, description, claim or claims and abstract. They also usually require that the request contain a title for the invention and that the application contain drawings where they are necessary for the understanding of the invention.

- The Patent Office may examine the completeness of the priority declaration. "Priority declaration" is a statement, made in the request part of the application, to the effect that the applicant claims the priority right provided for in the Paris Convention on the basis of an earlier application. That earlier application must be identified in the priority declaration by three elements: the name of the country in which it was filed; the date on which it was filed; the serial number which was given to it by the Office with which it was filed. As far as the serial number of the earlier application is concerned, most laws allow that it be furnished later, separately, within a prescribed time limit. They do so because the serial number of the earlier application may not yet be known to the applicant at the time the application under examination was filed.

- Whether the application complies with what is usually — but not quite correctly — called the "physical" requirements. These requirements usually include the following: that the application be written on paper; that the paper be of a certain color, size and quality; that the writing on the paper be of a certain color and size; that the text is easily legible and reproducible by photographic methods; that the parts of the application be clearly separated; that each page have margins of certain dimensions; that the margins be left blank and that each page be numbered in a certain place on the page. These are true physical requirements. Other requirements, although not, strictly speaking, physical, usually include the following: that each claim be numbered; that each drawing be numbered and its number referred to in the description; that each part of the application indicate its title; that measurements be expressed according to the metric system and that temperatures be expressed in centigrade and that drawings indicate the scale of reduction or magnification. Compliance with the physical requirements is usually the agent's personal and direct responsibility because usually it is he, and not the applicant, who prepares the final copy of the application. The preparation of replacement pages or other corrections will also be his responsibility and in many cases may be effected without consultation with the applicant.

- Whether the necessary fees for filing the application have been paid to the Patent Office. Such official fees are in most cases paid by the patent agent, who charges his client in the debit note. Some Patent Offices permit agents to open what is called a "deposit account" with them. The agent sends a larger amount of money to the Patent Office but it is the property of the agent. When filing an application, the agent indicates the amount that should be transferred by the Patent Office from his deposit account with the Patent Office

to that Office's own accounts. This method excludes the possibility of late payment. The method can be further developed to exclude even the possibility of an underpayment. Such development requires that the agent give a general authorization to the Patent Office to compute the amount of any fee concerning any application in respect of which he is the appointed agent and that the Patent Office transfer such amount, without any specific request by the agent, from his deposit account into the Patent Office's own accounts.

Publication of the Application

6.216 The usual provision is that the publication must be effected promptly after the expiration of 18 months after the filing date of the application or, where the application claims the priority of an earlier application, on the expiry of 18 months after the filing date of the said earlier application. However, such a law usually also provides that the applicant may, at any time between the filing of the application and the expiry of the 18-month period, request the Patent Office to publish the application and that, in that case, the Patent Office has to publish the application promptly on receipt of the request.

6.217 The reason for an early publication may be that the applicant wishes that the technical solution described in the application should become part of the state-of-the-art as soon as possible. If that solution was not yet disclosed to the public by other means than through the publication of the application — and barring the case of a co-pending application (where the filing dates will count) — then the solution described in the application may be made part of the state of the art through the publication of the application.

6.218 Once that solution is part of the state-of-the-art, applications filed later by others, in respect of a similar solution but lacking the required inventive step, even if filed in other countries, will not meet the conditions of patentability. In other words, the earlier the application is published the earlier it will become an impediment for persons other than the applicant to obtain patents for invention for themselves for a solution which is merely similar to the solution described in the applicant's application but lacks the required inventive step. On the other hand, the earlier the publication, the earlier secrecy is lifted, the sooner others will have the opportunity to try to "invent around" the claimed invention or to use it as a basis for further inventions. The applicant, with the help of the agent, will have to decide what is better for him: a publication as early as possible or a publication as late as possible. If the decision is that an early publication is, on balance, desirable, it will be the task of the agent to request the Patent Office to effect a so-called early publication.

Request for Substantive Examination

6.219 Patent laws providing for a so-called "request for a substantive examination" usually provide that the substantive examination, by the Patent Office, of the patent application starts only on the request of the applicant; such a request, however, has to be presented within a certain number of years from the date of the publication of the application or the date of filing. It should be noted, however, that if the time limit is missed, that is, no request for the substantive examination is presented by the applicant, the application is considered withdrawn.

6.220 It is, therefore, one of the important duties of the agent to note the date on which the application was published, or filed, and, when the expiration of the time limit approaches, to ask the applicant whether substantive examination should be requested. If the answer is in the affirmative, the agent will have to do it before the said time limit expires and, since the laws generally require the payment of a substantive examination fee within the same time limit, he will also have to make sure that the payment of that fee reaches the Patent Office within the same time limit.

Substantive Examination

6.221 The substantive examination is carried out by the Patent Office. The aim of the substantive examination is to come to a decision on the question whether or not a patent for invention should be granted. If the application complies with the requirements of the patent law, the Patent Office must grant a patent for invention.

6.222 The substantive examination will consider all the possible grounds for refusal.

Amendments

6.223 Most patent laws allow the applicant to amend the application. At the same time, they usually provide that no amendment may go beyond the original disclosure in the application as filed.

6.224 Most laws offer several occasions to the applicant to amend the claims. Typical occasions are: first, just before the preparations for the publication of the application are completed by the Patent Office; second, at the time the request for substantive examination is filed, together with that request; third, during the substantive examination. The first two occasions, if used, will be the result of a spontaneous decision of the applicant. Using the first occasion may be motivated by a desire to disclose less than what the original application has disclosed. Using the second occasion may be motivated by a desire to reduce the risk of being attacked during later proceedings. Amendments presented during the substantive examination are usually not spontaneous; they are usually a response to the Patent Office when, through its examiner who carries out the substantive examination, it requires the applicant to amend the application in a certain way, on pain of refusal of the application. The suggested amendment usually consists of omitting one or more claims or restricting the scope of one or more claims, the reason being that only the remaining and restricted claims satisfy the conditions of patentability and/or are supported by the description. A dialogue is carried on between the examiner and the agent; the latter tries to convince the former that the broader claims are allowable. In this dialogue, the respective views of the agent and the examiner may undergo changes in the light of the new arguments and new documents that they present to each other.

6.225 There is little doubt that this is one of the most challenging and interesting tasks of the agent. It is also a very responsible task because a patent for invention with too narrow claims may be worthless. Where the examiner insists on a restriction which, in the view of the applicant, is unreasonable, it does not have to be accepted by the applicant. The Patent Office will, in such an event, refuse the application. But such refusal does not necessarily mean that the application has been lost. Recourse to a higher authority — for example a review board — or to the courts is provided. As a result of the recourse, the applicant may obtain the patent for invention with the claims as desired by him.

6.226 Since the task under consideration is such a responsible one, no agent will normally amend an application without the express and specific authorization of the applicant. Each proposed amendment is usually thoroughly discussed, orally or in writing, between the applicant and his agent.

Opposition

6.227 Opposition is a request to the Patent Office, presented by a person or entity other than the applicant, to refuse the application. The request must indicate the grounds on which, according to the opposing party, the application should be refused. The typical grounds of refusal are that the

applicant has no right to a patent for invention for reasons concerning his identity, that it is in a field excluded from the possibility of patenting, that the application lacks the required clarity and completeness to permit the carrying out of the invention by a person skilled in the art, or that the invention does not fulfill the conditions of patentability, that is, novelty, inventive step and industrial applicability.

6.228 The pre-grant opposition system provides a third party an opportunity to make a request for a refusal of an application before a patent is granted to that application. On the other hand, an administrative revocation (post-grant opposition) system provides such opportunity after the grant of a patent.

6.229 What will be the role of the agent of the applicant? It is him that the Patent Office will notify of any opposition filed. The agent will then need to discuss with the applicant what counter arguments against the opposition should be communicated to the Patent Office. If the opposition relates to novelty or inventive step, the refusal of the application may be avoided if the claims are amended.

6.230 Usually, not only the applicant but also the opposing party will need an agent.

Role During the Life of the Patent

Maintenance

6.231 Most patent laws provide that the owner of the patent for invention has to pay, once a year, a fee for maintaining the legal effect of the patent for invention.

6.232 Paying the maintenance fees on time is one of the important and responsible tasks of the agent. The agent has to keep a record of the dates on which each payment will become due; he has to know, in good time, whether or not the owner of the patent for invention requires maintenance, and he has to ensure that he receives from the owner of the patent for invention in good time the amount needed for the payment of the maintenance fee.

6.233 The responsibility of the agent is great because missing the due date will cause additional expense, namely, a surcharge. Missing the time limit of the grace period may also deprive the owner of the patent of all his patent rights.

Invalidation Proceedings

6.234 Most patent laws provide that any person may challenge the validity of a granted patent for invention before a quasi-judicial body or a court by bringing an action or lawsuit. The defendant, according to the laws of different countries, may be the owner of the patent for invention and/or the Patent Office, personified by its head (usually called, in English-speaking countries, "Commissioner," "Comptroller," "Controller" or "Registrar," and, in other countries the equivalents, in their languages, of the English "President," "Director General" or "Director").

6.235 The representative of the challenger naturally has to be familiar with the history of the substantive examination and administrative revocation or opposition. He will also need to determine whether the same invention was the object of substantive examination or administrative revocation or opposition in the Patent Offices of other countries, or the object of infringement or invalidation actions in foreign courts, and, if so, what arguments were used and what the final outcome of the applications and actions was.

Compulsory Licenses

6.236 The patent laws of a number of countries provide for the possibility of granting compulsory licenses. A compulsory license is a license given to an entity or person ("the compulsory licensee"), on his express request, by a government authority (for example, the Patent Office) to work the patented invention, and/or import products which include the patented invention; such license may be given against the will of the owner of the patent for invention if it meets certain conditions.

6.237 The services of a representative, a specialist in patent law, will usually be needed by both parties. The party requesting the compulsory license will have to allege the non-working or the insufficient working, in the country, of the patented invention and the lapse of the three-year or four-year time limit prescribed by the Paris Convention. The applicant or the owner of the patent, if he wishes to resist the request for compulsory license, will either have to prove that the patented invention is sufficiently worked, in the country, by him or by persons or entities authorized by him, or he will have to specify and prove "legitimate reasons" for non-working or insufficient working of the patent.

Infringement

6.238 According to the laws of most countries, the owner of the patent for invention has the right to turn to the courts when an infringement has occurred and may ask for relief in one or more of the following forms:

- that the court order the infringer to stop his infringing acts;

- that the court order the infringer to pay damages to the owner of the patent for invention;

- that the court punish the infringer.

6.239 The preparation of any legal action will require the advice and assistance of legal and technical specialists. So will the preparation of the defense in a legal action. And so will the representation of both the plaintiff and the defendant before a court.

Applications for Foreign Clients

6.240 The foreign patent agent will typically provide the required specification and particulars of the applicant and any priority claim under the Paris Convention but will have to rely on the local agent to:

- ensure that the application is filed by the specified deadline, usually the anniversary of the "basic" application;

- present documents in the proper form under local law and practice;

- advise on further information required;

- ensure that forms are correctly completed;

- keep the foreign agent properly informed as to later deadlines for lodging supporting documents and meeting those deadlines when documents are forwarded by the foreign agent. Such documents include forms, formal drawings and "priority documents" — official certified copies of basic applications, with translations if necessary.

6.241 The foreign agent will also expect the local agent to advise of any particular difficulties which might arise under local law or practice, e.g. as to subject matter or format of claims, as to the nature of the intended application, or as to the adequacy under local law of the applicant's stated entitlement to file the application.

6.242 In the longer term, the key role of the local agent is to ensure that all deadlines affecting the application are advised, monitored and met, and to advise the foreign agent of peculiar requirements of local law and practice.

Foreign Applications for Domestic Clients

6.243 The filing of the basic domestic application initiates the 12-month period provided for by the Paris Convention. Within that period, the applicant will need to make a decision as to the countries in which he will seek patent protection. An essential role for the agent in this connection will be to guide the applicant to ask the right questions and to assist him with clear information as to short- and long-term costs, and as to the situation in each country with the domestic application. The applicant himself will want to consider the market potential in each country, the possible modes of exploiting the patent, including licensing, and the level of technology in each country which will determine whether the invention can be put into use and, therefore, whether any additional protection can be obtained with a patent. He will also need to determine a total budget and to establish priorities.

6.244 It is very important that the agent keeps the applicant fully informed as to the costs he will incur: patent protection in multiple countries is quite expensive, especially if the invention is not a success, and many a patent applicant is caught by surprise by the medium- and long-term costs of maintaining his patent protection.

6.245 Once the choice of countries has been made, the agent must undertake a number of steps in preparation for instructing the foreign agents. The first step is to select the agents who will act on his and his client's behalf in each foreign country. Many countries require at least local addresses for service for patent applicants but, in any event, it is much more practical for applicants to retain the services of a skilled local professional in each foreign country. This choice of agents is an important decision, especially in countries where the language is not the same as the agent's or applicant's. In making the choice, the agent will be considering matters of reliability, professional skill, and sound business judgement.

6.246 A further preparatory step for the agent is to determine what formal papers are required for each application as well as to prepare such papers. Most countries require a power of attorney executed by the applicant. Assignments may also be necessary. Application forms can usually be completed and signed by the local agent.

6.247 The next preliminary step is to prepare specifications for the foreign applications. In many cases these specifications will not be the final document as translation will need to be carried out into the foreign language. A skilled agent will not merely photocopy the local specification for use abroad but will consider whether he might fruitfully rearrange the language or structure of the claims to better suit the practice of each country, or perhaps modify the description.

6.248 Finally, taking careful account of the applicable convention deadline, the agent will forward full instructions to his selected overseas counterpart at the appropriate time.

Corporate Patent Attorneys

6.249 A patent department in a corporation usually consists of both technical and clerical staff and is, in many cases, headed by a patent attorney.

6.250 While the main function of a patent attorney's office is often limited to proceedings for the acquisition of industrial property rights, the scope of the business of the corporate patent department covers a much wider field including legal, business and commercial considerations such as:

- filing and processing applications;
- searches and monitoring;
- prior art documentation;
- coordination with the research and development division of the corporation and with patent attorney's offices;
- licensing and related negotiations;
- maintenance of rights;
- training of any personnel who are or may become involved with industrial property matters;
- assignment of inventions for reward under remuneration systems;
- prosecuting and defending infringement suits.

6.251 Patent attorneys' offices become involved, or are consulted, in all the above areas. However, the patent attorneys' offices are, of course, in a passive position here as corporate patent departments take all initiatives, and issue their instructions for any work to be done by the patent attorneys' office.

6.252 Corporations which have a successful and planned patent management policy do recognize the need for the effective use of outside patent attorneys' offices, with experts well qualified to handle particular matters and also a sufficient number of back-up staff to assist.

6.253 Corporations also sometimes make use of outside patent attorneys' offices as if they were part of the corporation's own patent department, and discretion is given to the patent attorneys' office personnel to deal with and interview inventors directly, only reporting later any action taken, or results of such action, to the corporation's patent department.

6.254 Large corporations also have a liaison staff member for at least every separate technical department or laboratory within the corporation and sometimes the liaison staff may total 100 or more.

6.255 The main functions of a corporate patent department, as indicated above, include the following matters.

Acquisition of Industrial Property Rights

6.256 The services of a patent attorney's office are utilized most for this type of work. The group of staff who handle such matters receive a draft specification or memorandum concerning an invention from the inventor(s). Some corporations, as a matter of policy, file patent applications themselves, in which case the persons involved in the department re-draft or complete the specification, claims or drawings into proper form for filing. But other corporations use outside patent attorneys for completing the applications for filing with the Patent Office. Also, there are many corporations which file applications with the Patent Office themselves, but use outside patent attorneys for overseas filings.

6.257 In any case, it appears that the business relating to acquiring rights is an area in which the corporate patent department can utilize outside services most, so that they can use their time more effectively for other policy or management affairs in the enterprise.

Searches and Monitoring

6.258 The services of an outside patent attorney's office are utilized to some extent, but most of the business of this nature is handled by or within the corporate patent department. Nowadays, computer data-based searches or monitoring are increasingly being used.

Prior Art Documentation

6.259 This involves the collection and documentation of patent gazettes or other patent literature.

Coordination with the Research and Development Divisions of the Corporation

6.260 The corporate patent department members join in the planning of research and development, and in the discussion and formulation of patent strategy, or in the study of patent strategy with the various divisions concerned.

Licensing

6.261 Licensing patents or preparing various contracts is one of the most important functions of the corporate patent department. How the acquired rights can be effectively utilized is constantly examined. The corporate patent department is also involved in licensing negotiations.

Maintenance of Rights

6.262 The keeping of records, and attending to the payment of annual fees for keeping the acquired rights in force, are also very important functions of the corporate patent department.

Other Activities

6.263 The training of personnel who are, or will become, involved with patent matters is constantly carried out. Patent departments hold lectures and seminars for these personnel, or send them to outside courses or lectures. Patent department members are given the opportunity to observe the research facilities and actual research being carried out. All patent-conscious companies have some kind of remuneration system for rewarding employees for inventions. The patent department has a role in making assessments of the inventions which will be the subject of such remuneration.

6.264 Every time a new product is put on sale or is to be sold on the market, it is the work of the patent department to make a thorough search to ensure that there will be no infringement of patents already in existence. This is a very time-consuming and important matter.

6.265 Another area in which the corporate patent department becomes instantly involved is when an infringement action is taken against a third party or is to be defended.

Associations of Patent Agents

National

6.266 Associations of patent agents are, first of all, national in their scope. They group the professionals of a given country in a national association.

6.267 Such associations establish rules of professional ethics and conduct and supervise that conduct. They impose penalties (or propose such to the competent governmental authority) when a member of the association fails to comply with the rules of the association.

6.268 Most national associations also undertake studies of industrial property with a view to improving their country's industrial property legislation. It is, therefore, customary for governments to seek the opinion of these associations when legislative reforms are contemplated.

6.269 Consequently, representatives of the professional associations are usually appointed as members of the official (governmental) committees constituted in the various countries for the drafting or revision of industrial property laws.

6.270 Every member of a national association must comply with the professional rules and regulations, and the association is an authority to which third parties can turn in the event of some irregularity committed by a member of the association.

International

6.271 The principal international association of practitioners in the field of industrial property is the Fédération internationale des conseils en propriété industrielle (FICPI), or International Federation of Industrial Property Attorneys.

6.272 FICPI was founded in 1906 as an association of industrial property attorneys in private practice and has its headquarters in Basle, Switzerland.

6.273 The principal aims of FICPI are the following:

- to enhance international cooperation within the profession of industrial property attorneys in private practice, promote the exchange of information and harmonize and facilitate business relations between members;

- to maintain the dignity of its members and the standards of the profession of industrial property attorneys in private practice on an international scale;

- to express opinions with regard to newly proposed international and national legislation, in so far as such legislation is of general concern to the profession, and to defend the

interests of its members, in particular with respect to the maintenance and invigoration of the system of industrial property protection and of the position of industrial property attorneys in private practice.

6.274 FICPI was founded in Europe, although today its scope is universal. Present membership includes "National Groups" or "National Sections" in Africa, the Americas, Australia, Asia and Europe. In many countries in which there are no National Groups or National Sections, there are individual members of FICPI.

6.275 Another important international association, whose membership also includes attorneys in private practice, is the Association internationale pour la protection de la propriété industrielle (AIPPI) or International Association for the Protection of Intellectual Property.

6.276 AIPPI was founded in 1897 and has its headquarters in Zurich, Switzerland. Its principal objectives are:

- to propagate the need for the international protection of industrial property;

- to study and compare existing laws with a view to taking steps to protect and unify them;

- to work for the development of international conventions concerning the protection of industrial property;

- to distribute publications, to make representations and to organize congresses periodically with the object of holding discussions and proposing resolutions on outstanding questions relating to industrial property.

6.277 AIPPI, like FICPI, has "national groups" throughout the world.

Regional

6.278 In Europe among the regional associations of industrial property professionals is the Union of European Practitioners in Industrial Property (UEPIP). It was founded in Brussels in 1961. The membership of this association comprises almost a thousand practitioners plus professionals in the employment of industry in countries which took part in the elaboration of the European Patent Convention.

6.279 The general object of the Union is to study problems relating to the protection of industrial property and to the profession of the members of the Union in the European sector.

6.280 The Union is a private association, whereas the official body that groups all the professionals appearing on the list maintained by the European Patent Office is the Institute of Professional Representatives before the European Patent Office (EPI). One of the objectives of the said Institute is to promote compliance by its members with the Code and Rules of Professional Conduct. The Code governs the conduct and other activities of the members in so far as such activities are related to the European Patent Convention signed in Munich in 1973.

6.281 There also exists in Europe an association of professionals not in private practice, but in the employment of companies. It is called the European Federation of Agents of Industry in Industrial Property (FEMIPI). There exists a similar association in the United States of America. It is called the Association of Corporate Patent Counsel. There is also the Asian Patent Attorneys Association (APAA), a regional association of patent attorneys in Asia.

The Functions of a Trademark Agent

Introduction

6.282 The trademark agent performs the same functions for trademark owners, as patent agents perform for patent owners. In some countries both groups of functions are performed by the same agents.

6.283 In some cases, a trademark agent works with an enterprise as a member of the legal staff. In such a capacity, he gives advice on trademark matters directly to executive officers and conducts such business as the registration and renewal of trademarks, trademark licensing and the elimination of infringements.

6.284 In most cases, however, the trademark agent practices independently of any enterprise and, as such, he represents a client enterprise. Therefore, a trademark agent should basically refrain from representing a plurality of enterprises in competition with each other and also from contracting with them a position of legal counsel.

6.285 It has been said that one is not qualified to be a trademark agent either in name or in reality unless one is proficient in the selection and registration of trademarks and their effective use in trade and commerce. Trademark agents need to be skilled in trademark management in a broad sense, including trademark licensing and treatment of infringement cases. As such, the trademark agent should have a sufficient amount of information easily accessible on trademark systems and practices prevailing in various countries since they vary from country to country. This makes it possible to protect trademarks or merchandise travelling to all world markets.

6.286 The trademark agent is specifically called on to perform the following functions:

- to advise his clients in selecting new trademarks best suited to their businesses;

- to deal with problems which will arise in various circumstances in the course of trademark registration, such as objections raised by the examiner or oppositions filed by a third party;

- to advise his clients in an opportune manner as to good trademark practice and/or use which will enhance the reputation of the trademark and maintain this as a permanent right;

- to check points for serious consideration in trademark licensing and advise his clients on such points, thereby keeping them from encountering difficulties on the way;

- to take for his clients the earliest and best possible measures against counterfeits which may affect their own trademarks.

Choosing a Trademark

6.287 The first step is to come up with a short list of possible trademarks to be applied to a particular product or range of products. Each of the marks on the list is examined in relation to the appropriate criteria. Of those marks which survive, as not being descriptive, misleading or pejorative (particularly when viewed as being foreign words of which the translation or transliteration into other important languages is unacceptable), a search is made through trademarks registered in the respective class(es) of goods. If a conflicting mark is encountered, then

it has to be checked. If it is in use in the marketplace and the registration is in force, the would-be owner should reject this one. If the conflicting mark is in force, but no evidence can be found that it is in use, thought should be given to approaching its owner to see if he would be prepared to sell (assign) it, for a "fair" consideration. If it is not in use, and not for sale, then it could possibly be expunged from the register on the ground of non-use. If that works, the mark under investigation can be registered in its turn.

6.288 In most countries title to a trademark is based on registration. However, in some countries prior use is a condition of registration. In this event once a mark has been selected and adopted, the intending user should produce appropriate packaging and advertising.

Application for Domestic Registration

6.289 In most cases, the domestic application for trademark registration is filed prior to foreign applications. It is natural that the registration of a trademark should be made with a view to obtaining complete protection of the registered trademark.

6.290 Thus, it becomes necessary first to make sure that the registration does not conflict with any prior registered trademarks owned by others. In case an application is thus found to be registrable, the form of the trademark to be registered should be studied. In ordinary cases, it is considered that the simplest form of a trademark can enjoy the widest protection.

6.291 In arguing against the objection to the application (taken by the examiner in a Trademark Office) due to the trademark's lack of distinctiveness, the important point the trademark agent should consider is whether or not the trademark has long been commercially used in the country in which the application is made. In other words, the trademark agent should prove that the trademark has acquired a secondary meaning.

6.292 Generally speaking, judgments on the distinctiveness of trademarks are made by taking into consideration the current language in the country in which a trademark registration is applied for, and all other conditions concerned. Thus, it should be noted that the earlier the registration of the trademark in the applicant's country, the earlier it may be considered in the country in which a later trademark application is filed.

6.293 On the principle of substantive examination in the country of trademark registration, the examiner frequently issues objections to the effect that the trademark under application for registration is too similar and might be confused with a previously-registered trademark owned by someone else.

6.294 Such objections may be countered by limiting the designated goods to ones for which the applied for trademark is actually used, or by submitting arguments opposed to the objection of the similarity of the trademarks.

6.295 Trademarks applied for are published for public inspection in the Official or Trademark *Gazette* before or after registration. This gives persons interested in such trademarks a chance to object or to initiate a cancellation action against the trademark registration.

6.296 Even when a trademark registration is opposed by a third party, the opposition is sometimes withdrawn in exchange for a concession the applicant makes, such as limiting the designated goods in the application to goods for which the trademark is actually used or restricting the form of the trademark in which it is used.

6.297 In case the examiner objects to the registration of the proposed trademark due to its similarity to a prior registered trademark, or in case a prior trademark owner is in opposition on grounds of similarity, the trademark agent begins to examine trademarks similar to the cited trademark, so as to evaluate the examiner's objection and/or the oppositions raised by the said trademark owner.

6.298 In case there are no existing trademarks similar to those cited by the examiner or by an opponent, and the cited trademark has long been used, it is understood that the prior registered trademark enjoys such substantial protection as to eliminate any possibility of registration of similar trademarks applied for later.

Applications Abroad by Domestic Trademark Owners

Introduction

6.299 In most countries foreign applicants must be represented in trademark procedures by a trademark agent or other qualified representative, for example, an attorney. In addition, an applicant may use the services of a trademark agent or attorney in his country in connection with trademark applications to be filed abroad.

6.300 It is necessary to prepare powers of attorney for each country in which applications are to be filed and which require the appointment of a representative. For this purpose, normally a form is to be filled in, which is issued by the agent to be appointed. In each of the forms, it is necessary to fully identify the applicant, who has to sign the power of attorney. In other respects, the requirements may vary from country to country.

6.301 In all countries, the reproduction of the trademark is an essential requirement of an application for registration. Therefore, a print of the mark for which registration is sought has to be filed with the application.

6.302 Where rights to a trademark are derived by use, it is necessary to submit samples showing the manner in which the mark is used, as a condition for filing an application.

6.303 The decision to file a trademark application outside the home country can be made regardless of whether the mark in question has been used prior to filing. Registration has numerous advantages particularly in countries where trademark rights are derived by the act of registration. Registration affords the registrant the exclusive right to use the mark. It enables the rejection of confusingly similar marks and it becomes an important tool in licensing third parties to use the mark.

6.304 Where should the trademark agent file foreign applications? The countries in which trademark rights are acquired primarily by registration, or where rights of a prior user are not easily recognized, require the most trademark protection. In countries in which the owner of the trademark intends to license the trademark to third parties and where the proposed licensed user must be registered, registration of a mark is a condition prior to the recording of the licensee as a registered user.

Prosecution of Applications

6.305 The trademark agent will have the task of prosecuting the foreign trademark applications. In all jurisdictions having an examination procedure, where any objection is raised, there is an opportunity to respond. In answering such objections it is advisable to submit arguments, relying

on the administrative and/or judicial interpretations of the appropriate statute governing the objection. It is advisable for the trademark agent to refer to the trademark statute in each country where objections are raised, so that a decision can be made, based on the statutory law of the country in question.

6.306 If the written arguments filed at the local Trademark Office fail to overcome the objections, the next step in the many jurisdictions whose procedure allows a hearing is to request such a hearing and submit oral arguments. If the application is not allowed on the merits of the case, it is necessary to consider whether the objection can be overcome by the submission of evidence of the mark having acquired distinctiveness by use in the country in question.

6.307 Apart from the question of the inherent distinctiveness of a mark, in many jurisdictions the applicant will encounter references to earlier registrations or applications which are deemed, by the local Registrar, to prevent registration of the mark. The procedure varies from country to country. In one group of jurisdictions, the citations are for informative purposes only, and it is possible for the applicant to insist that the application be published as allowed. Although the official report is informative only, the local practice may include the service of notice on the owners of the previous cited registrations of the allowance of the application or grant of the registration, affording the owner of prior marks actual notice of the opportunity to file opposition or cancellation actions.

6.308 In other jurisdictions it is necessary for the applicant to submit arguments to overcome the citations. In this area of the law, it is essential to know the pertinent sections of the statute and the court cases interpreting the statutes.

6.309 The possibility of seeking the consent of the prior owner whose registration has been cited should be explored. The direct approach to a prior registrant may place the prior owner on notice of an application of which the prior owner might otherwise never become aware. The timing of the approach, in relation to the progress made with applications in other jurisdictions, is essential before negotiations are begun.

6.310 It is also advisable to consider the relevant practice of "consents" before the local Trademark Office. In most jurisdictions, written consents tend to persuade the local Registrar to resolve the doubt in favor of the applicant. In some countries, such as Japan, consents are not deemed relevant, while in other jurisdictions, such as Sweden, written consent is conclusive for the Trademark Office. The degree of cognizance of a written consent will be another important consideration in determining the advisability of negotiating for a consent. In other jurisdictions, consent may not be essential, provided the applicant agrees, as a condition for allowance of the application, that notice of allowance of the application be served on the prior registrant, who is thereby afforded the opportunity to file an opposition.

6.311 In order to obtain consent, the trademark agent may consider limiting the specification of goods of the application. The owner of the prior registration may be satisfied if the list of goods to be registered and to be used by the applicant is sufficiently restricted. The trademark agent may conduct these negotiations directly with the owner of the registration or may prefer that the negotiations be handled by the foreign associate.

6.312 If, despite all effort, the application is still rejected, consideration may be given to amending the mark by the omission or addition of a single letter. Otherwise the addition of a distinctive device may achieve the desired result.

6.313 Finally, prior to an appeal to the court against a rejection of the application, it is necessary in some jurisdictions to request the Registrar's written opinion, which, in some cases, will result in an

official action allowing the application, when there was no previous indication that the application might proceed to allowance.

Licensing

6.314 If the applicant or registrant intends a licensee to use the mark in a particular country, it is essential to follow the registered user procedures to make certain that the use by the licensee or the intended use by the licensee inures to the benefit of the licensor.

6.315 In common law countries, the procedure usually followed is the recording of the licensee as registered user. If the licensor is not going, or does not intend, to use the mark abroad, and the licensee is the only party who intends to use the mark, it will be essential to apply for the recording of the licensee as a registered user simultaneously with the application for registration of the mark. There are judicial decisions which hold that failure to apply for recording of the user as a registered user at the time of filing the application renders the mark and its registration invalid.

6.316 The papers usually required for the entry of a registered user are:

- authorization of an agent for execution by the licensor;
- authorization of an agent for execution by the licensee;
- joint application for registration of the registered user;
- statutory declaration;
- statement of the case;
- license agreement.

6.317 As regards the trademark license agreement, the first clause usually grants an exclusive or non-exclusive right to use the mark(s) subject to standards and specifications of the licensor. There is usually an inspection clause. The inspection is exercised by the trademark owner or by the authorized representative of the proprietor of the mark. The owner of the trademark normally has to review all written material prior to publication. A term or time-limit for the agreement subject to termination by the proprietor is always provided.

6.318 With regard to licensing, the jurisdictions of the world can be divided into five major groups. In the first group of countries, it is advisable to record a license agreement with the local Trademark Office. In the second group of countries, a registered user document must be prepared and recorded abroad. In the third group, simultaneous registered user procedures must be filed - in other words the filing of the trademark application must be simultaneous with the registered user application. The fourth group of countries includes jurisdictions where the entry of the registered user can be extended to other jurisdictions. In the last group of countries, the trademark use may jeopardize the validity of the trademark registration if the owner licenses the trademark to a third party.

6.319 It should be noted in this context that in September 2000 the WIPO General Assembly and the Assembly of the Paris Union adopted a Joint Recommendation Concerning Trademark Licenses which provides a maximum list of indications and elements that an Office may require for the recordal of a license (Article 2(1)). The Recommendation also attempts to limit the effect of non-compliance with recordal requirements to the license agreement itself by stipulating that

non-recordal of a license should not affect (i) the validity of the trademark which is the subject of the license (Article 4(1)), (ii) any right that a licensee might have under the legislation of Member States to join infringement proceedings initiated by the holder (Article 4(2)(a)) and (iii) the question whether use of a mark by a third person can be considered such use by the trademark holder as might be relevant in the context of use requirements (Article 5).

Maintenance of Trademarks after Registration

6.320 The trademark right is said to be a vulnerable right. This is because trademarks are always in danger of turning into the generic name of an article or of being "diluted." In fact, trademarks may easily turn into generic names, if the owner uses them in an inappropriate way, or if the competitors, consumers, or the mass media, such as newspapers or magazines are allowed to use them as if they were generic names. Among well-known cases are "cellophane" and "escalator."

6.321 If a competitor is allowed to use any similar trademark on goods of the same kind, or if the use of the trademark is overlooked even on goods other than the one for which the trademark has been registered, the original character of the trademark will be diluted, thus impairing its value.

6.322 It must be understood that in order to keep the trademark from turning into a generic name and/or becoming diluted, trademark management must be conducted intensively.

6.323 In such a situation, the trademark agent should keep watch on the use of the trademarks owned by the client and prevent them from being improperly used. In case such improper use is detected, the trademark agent should take appropriate action immediately or when the opportunity presents itself.

Skills and Knowledge of a Patent Agent

6.324 The profession of patent agents requires a combination of skills which are not readily available even in university graduates. It is worth considering systematically just what the requirements are for a qualified patent professional.

Technical Background

6.325 Since patents, by their very nature, relate to new technology which is often at the very forefront of advanced scientific research, it is absolutely essential that the patent professional has a thorough understanding of the technical field concerned. Thus a university degree or a qualification of equivalent level in a science or engineering discipline is normally an essential pre-requisite.

Literacy

6.326 It is quite essential for a patent professional to be able to express in reasonably clear and unambiguous terms the inventions to which the patent specifications which he drafts relate. In many countries, particularly with the early specialization in schools between the science and arts subjects, the applicant having the technical background required does not necessarily have the facility to do this.

Legal Background

6.327 Whilst some knowledge of legal subjects would be helpful, it is found that this can be acquired. The greatest problem in this regard, particularly with people who are rather weak in the literacy mentioned above, is the ability to comprehend the language in which much legal information is couched and, even if this can be achieved, the flexibility of thinking to approach matters in a legalistic as opposed to a scientific/technological manner.

6.328 There is a very real difference in these approaches and the technical graduate who for three or four years has been examining questions according to the scientific method, will often find it rather difficult to adapt to the methods of legal analysis. Often the legal points will seem to him to be rather trivial but, of course, the interpretation of patent claims and their scope does need an appreciation of such points.

Personality

6.329 There is no doubt at all that, as in almost all other fields, a helpful, cooperative and understanding personality is a great asset. One must be able to communicate in a pleasant and effective way with a wide range of people ranging from factory operatives and research workers to legal counsel and business executives who, above all, expect a rapid and clear exposition of problems and clear and unambiguous recommendations for their decision. Summarizing the above the potential patent professional must combine the actual or potential ability to communicate and express himself as scientist, lawyer and businessman and often all three simultaneously.

6.330 It is the task of the patent attorney in conjunction with the inventor to formulate a patent application which should cover the invention in its broadest sense. The patent attorney should not rely on the inventor as to what he thinks he has invented. The attorney must extract the invention, in discussion with the inventor, from the scope of the special problem which the inventor was confronted with. Normally, the invention in its broadest meaning is then realized through this discussion, so that a correspondingly broad patent application can be formulated.

6.331 The precise and comprehensive description of inventions in patent applications and the formulation of the patent claims is essentially a matter of practical experience, for which the patent attorney with his technical education has to be a real partner of the inventor in the discussions. For this reason, a technical degree from a university or an equivalent education is required. Furthermore, in most industrialized countries the profession of the patent attorney can only be practiced by persons who have passed an examination.

6.332 In addition to practical experience, a candidate must have legal knowledge, which should include the legal provisions of the candidate's own country and of the most important industrialized countries, as far as these relate to industrial property protection. This naturally also includes international legal instruments.

The Teaching of Intellectual Property Law

Introduction

6.333 A renewed awakening of the role of intellectual property in the countries of the various regions of the world has led more recently to the adoption or revision of national legislation on

patents for inventions, industrial designs, trademarks, copyright and related rights and the transfer of technology, as well as to the establishment or modernization of government structures that administer such legislation. At the same time, the legal profession, consisting of law officers in the various government ministries, judges and legal practitioners, are attempting to respond to the need for a better understanding of the problems presented by the new technologies and by the new technological means of communication of information and ideas and of their impact on industry and commerce and on the quality of life.

6.334 Following a round table organized by WIPO in 1979 for professors interested in teaching industrial property law, the International Association for the Advancement of Teaching and Research of Intellectual Property (ATRIP) was established in 1981. The Association meets annually, and is composed of teachers and researchers from all over the world, with a President and Executive Committee elected for a two-year term.

6.335 The importance of intellectual property in the modern world goes far beyond the protection of the creations of the mind. It affects virtually all aspects of economic and cultural life. As a result, intellectual property education at the university level is of increasing relevance in educational programs.

6.336 The purpose of what follows is to highlight the importance of intellectual property educational programs at the university level, and to give some guidance to university teachers and administrators as well as Government officials on how to establish an effective university curriculum in intellectual property.

Intellectual Property Teaching Programs

Types of Intellectual Property Programs

6.337 The range of students that would benefit from intellectual property education is broad. It includes students of business, law, the fine arts, engineering, the sciences, journalism, etc. Naturally, a broad range of teaching programs should include intellectual property in their curriculum. However, of the many types of programs that might include intellectual property, three stand out as most commonly including intellectual property courses. First, almost all business programs include some overview of the basics of intellectual property. It is important for students who hope to go into business or government to have a basic understanding of the role that intellectual property plays in the modern concepts of economics and trade. Second, basic law degree programs offer intellectual property courses that give students a general understanding of the philosophy and application of intellectual property law. Even law students who do not intend to specialize in intellectual property should be familiar with the basic rights that are protected by intellectual property law. Third, specialized post-graduate (LL.M.) programs typically provide a more comprehensive, specialized knowledge of the theory and practice of intellectual property law. Such programs are intended to supplement the often fragmentary knowledge that a practitioner acquires in his practice, by covering all the issues that are of importance to the protection of intellectual property.

6.338 Specialized intellectual property programs deal with three main aspects of intellectual property practice: the nature and extent of rights that are available to protect intellectual property; the process of obtaining and registering intellectual property rights (called "prosecution" where the filing and examination of an application is required), and the process of protecting and enforcing

intellectual property rights once acquired, which can be done in the courts through civil "litigation," and by other, more conciliatory means.

6.339 Educational programs in business primarily focus on the first aspect — the nature and extent of the rights that are available to protect intellectual property. While such knowledge is only the starting place for an intellectual property practitioner, these are the most important aspects for business decision-makers and government policy planners. These programs give a basic understanding of the types of creative and technological products and processes that are protectable, the forms of intellectual property protection that are designed to protect each type of intellectual creation, and the effectiveness of the protection available. The student gains an understanding of the ways in which protection of intellectual property can enhance economic competitiveness. This understanding is even more important for the business planner or the economist who is concerned with the long-term economic health of his company or his country than for the author, artist or inventor, who is primarily concerned with the practical aspects of obtaining protection.

6.340 In addition to business programs, all basic university training programs for lawyers include courses in commercial law and property law, as well as courses dealing with civil and criminal procedures. Such courses are an indispensable foundation for a basic understanding of the concepts that are reflected in intellectual property law. Lecturers teaching such courses, particularly those on commercial, economic or property law, often include sections on various types of intellectual property protection, especially those which are of interest to the business or economics student.

6.341 Some university law schools include one or several classes, or even a complete program of classes, designed for students who intend to become intellectual property practitioners. These classes are designed to give future specialists a broad, if not deep, comprehension of the range of possible forms of intellectual property available. Such classes are valuable for the student who intends to help authors and inventors protect their works under national or foreign law, and for the student who, as a business attorney, will advise his client, the company, on this aspect of law which will have great importance for its viability and growth.

6.342 Students who enter a postgraduate specialized program in intellectual property (for instance an LL.M. degree program) will typically be intellectual property practitioners who are interested in deepening their understanding of the legal foundation of intellectual property law, and in increasing their skills in the acquisition and enforcement of intellectual property rights. Often, practitioners from one country will enrol in an LL.M. program in another country in order to gain a better understanding of the intellectual property laws in that country. Such programs go into great depth on the theoretical underpinnings of the law of intellectual property. But being designed for practitioners whose daily work consists of the acquisition and protection of intellectual property rights, such programs will also include practical classes taught by experienced practitioners, covering actual techniques of prosecution of applications for intellectual property rights and litigation to enforce those rights.

Intellectual Property Faculty

6.343 The quality of an intellectual property educational program will depend in large part on the level of experience and interest of the faculty. There are a number of full-time university faculty members in most countries who have made the study of one or more aspects of intellectual property their speciality. However, many universities do not have such specialists, and the education of students in intellectual property depends on teachers who take a side interest in the field in addition to their main speciality.

6.344 An interim source of qualified teachers who could effectively fill the vacuum left by the lack of full-time intellectual property lecturers consists of practising attorneys who are willing to give part of their time to teaching intellectual property courses. Often called "adjunct teachers," these instructors provide an effective and economical way of building a comprehensive and high-quality intellectual property program. This is a symbiotic process — it brings the benefit of many different qualified experts to a university program, providing a breadth of expertise that would not be available in a few individuals, at a fraction of the cost, and gives the practitioner the prestige of being associated with a law school program and the motivation to keep abreast of new developments in the law, plus the stimulus and inspiration that comes from teaching fresh minds that engage in re-thinking old problems.

6.345 Basic intellectual property courses in a law school curriculum are best taught by full-time law lecturers who can dedicate the time needed to counsel and guide students through the program and into the speciality in which they have the most ability. Former practitioners who become full-time lecturers have the advantage of their experience in the specialized job market of intellectual property law, and often acquire their counselling skills quickly. Experienced law teachers have the advantage of understanding law education and the needs of law students.

The Teaching of Intellectual Property in Developing Countries

6.346 WIPO has taken a number of initiatives in order to bring about an awareness of the programs of teaching and research in the field of intellectual property in various developing countries. These initiatives were designed to complement the activities of WIPO for the training of personnel, which are a part of WIPO's development cooperation program.

6.347 While the number of universities and other institutions at which intellectual property law is taught has increased dramatically, the fact remains that in a number of developing countries, intellectual property law has not yet been introduced as a course in the curriculum or is only taught as part of a course on commercial and other laws. This is largely because of scarce resources.

6.348 There are, nevertheless, a number of universities and other institutions in developing countries which have introduced intellectual property courses. They have also organized periodically, in cooperation with Government bodies, the legal profession and interested organizations, and with the assistance of WIPO, general introductory courses on intellectual property law. Moreover, in some developing countries, special courses, as well as workshops and seminars have been organized on particular subjects of intellectual property law, directed to university students, researchers from institutes, government officials, legal practitioners and businessmen, and even members of the public, having a particular interest in intellectual property law. Symposia and other meetings have also been organized, devoted to a review of intellectual property laws in the light of current economic, technological and social developments.

6.349 At the forefront of these developments in the teaching of intellectual property law have been university teachers who have had the foresight to realize that intellectual property is not an abstract concept but an indispensable instrument in achieving desired economic and cultural objectives.

Selecting Intellectual Property Courses

6.350 Four types of intellectual property courses are typically taught at the university and law school level. These are Survey Courses, Specialized Courses, Advanced Seminars and Practice Courses.

6.351 *Survey Courses* are basic, broadly focused courses, which are intended to give an overview of the various fields of intellectual property law, with enough specific facts to interest students who might decide on a speciality in intellectual property. Survey courses, which may be titled, for example, "Introduction to Intellectual Property" or "Patent, Copyright and Trademark Law," are popular with business and Government students, who are looking for an economic perspective on the protection of the creations of individuals. The teaching of survey courses is especially suited to lecturers who are just starting to teach intellectual property — they may learn, along with the students, the breadth and complexity of intellectual property protection. However, many experienced teachers who specialize in intellectual property enjoy teaching survey courses because they find that the interaction with students from a wide range of backgrounds continually broadens their perspective.

6.352 *Specialized Courses* focus in-depth on a single field of intellectual property. Specialized courses carry titles such as "Introduction to Patent Law," "Copyright Law and Practice," "International Trademark Law," "Intellectual Property Licensing," "Unfair Competition," etc. These courses convey the particulars of the field of law under consideration, including a study of the statutes, regulations and procedures involved. Court interpretation of the law and judicial doctrines in common law countries, procedures for applying for and obtaining rights, and procedures for enforcing rights are some of the topics which would be addressed. After finishing such a course, a student should be familiar with all the important doctrines of the field of law, and should have a good understanding of the most important standards for obtaining and enforcing rights.

6.353 *Advanced Seminars* are designed for students who have taken a specialized course in a particular field, and are prepared to learn more detail about one or more particular aspects of that field. An example of an advanced seminar in the patent field might be a course which examines the history of the protection of an invention, from the time that a patent application is filed, through the process of examination and issue of the patent by the Patent Office, and through all stages of enforcement of the patent through litigation in the courts. In this way, the student would learn the practical application of the principles of patent prosecution and litigation that were learned in a general form in the specialized patent course. Another type of advanced seminar might examine an aspect of intellectual property law which does not arise often enough to make it the subject of a specialized course. For example, a seminar on "Anti-trust Aspects of Intellectual Property Law" would fill in a gap that may have been left by the basic courses. Seminars can also give students the opportunity to prepare research papers on current issues for presentation to the rest of the class, or give the lecturer the chance to teach his own particular speciality in depth, or to teach new and emerging fields such as biotechnology law or computer law.

6. 354 *Practice Courses* focus on the actual steps that an attorney would take in practice to obtain and enforce intellectual property rights. Courses such as "Patent Office Practice," "Copyright Litigation" and "Trial Advocacy for Intellectual Property Attorneys" challenge students to do the very things that they will be asked to do in their legal practice. Practice courses are often best taught by practising attorneys as adjunct teachers, who will be teaching the things that they are currently doing in their daily work.

6.355 The task of selecting the proper type of course to include in an intellectual property curriculum will depend on the nature of the students, the faculty and the type of degree program offered. Most university programs, when they decide to incorporate intellectual property education, begin with a modest program, offering a survey class and one or two specialized classes. They gradually increase the number and complexity of courses as the level of student and faculty interest increases.

Choosing Teaching Materials and Writing a Syllabus

6.356 The types of materials chosen will be dictated to a certain extent by the form of the course to be taught. However, after choosing a course the instructor may discover that appropriate teaching materials simply do not exist in printed form, or that the materials needed exist in several different sources which must be combined. Where a satisfactory text is not available, where the presentation of a chosen text is to be rearranged, or where several texts are used in combination, a proper "course syllabus" must be provided to facilitate the organization of the class and the effective education of the student.

General Comments on Choosing Materials and Writing a Syllabus

6.357 Much labor must be exerted in compiling teaching material and reference sources on the particular area of intellectual property to be taught. Material used by others can be a starting point, and may even be used until the teacher has had enough experience with the class to be able to choose his own material. But some guidance and even some sort of starting material is needed. This section will aid the teacher in selecting proper teaching materials.

6.358 In all cases, a course text should be chosen which is compatible with the interests, expertise and teaching style of the lecturer. A newcomer, or one who is teaching an intellectual property class for the first time, must choose a text which will educate and challenge not only the students, but himself as well. An established text written by a recognized authority in the field will always be the safest choice for a beginner.

6.359 More experienced teachers and practitioners, who are more familiar with the available texts, may decide to gather material on their own, or combine resources from several different texts to reflect the course content and emphasis that they consider most appropriate. This allows the materials chosen to reflect the instructor's own philosophy and teaching style better, and prevents confusion between what is presented in class and what is read in the text. While differing points of view should always be presented, such differences are effective as teaching tools only when properly presented as such by the teacher, and not when they appear to the student as differences between the teacher and the text.

6.360 Although difficult and time-consuming, it is sometimes necessary to compile one's own course material, given the relative lack of effective and available teaching material. If at all possible, the class itself should not be used as a testing ground for the material.

6.361 A comprehensive syllabus covering the entire course should be presented to the students on the first day of the class. A syllabus is a list of the topics to be presented in the course and the reading materials which correspond with each topic. The syllabus provides an "educational road map" for the students. An effective syllabus might separate the topics to be covered in the class in outline form, list the days on which each topic will be covered, and give the names and page numbers of the reading material. At its best, a syllabus provides a coherent outline of the course,

giving the students in advance an idea of the topics to be covered, and in retrospect a guide for reviewing what they have (or should have) learned in the course. In scheduling topics for the various class sessions, it goes without saying that the amount of time spent on each subject should correspond with the importance or difficulty of the subject. However, some advanced subjects should only be mentioned in passing and should be left for more advanced courses. One test for the effectiveness of a syllabus is to use it as an outline, first for introducing the content of the course when it starts and then for reviewing that content when it ends. This follows the effective communication strategy of "tell them what you are going to say, say it, then tell them what you have said."

Choosing Materials for Particular Courses

6.362 Materials for *Survey Courses* are the most widely available texts for intellectual property courses. It is often advisable to contact teachers of the course at other universities and ask which texts are used and why. A text should be chosen which gives, as far as possible, a balanced treatment of all topics: each student in a survey course has a different interest. Intellectual property texts may also be supplemented with articles or texts which focus on the economic and political aspects of intellectual property. These may stimulate interesting discussions, and will deepen the student's understanding of the relation of intellectual property to the economic health of his country.

6.363 Course materials for *Specialized Courses* are more difficult to find: there are fewer students taking specialized courses than survey courses, so that the writing and publication of specialized texts is not as well rewarded. However, excellent materials are often available, especially in the patent, trademark and copyright fields.

6.364 Where a specialized text is available, the instructor should check to see if the text is written by an expert in the field. He should supplement even the best of texts with current materials which update it and make its abstract content more approachable and more interesting. Copies of actual patents, of industrial design registrations along with samples of the product for comparison, samples of two product labels whose marks are confusingly similar, tape recordings of two songs which are substantially similar, all give reality to the principles that are conveyed by a text.

6.365 Where specialized texts are not available, the instructor may select a survey text which has a comprehensive chapter on the field that is the subject of the specialized class. Often a survey text which is not acceptable for a survey course because it does not give balanced treatment to all subjects will serve well as a specialized text for the subjects that are over-emphasized.

6.366 Other materials which may be adequate as texts include reference texts, annotated statutes, cases or journal articles. While these are usually more appropriate for advanced seminars or practice classes, there are many such materials which give an excellent overview of basic principles, and can be easily rounded out by a classroom lecture.

6.367 Choosing materials for an *Advanced Seminar* is often simpler than for a survey or specialized course, since the materials will be dictated by the subject matter of the seminar. Sample applications and court documents can be obtained from the relevant sources. In-depth articles and studies may be distributed as a basis for discussion. A single important case may, by itself, provide sufficient material for an entire seminar, supplemented of course with commentaries and subsequent cases relying on the main case.

6.368 *Practice Courses* should utilize the same materials that are used by practitioners in the field. Statutes and regulations should be referred to directly. Manuals of procedure published by

industrial property offices may be purchased and studied by the students. In litigation practice courses, actual court rules and procedures should be followed. The success, quality and usefulness of a practice course will vary directly with the similarity of the course to the actual practice in the field of law. If the course teaches litigation or appeals practice, the students might argue an actual case from court files, or might argue an appeal on actual briefs submitted by the parties to a case which has been decided by the appeals court. Where patent claim drafting is taught, using an invention from an actual patent will allow the students to compare their claims with those actually issued.

Teaching Materials in Developing Countries

6.369 There is a dearth of teaching materials especially suitable for use in the developing countries. What material is available is likely to teach law and practice that may not be applicable to them.

6.370 In many cases, therefore, it will fall to the teacher himself to choose the materials for an intellectual property course. The process is one of providing law lecturers in developing countries who are interested in planning and formulating curricula on intellectual property law with the necessary documentation from which they could build the desired teaching materials. That documentation could include the laws and regulations of other countries, the preparatory documents prepared by the International Bureau of WIPO on various intellectual property questions which have or are currently being studied, and the various reports of the committees of experts which dealt with those questions, as well as the records of the diplomatic conferences at which new treaties were adopted or existing treaties were revised on the basis of those studies and reports. Every teacher knows the limits of the resources of his faculty and its perception of any new curriculum matter that could be introduced, as well as other constraints; he also judges the extent of the interest of the students in pursuing the topics of intellectual property law in competition with other topics, perhaps more attractive and even more rewarding, in that a specialization in those other topics could lead to better remuneration once the student enters the legal profession.

Teaching Methods and Educational Strategies

Methods of Teaching

6.371 In the legal field, there are two different basic approaches in teaching that are often used. These are the case method of teaching, and the problem method.

6.372 *The Case Method* . The teaching materials that are widely used in the law schools of universities of the United States of America and the United Kingdom are based on the principles of common law, with its overlay of statutes and administrative regulations and interpretive judicial decisions. The teaching of that law is usually approached through the traditional "case method" of teaching, which may not be practiced in other countries for a variety of reasons. Some of those reasons are attributable to the fact that the nature of the legal system in the various countries in the European continent, which influences a number of countries in French-speaking Africa and in Latin America, and to a certain extent in Asia, does not lend itself to this method of teaching. The use of such teaching materials requires that the course be constructed on the basis of those principles of common law, statutes, regulations and judicial decisions which arose from the legal system in the developing country concerned.

6.373 *The Problem Method.* An alternative approach to the case method is gaining popularity even in the common-law countries. In the problem method approach, a teacher will describe a particular set of circumstances that raises interesting legal problems. The students will be asked to apply the relevant principles of law to analyze and solve the problem. This requires of the student not only knowledge of the law, but also effort in thinking through all of the aspects of the circumstances and applying the law to achieve a just result. The general feeling among specialists who have looked into the question of teaching methods is that it might be possible, in the international context, to present samples or models of situations reflecting intellectual property questions and how those situations are treated under the various legal systems.

Encouraging Student Involvement

6.374 A highly effective educational tool is to encourage practical student involvement outside the classroom. Many law schools or universities allow student participation on publications such as law reviews or journals. Many of these journals specialize in aspects of intellectual property law, and most would welcome contributions in the field. Some schools also hold conferences on various topics of intellectual property. Participation, by attending or assisting in the organization of these conferences, can provide a student with a different perspective. Finally, where the educational system allows students to engage in practical employment during law school, they may work part-time for judges, lawyers or government agencies involved with intellectual property.

The Role of Teachers in the Legislative Process

6.375 National laws and regulations in the field of intellectual property are being adopted in a number of countries and are constantly being reviewed in others. Such laws and regulations need to take into account economic changes and the effects of technological advances. In most countries, the process of adoption and review is initiated by the executive branch, under which the industrial property office and the copyright office are placed and whose officials, together with the law officers in the Ministry of Law or Justice, usually prepare the drafts of legislation, whereupon discussions take place among interested circles, followed by consideration and eventual decision in the legislative branch.

6.376 In many developed countries, there is expertise not only in the industrial property and copyright offices but also in other governmental units, particularly those concerned with trade matters, and also in the regulatory agencies that review or control television and radio broadcasting, or oversee the operations of firms that engage in various business practices.

6.377 In many industrialized countries, it is not unusual for the executive branch to establish a law reform commission or other special advisory body to make recommendations and even draft legislation. Similarly, in industrialized countries, the parliaments are usually structured to include a committee or subcommittee specially devoted to intellectual property matters. The staff of such a committee are particularly knowledgeable on intellectual property matters and are constantly in contact with the interested circles to ascertain their views on the various policy questions and solutions to be considered in the process of legislative reform.

6.378 In contrast, there remain a few developing countries, where apart from certain senior government officials, there is a relative lack of knowledge on the part of key government officials of the policy and implications underlying intellectual property questions. In those countries, it is more likely that legal practitioners and law teachers in the universities will play a predominant role in the process of preparing and reviewing legislation. Increasingly, such persons seek to expand their

horizons and knowledge of intellectual property questions by undertaking comparative studies of the laws of other countries dealing with intellectual property and related questions, and by seeking consultations with governmental authorities and circles in other countries.

6.379 The international community attempts to respond to this need. These persons can spend time at research institutes such as those listed in the section below, or visiting the capitals of other countries whose legislation in the field of intellectual property is well developed. They can also benefit from study visits to Geneva to discuss current issues with the Secretariat of WIPO. Within the framework of the cooperation for development program, funds have been made available by WIPO to lend assistance to teachers of law wishing to undertake contacts with their counterparts in other universities and with the officials in industrial property and copyright offices in other countries. In a number of instances, such arrangements have also been made with the direct assistance and help of the universities and of the Government in those other countries.

Training and Research Institutes for Intellectual Property

6.380 Teaching at the university level is never fully effective without the opportunity for teachers to undertake intensive individual research. Such research, in the highly specialized field of intellectual property, can best be done in conjunction with other researchers with the same or related areas of interest. This explains the movement in recent years toward establishment of specialized centers of research on intellectual property law, or centers which combine both research and teaching, often as a part of the law school of a university.

6.381 Legal research centers in developed countries are a fairly well-known feature. While centers devoted exclusively to research in intellectual property law have not been very extensively established in industrialized countries, there are some very notable exceptions. The Max-Planck Institute for Foreign and International Patent, Copyright and Competition Law in Germany is one of the most famous centers in the world for research on intellectual property law.

6.382 The objectives, structure and functions of an institution devoted to research on intellectual property law was first elaborated on by Professor Friedrich-Karl Beier, the Director of the Max-Planck Institute in Munich, in a paper presented by him at the Regional Symposium on Intellectual Property Law Teaching and Research in Asia and the Pacific, which WIPO organized with the State Education Commission of the People's Republic of China and with the assistance of the United Nations Development Program (UNDP) in Beijing, China, in November 1987. Since then, the topic of how and what research should or can be undertaken in the field of intellectual property has been discussed in seminars and symposia organized by WIPO in developing countries.

6.383 In the United States of America, one of the very first centers devoted exclusively to research in intellectual property was associated with the Law School of The George Washington University and was known as the Patent, Trademark and Copyright Foundation. It subsequently became a part of the Franklin Pierce Law Center where it has flourished with the support of the legal profession and industry.

6.384 Other intellectual property centers exist, though not exclusively for research. In North America, there is the Center for Intellectual Property Law at the John Marshall Law School, in Chicago, Illinois, which combines law school and postgraduate teaching of intellectual property with research and dissemination of intellectual property information. The Canadian Intellectual Property Institute, which was established in Hull, Canada, is very closely linked with the governmental authorities responsible for intellectual property matters.

6.385 As for Europe, in Belgium a Center for Intellectual Property Law was set up at the Catholic University of Louvain. In Sweden there is the Center for Intellectual Property and Media Law of the Stockholm School of Economics. In the United Kingdom there is the Intellectual Property Research Institute of Queen Mary and Westfield College at the University of London. In France there is the Center for International Industrial Property Studies (CEIPI) in Strasbourg, where WIPO, in cooperation with CEIPI, conducts each year a training course on industrial property for officials from developing countries. There is also the Institut de recherche en propriété industrielle (IRPI) Henri-Desbois in Paris, the Centre universitaire d'enseignement et de recherche en matière de propriété industrielle (CUERPI) in Grenoble and the Centre Paul Roublier in Lyon.

6.386 In the Asia and Pacific Region, the China Intellectual Property Training Center (CIPTC), set up in 1998, was sponsored by the State Intellectual Property Office of the People's Republic of China, and a considerable number of Intellectual Property Centers were also set up in Beijing, Shanghai and other cities of China. In India the Institute of Intellectual Property Development (IIPD) was set up in January 1997 to undertake research and provide training on intellectual property rights (IPRs). The Singapore Intellectual Property Academy was launched in September 2002. As the focal point of education and research in intellectual property in Singapore, the Academy provides introductory and further training in areas ranging from basic legal understanding of intellectual property to soft skills of negotiation, branding, know-how, business strategy and valuation of intangible assets. In the Republic of Korea, the International Intellectual Property Training Institute (IIPTI) was set up in Daeduk in 1991. The Intellectual Property Training Center was set up in Malaysia in 1998. In Tokyo, Japan, are located the Japan Institute of Invention and Innovation (JIII), as well as the Asia and Pacific Industrial Property Centre (APIC)."

6.387 In the centers mentioned, training programs and research projects are undertaken by individuals and research teams with defined tasks.

6.388 Students in attendance at university law schools also engage in research to the extent that this is a requirement for a certificate or diploma or other recognition of the successful completion of their studies. Indeed the lecturers associated with a university or technical institute or center themselves undertake individual research or are members of a research team. The scholars at these centers have specialized knowledge in given fields of intellectual property. While these centers are not devoted exclusively to research, or exclusively to teaching, they conduct excellent programs in research, teaching and training.

Conclusion

6.389 Universities and other institutions will continue to contribute to the training of the persons who will be the legislators, judges, administrative officials, legal practitioners and even teachers and researchers, of tomorrow. Research institutes will continue to contribute to the analysis of the intellectual property system and make suggestions for its improvement.

6.390 Greater support must be given to research institutes, so that a constant evaluation of the functioning of the law governing the fields of intellectual property can take place, lending support to the teaching process and serving as a foundation for legislators, judges and administrative officials to review the prevailing policies, principles and practices.

6.391 Universities and technical institutes must receive appropriate guidance so that technological achievements are more widely known and disseminated, not only to other researchers, but applied

in industry. In this way they can be better used, and can best justify the time, skills and other resources expended on them.

6.392 Finally, the process of intellectual property teaching and research can only be effective if sufficient resources are committed to them and to the effective organization of educational and research programs. To fulfill those requirements, government and various sectors of the economy, as well as the educational community, must work together. Each must also offer to join their counterparts in other countries to identify interests in common, so that the mutual assistance through international cooperation can function.

6.393 The World Intellectual Property Organization (WIPO) stands ready to help Governments and the educational and research community in the tasks of evaluating, selecting and applying the system of intellectual property law teaching and research that best reaches their goal: WIPO will assist Government and industry to meet the needs of the public; it will also assist educational and research institutions in their role as independent institutions in pursuit of learning and scientific investigation.

Chapter 7

Technological and Legal Developments in Intellectual Property

Computer Programs

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Computer Programs

Introduction

7.1 Computer technology plays an increasingly important role in modern society. Computers — electronic machines with a capacity to store and/or process data — are called "hardware." The development of hardware is astonishing: computers are more potent and computer technology enters more areas of life, not only in technological environments and offices (their initial stronghold), but also in more mundane surroundings such as household appliances, cars, watches and similar products.

7.2 A computer cannot operate without instructions. These instructions (programs) may be embedded into the hardware (the computer itself), for example in ROMs (Read Only Memory, circuits from which digital information can be retrieved), but most often they are created, reproduced and distributed in media which are separate from the computer hardware. Typically, computer programs for personal computers are distributed on diskettes, or CD-ROMs. Usually, computer programs are created in a programming language which can be understood by people trained in that language. That form of appearance of the program, which can be on the computer screen or printed out on paper, is normally referred to as the "source code." Another form of appearance is the so-called "object code," where the program is transferred ("compiled") into the digital values "0" and "1." In this form the program is unintelligible for persons, but it is machine-readable, for example from a diskette, and in that form it can be used actually to control the operations of the computer.

7.3 Usually the computer hardware and the programs need to be supplemented by manuals and other support material, prepared by the producer of the program, which provide the necessary instructions and reference material for more advanced uses of the program. The program and such reference material and manuals (together with the more technical background material which rests with the producer) are referred to as computer software.

7.4 The investment needed for the creation of computer programs is often very heavy, and their protection against unauthorized copying and use is of crucial importance. Without such protection, producers of computer programs would not be able to recoup their investment, and so the creation and development of this decisive side of computer technology would be jeopardized. In countries which have not yet provided sufficient protection, it is frequently only possible to obtain foreign programs which are not adapted to the specific needs of those countries, because it is difficult to secure the financing of the necessary translations and local adaptations. Also, computer viruses tend to be much more widespread in countries with insufficient protection, because they are distributed with pirated software which is not subject to the same quality control as authorized products.

7.5 Therefore, it is vital for national legislation to ensure sufficient protection of computer programs. Even in cases where local translations or adaptations are not necessary, such protection improves access to the most advanced and the best suited software, since producers and distributors are only reluctantly releasing their valuable products in countries where rampant piracy can be expected.

Brief History of the Protection of Computer Programs

7.6 During the 1970s and the first half of the 1980s, intensive international discussions regarding the protection of computer software took place, mainly aiming at resolving the question of whether such protection should be under copyright or patent law, or possibly under a *sui generis* system of protection.

7.7 A Committee of Experts convened jointly by WIPO and Unesco in February – March 1985 marked a decisive breakthrough in the choice of copyright as the appropriate form of protection of computer programs, which can be assimilated to literary works. A few months later, several countries passed legislation clarifying that computer programs were considered works, subject to copyright protection, and since then it has been generally accepted worldwide that copyright protection should be applied rather than a *sui generis* approach.

7.8 There are important reasons for choosing copyright protection. First of all, computer programs are basically writings and, under Article 2(1) of the Berne Convention, the purpose for which writings are created is irrelevant from the viewpoint of their qualifying as literary works, if they are original intellectual creations.

7.9 Although computer programs as literal expressions can be protected under copyright, if ideas behind the computer programs embrace technical features providing technical solutions, then the expression of those ideas could be patentable subject matter.

Protection of Computer Programs under Patents

7.10 Article 27.1 of the TRIPS Agreement requires that patents be available in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application, subject to certain limited exceptions. This broad requirement of patentability has prompted a discussion of the subject of where to draw the line between copyright and patent protection for computer programs.

7.11 In many countries, software-related inventions are patentable subject matter if they have a technical character or involve technical teaching, i.e., an instruction addressed to a person skilled in the art on how to solve a particular technical problem using particular technical means. In other words, software-related inventions should have a technical effect. Provided that the software produces a technical effect, it is then necessary to examine whether the conditions of patentability are fulfilled.

Protection of Computer Programs under Copyright

7.12 Computer programs in object code form share the copyright status of other literary and artistic works stored in computer systems in machine-readable form. While they are unintelligible in object code, they can be retrieved — "decompiled" — into source code form where they are intelligible. It is generally recognized that all categories of works are protected against storage in digital form, because such storage is a reproduction, and in this respect it does not matter that, for

example, a musical work cannot be perceived directly from a CD, but only after a "decompilation" has taken place in a CD-player.

7.13 The normal prerequisite for copyright protection, that a work must be original, is well suited to be applied to computer programs. Although most programs consist of sub-routine elements which often in themselves would hardly qualify as original works, the combination of such elements and the structuring of the programs — with the exception of a few very simple programs — make them sufficiently creative. Ideas and abstract methods for solving problems (the so-called "algorithms") are not protected under copyright, which limits the protection to the expression of such ideas and algorithms, but this is actually a desirable consequence of copyright protection: an appropriate protection is offered without creating unreasonable obstacles to the independent creation of such programs.

7.14 It has been argued that the term of protection for literary works, that is, 50 years after the death of the author, under the Berne Convention, is too long in relation to computer programs, because such programs usually become outdated in a much shorter time. The same argument applies to several other categories of literary and artistic works. The reality is that if a work is obsolete, it will not be used and therefore, protection will also not be invoked. The term under the Berne Convention should be considered nothing other than an upper limit for those works which actually remain of interest to users.

International Norms Concerning Copyright Protection of Computer Programs

7.15 The international consensus regarding copyright protection of computer programs has been reflected in two international treaties, namely Article 10(1) of the TRIPS Agreement and Article 4 of the WIPO Copyright Treaty (WCT). While slightly different in wording, these two provisions both state that computer programs should be protected as literary works, and that the protection should be the same as that granted to such works under the Berne Convention. This does not exclude that national laws may categorize computer programs as a separate category of works, provided that the level of protection is not lower than that granted to literary works under the Convention. The TRIPS Agreement also clarifies that the protection applies to computer programs "whether in source or object code", while the WCT expresses the same in a less technical form: "Such protection applies to computer programs, whatever may be the mode or form of their expression."

National Legislation on Copyright Protection of Computer Programs

7.16 A number of important issues that should be addressed in modern copyright laws are analyzed below in the light of the prevailing international trends.

7.17 It is a clear trend today that national laws expressly include computer programs as protected works of a kind, more precisely as writings, and thus there is no doubt that copyright protection applies to such programs, provided that they are original. Not all national laws define computer programs, and some of the definitions differ in their wording, but a fairly generally applicable definition would be "a 'computer program' is a set of instructions expressed in words, codes, schemes or in any other form, which is capable, when incorporated in a machine-readable medium, of causing a computer — an electronic or similar device having information-processing capabilities — to perform or achieve a particular task or result." This definition reflects all the essential elements of the notion of computer programs.

7.18 The significance of this categorization of computer programs as literary works (writings), depends on other relevant provisions of the respective laws and on the practice adopted in subsequent court decisions. It should be kept in mind that this categorization of computer programs indicates that the level of originality required as a prerequisite for protection should not be different from that required for other writings. It is important, however, that commercially valuable programs are not denied protection because of excessively high demands concerning originality in the expression of the programs.

7.19 The protection of computer programs as writings entails, furthermore, that the rights pertaining to copyright protection also apply to such programs. In particular, the right of reproduction, the right of distribution of copies and the right of communication to the public should be applicable.

7.20 The most important issue concerning the right of reproduction in copyright laws is the question of in which cases it is justified to permit reproduction without the authorization of the right-owner. The international norm which is applicable is Article 9(2) of the Berne Convention. According to this provision, national laws may permit reproduction of literary and artistic works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author. The views of professional circles concerning this provision, when applied to computer programs, are ambiguous, and governments having legislated or planning to legislate in this field do not always agree.

7.21 The question is: in which special cases does the free reproduction of computer programs not conflict with normal exploitation or unreasonably prejudice the legitimate interests of copyright owners, and in which special cases can it therefore be allowed?

7.22 Although differing views still exist, there seems to be growing agreement concerning free copying for private purposes, taking into account the purpose and value of computer programs — except for cases covered by the points below — should not be allowed; free copying by lawful owners, that is, persons who have acquired ownership of copies of (not of the copyright in) computer programs should be allowed in certain circumstances; free decompilation of computer programs (see discussion of this issue, below) may also be allowed under certain conditions. It should be added, however, that in the latter aspect, there is less than general agreement.

7.23 It is obvious that copying should be allowed if it is indispensable for the use of a program in conjunction with a machine for the purpose, and to the extent of use for which the program has been lawfully obtained. Furthermore, it also seems justified to allow making a "back-up copy" for archival purposes, as a security measure, for cases where the replacement of the program may become necessary. In addition to clarifying the extent to which a lawful owner of a computer program may make a copy, it also seems necessary to make it clear that the right of adaptation under Article 12 of the Berne Convention does not include the right to prevent an adaptation that is indispensable for using the computer program in conjunction with a machine for the purpose, and to the extent of use, for which the program has been lawfully obtained.

7.24 Decompilation of computer programs means reproduction and adaptation ("translation") of computer programs into a form in which the coding and structure of the program can be examined and analyzed. According to certain views, such decompilation by lawful owners of computer programs should be allowed, since it would not conflict with any normal exploitation of the program and would not cause any unreasonable prejudice to the legitimate interests of copyright owners, in cases where decompilation is needed to obtain information necessary to achieve interoperability of independently created programs with the original programs concerned.

However, to avoid any conflict and prejudice referred to above, the information thus obtained should not be used for the development, production or distribution of a program substantially similar in its expression to the original program, or for any other act infringing copyright. It is a difficult task to formulate legal provisions in respect of decompilation, because of the very strong interests involved.

7.25 The Berne Convention contains few rules concerning the right of distribution, that is, the right to control not only the initial sale of copies of the work, but also subsequent distribution of such copies, for example through rental or lending. This right, however, has become increasingly important, not least as far as works embodied in digital media, including computer programs, are concerned. Such works can be copied without any deterioration of their technical quality. If they were made generally available free of charge or for a modest payment, even for a limited period of time, they would be subject to widespread copying by the general public. Realistically, it would not make much difference in this respect that such reproduction might not be permitted without the authorization of the owner of the rights. This means that it has become necessary for the right-owners to be able to prevent others from distributing copies of computer programs, for example, through rental or lending, because such distribution would disrupt the market for copies distributed through sale. There is a growing consensus that all such distribution should be subject to the authorization of the right-owners.

7.26 The right of communication to the public is also gaining importance in relation to computer programs. New communication techniques are being developed which will enable high-speed digital delivery of works from databanks to individual users. This will, of course, influence many different kinds of works and not only computer programs. However, such delivery systems are actually used for computer programs (also broadcasting of such programs has occurred in practice). These systems represent a substantial and very valuable use of such programs and as the development in this field is extremely rapid, modern legislation should ensure that exclusive rights of communication to the public, including broadcasting and the making available in interactive systems, should also apply to computer programs.

7.27 Among the other general rules of the Berne Convention that are important in relation to computer programs (as well as other works) the principle of protection without formalities (Article 5(2) of the Convention) should also be mentioned. Some national laws provide for registration systems, but normally registration is not a condition for the protection, but rather establishes rebuttable presumptions concerning authorship or ownership of rights, and, therefore, such provisions are not incompatible with the Berne Convention.

7.28 A general problem in a number of national laws is the term of protection. As there are no exceptions in the Berne Convention concerning computer programs, the term should be the general rule of 50 years after the end of the year in which the author died.

Creation and Use of Works by Means of Computers

7.29 The data processed by a computer, or the data that result from such processing, may well be protected literary and artistic works. This gives rise to some important questions in relation to the copyright protection of such works, such as:

- where the information processed by a computer is expressed in a work protected by copyright, is the use of that work by the computer under the control of the copyright-owner?

- Where a computer has been used to process information in such a way as to produce a work of a kind normally protected by copyright — for example, the processing of statistics so as to produce them in tabulated form designed to serve a particular purpose, or the use of a computer to produce music — who is to be regarded as the "author", and hence the copyright-owner, of the resulting literary or musical work?

7.30 Both internationally and nationally, there has been a very large measure of agreement on the answers, and the general consensus is recorded in the Report of the Second Committee of Governmental Experts on Copyright Problems Arising from the Use of Computers for Access to or the Creation of Works — convened by WIPO and Unesco in Paris in June 1982. The major conclusions recorded in the report and the recommendations may be summarized in the following way:

- the input of a protected work into a computer system includes the reproduction of the work on a machine-readable material support, and also the fixation of the work in the memory of the computer system; both these acts (i.e. reproduction and fixation) are governed by the international conventions (Article 9(1) of the Berne Convention); the output of a protected work from a computer system should be protected under copyright law, irrespective of the form of the output, for example, as a hardcopy printout, a fixation in machine-readable form, a transmission from the database of one system into the memory of another system (with or without an intermediary fixation), or by making the work available to the public by audio or visual images presented on a screen;

- in amending or modifying national legislation to take account of computer use of protected works, care should be taken to ensure that authors' moral rights should continue to be exercisable in relation to computer use, and that the exemption and limitations on the copyright owner's right of control, which computer technology might render desirable, do not exceed the limits on such exemptions permitted by the Conventions;

- non-voluntary licenses in relation to the computer use of protected works should only be adopted when voluntary licensing is impracticable, and should, in any case, be in accordance with the convention principles; and where a non-voluntary license is adopted by a national law, its effect should be confined to the territory of the country of that law.

7.31 In many countries the existing law appears to be regarded as implementing these general conclusions, but in some countries there have been specific amendments to the copyright law to put the matter beyond doubt.

7.32 The general view which emerged from these studies is that no matter how sophisticated a computer may be, it is only a tool, and the author of a work produced by the aid of a computer is the person who conceived the product and who gave the programmer and the technician the instructions necessary to produce it. Neither the programmer who designed the program and needed to operate the computer for the purpose of producing that work, nor the technician who operated the computer when carrying out the task, would be regarded as the author or a joint author; however, where the work of the programmer amounted to collaboration with the originating creative person to such an extent that the programmer contributed creatively in settling the form of the final product, he might be regarded as a co-author.

Databases

7.33 As mentioned above, the storage of protected works in computer memories is a reproduction which falls within the right of reproduction. Another question is, whether databases as such enjoy protection under copyright.

7.34 Article 2(5) of the Berne Convention provides as follows: "Collections of literary and artistic works such as encyclopaedias and anthologies which, by reason of the selection and arrangements of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections." The provision does not indicate any specific category of works to which the level of protection shall be assimilated. Accordingly, it should be assumed that the level of protection to be granted is that which, in general, is granted to literary and artistic works under the Berne Convention.

7.35 The said provision in Article 2(5) of the Berne Convention limits its scope to original collections of literary and artistic works. This does not mean, however, that there is no basis in the Berne Convention for the protection of original collections of other material, such as data.

7.36 A basis can be found in Article 2(1) of the Berne Convention, which states, *inter alia*, that "The expression 'literary and artistic works' shall cover every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression." While the list of categories of works that follows the sentence just quoted does not include databases, it is clear that the list is not exhaustive, and a general consensus is emerging that every (original) production in the above-mentioned domain must be protected under the Convention.

7.37 An explicit provision on the protection of databases was included in Article 10(2) of the TRIPS Agreement. That provision states as follows: "Compilations of data or other material, whether in machine-readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself."

7.38 The WCT contains in its Article 5 a provision on copyright protection of databases, which, under the title "compilations of Data (Databases)" provides as follows: "Compilations of data or other material, in any form, which by reason of the selection or arrangement of their contents constitute intellectual creations, are protected as such. This protection does not extend to the data or the material itself and is without prejudice to any copyright subsisting in the data or material contained in the compilation." The Diplomatic Conference which adopted the WCT also adopted, by consensus, the following agreed statement: "The scope of protection for compilations of data (databases) under Article 5 of this Treaty, read with Article 2, is consistent with Article 2 of the Berne Convention and on a par with the relevant provisions of the TRIPS Agreement." Article 2 of the WCT, to which the agreed statement refers, states, under the heading "Scope of Copyright Protection": "copyright protection extends to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such."

7.39 The originality requirement, for example, as under the WCT, that the database "by reason of the selection or arrangement" of its contents, means that some databases are not protected, even if they are of a considerable size and have been expensive to prepare. Such is, for example, the case where a database is exhaustive, that is, it contains all the relevant data without any selection or omission, and the data is arranged according to basic, straightforward rules, such as alphabetically, or in numerical or chronological order. Such bases may, however, still represent

substantial investments, and when stored in machine-readable form, they may easily and inexpensively be downloaded, copied and otherwise used.

7.40 It has been argued that such investments should also be protected, for example, by a *sui generis* right, covering copying, distribution and communication to the public, albeit for a shorter period than under copyright protection. The possibility of such *sui generis* protection is under discussion internationally.

Biotechnology

Introduction

7.41 Biotechnology is a field of technology of growing importance. Biotechnological inventions may have a very significant effect on our future, in particular in the fields of medicine, food, agriculture, energy and protection of the environment.

7.42 Biotechnology concerns living organisms, such as plants, animals, seeds and microorganisms, as well as biological material, such as enzymes, proteins and plasmids (which are used in "genetic engineering"). Biotechnological inventions fall into three categories: processes for the creation or modification of living organisms and biological material, the results of such processes, and the use of such results.

7.43 Biotechnology is one of the oldest technologies. For example, the production of wine or beer involves processes using living organisms, and such processes have been known for a long time. Likewise, the selective breeding of plants and animals has an equally long history.

7.44 In more recent times, scientists have developed biological processes to modify the genetic composition of living organisms (genetic engineering). For example, the microorganisms created by Chakrabarty (an inventor in the United States of America) were able to break down components of oil pollution in oceans and rivers. The patent on these microorganisms was the subject of a landmark decision by the United States Supreme Court, in which modified microorganisms were recognized as patentable subject matter. The Court noted that the laws of nature, physical phenomena and abstract ideas were not patentable. The claimed invention, however, was not directed to an existing natural phenomenon but to new bacteria with markedly different characteristics from any found in nature. The invention therefore resulted from the inventor's ingenuity and effort. The United States Congress had defined statutory subject matter (any new article of manufacture or composition of matter) broadly to "include anything under the sun that is made by man."

7.45 Genetic engineering processes are also used in the modification of microorganisms and plants for the production of new medicines. Biotechnology is expected to lead to important breakthroughs in medicine which may be effective in combating diseases such as cancer and AIDS. It may also lead to new opportunities for obtaining food and energy, and may provide solutions to the problems of pollution of the environment.

7.46 In many circles, the concept of invention was thought to be limited to the fields of physics and chemistry. However, with the increased ability to control and describe processes and products in the field of biotechnology, the concept of invention was enlarged to cover biotechnological

inventions. If it is possible to control a biotechnological process and to describe such a process in a way that experts in the field can carry out on the basis of the description, then an invention in the field of biotechnology has been made.

7.47 Today, biotechnology concerns the application of cellular and molecular biology to human needs and the use of cells and biological molecules to solve problems or make useful products. It includes scientific and industrial disciplines directed to understanding and manipulating living or biologically active material at the molecular level. Often it refers to recombinant deoxyribonucleic acid (DNA) techniques and analysis of genetic information.

7.48 The list of industries using biotechnology has expanded to include health care, agriculture, food processing, bioremediation, forestry, enzymes, chemicals, cosmetics, energy, paper making, electronics, textiles and mining. This expansion of applications has led to significant economic activity and development.

7.49 The number of modern biotechnology-based drugs has expanded and vaccines have increased. The genomes of a number of organisms have been sequenced, including human, mosquito and the malaria-causing organism, *plasmodia falciparum*. These and related developments are expected to accelerate the pace of drug and vaccine discoveries.

7.50 The area of farmland planted with transgenic crops has increased dramatically in recent years. This growth is expected to continue as more countries commercialize transgenic crops. Biotechnology has also been used to reclaim wasteland through the use of microorganisms and plants that remove or degrade toxic compounds.

7.51 This trend is encouraged by the positive impact of transgenic crops in reductions in pesticide applications and increased yields. Cassava, potatoes and rice are among the crops benefiting from alliances between institutions in developed and developing countries interested in generating products specifically for developing nations.

7.52 A recent report of the United Nations (shown in the Bibliography of this volume) summarized trends in the use of biotechnology, giving some definitions and detailed statistics.

Adoption and Dissemination

7.53 Developed countries have been the main investors in biotechnology and the principal beneficiaries of its adoption. Developing countries, however, are increasingly adopting this new technology, as illustrated by the use of genetically modified plants in increasing numbers of developing countries.

7.54 Cuba and India, for instance, are becoming centers of health-related biotechnology research, development, production and marketing. Cuban biotechnology institutions have developed or are developing vaccines, drugs and diagnostic kits for tropical diseases. Singapore and China have also focused on research in biotechnology and development projects in the health and agricultural sectors.

7.55 International public-private partnerships for vaccines and drug development are also of interest to developing countries. These are currently focused on developing drugs and vaccines against malaria, HIV/AIDS and tuberculosis with the aim of making final products affordable to developing countries. At least one vaccine is currently undergoing the first phase of trials in Kenya,

another, targeting HIV, is undergoing initial clinical trials in the United States and a malarial vaccine is undergoing the first phase of trials in the Gambia.

7.56 Industrial applications of biotechnology have occurred in textiles, wood, pulp, leather, food and mineral processing. South Africa developed a biotechnology-based gold-processing system, using microorganisms in hydrolyzing mineral ore, called the Biox process. The use of biotechnology in industry is expected to increase in developed and developing countries.

7.57 Development and adoption of intellectual property policies that balance public and private interests can help bridge gaps in the adoption and beneficial development of biotechnology in economies. Enhanced access to intellectual property systems by those working in developing countries, for instance, and stable, strategic partnerships between developed and developing countries are steps that can be taken.

7.58 Modern, flexible intellectual property systems and policies have contributed to fostering investment needed to establish biotechnology industries creating tangible products. Flexible intellectual property policies can play a role in favoring stable legal environments conducive to public-private partnerships, investment and other economic activity needed to spread biotechnological innovations to more countries.

Need for Protection

7.59 As in other fields of technology, there is a need for legal protection in respect of biotechnological inventions. Such inventions are creations of the human mind just as much as other inventions, and are generally the result of substantial research, inventive effort and investment in sophisticated laboratories. Typically, enterprises engaged in research only make investments if legal protection is available for the results of their research. As with other inventions, there is an obvious need for the protection of biotechnological inventions, not only in the interest of inventors and their employers, but also in the public interest in order to promote technological progress.

7.60 Legal protection of inventions is normally effected through the grant of patents or other titles. However, inventors in the field of biotechnology are faced with several obstacles when seeking protection for their inventions. These obstacles do not exist to the same degree in other areas of technology.

7.61 The first is the problem of whether there really is an invention rather than a discovery. If, for example, a microorganism as yet unknown is isolated by a sophisticated process, it may be argued that such a microorganism is not an invention but is a scientific discovery. The counter-argument would be that the isolation requires an important intervention by man using a highly sophisticated process, and that therefore the result is a solution of a technical problem. It may also be argued that the isolated microorganism is not different from a chemical substance extracted from nature, which is patentable subject matter.

7.62 The second obstacle is the existence of express legislative provisions that exclude certain categories of biotechnological inventions from patent protection, in particular, for reasons of public order and morality. Those provisions have their origin in developments which took place in Europe, but have also influenced countries outside Europe.

7.63 Although not all questions have been answered yet at the international level, a number of legal issues with respect to patent protection for biotechnological inventions have been addressed.

The EC Directive on the Legal Protection of Biotechnological Inventions, for instance, is an example of an instrument that may prove useful to countries and policymakers. The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, concluded in Budapest in 1977, facilitates the processing of biotechnology inventions where protection is sought in various countries. Details on this Treaty are given in Chapter 5.

Existing Protection

7.64 Patents are the most commonly used form of legal protection for encouraging biotechnological innovation and commercialization, although trade secret protection may also be available. Legal regimes other than patent systems are typically relied upon to address other public interests such as the environmental or medical safety of products, efficacy of products, and unfair competition.

7.65 Many countries are bound by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), as part of their obligations as Members of the World Trade Organization (WTO). Analysis of TRIPS goes beyond the scope of this chapter (see Chapter 5) but in general, WTO Members are required to implement agreed minimum standards of intellectual property protection. This has given rise to discussions and debates about intellectual property systems and policies in countries that had previously not focused closely on these topics. Not surprisingly, there have been and continue to be concerns over issues such as the scope of patentable subject matter, what constitutes prior art, and how to implement patent-granting systems without unduly burdening struggling economies.

7.66 Article 27.1 of the TRIPS Agreement requires that patents be available in all fields of technology, without discrimination, provided that they are new, involve an inventive step and are capable of industrial application. Article 27.2 enables a Member to exclude from patentability inventions whose commercial exploitation may be contrary to public order or morality. Further, Article 27.3 also allows Members to exclude from patentability certain subject matter, such as plants and animals.

7.67 Protection does need to be provided, however, for microorganisms. In this context, there has been some concern over the impact of patents on "research tools," in terms of freedom of action for research and development. This focuses on how patents are used and function in commerce. Studies available on this matter have not found widespread or insurmountable difficulties.

7.68 Concerning protection of plant varieties, Article 27.3(b) of the TRIPS Agreement provides that plant varieties shall be protected either by patents or by an effective *sui generis* system or by any combination thereof. Some plant variety protection systems are thought to constitute *sui generis* systems. Such systems differ from patent protection in the conditions required for protection and the nature of acts that can be prevented. The International Union for the Protection of New Varieties of Plants (UPOV) is explained in Chapter 5.

7.69 Flexibility has been necessary in TRIPS implementation. Deadlines for compliance, for instance, were recently extended to 2016 for least-developed countries. Other countries have worked to ensure compliance by 2005. In August of 2003, the WTO General Council agreed on changes that enable developing countries lacking pharmaceutical manufacturing capabilities to import drugs with fewer restrictions arising from patent rights. This agreement reflects efforts by

the international community to balance the rights of intellectual property holders and the need for access to certain drugs in developing countries.

7.70 Examples of approaches taken by various countries can be referred to that may be useful for policy-makers. The EC Directive 98/44 on the Legal Protection of Biotechnological Inventions, for instance, which entered into force on July 30, 1998, harmonized the rules concerning patent protection for biotechnological inventions. Article 3(2) provides that biological material, which is isolated from its natural environment or produced by means of a technical process, may be the subject of a patentable invention even if it previously occurred in nature. Article 4(1) excludes from patentability plant and animal varieties and essentially biological processes for the production of plants or animals. As regards public order and morality, Article 6(2) provides a non-exhaustive list of inventions which should be considered unpatentable. These are processes for cloning human beings, processes for modifying the germ line genetic identity of human beings, uses of human embryos for industrial or commercial purposes and processes for modifying the genetic identity of animals which are likely to cause them suffering, without any substantial medical benefit to man or animal, and also animals resulting from such processes.

Traditional Knowledge

Introduction

7.71 A section in Chapter 2 discusses intellectual property and traditional cultural expressions (TCEs), also termed expressions of folklore. More recently, international intellectual property policy debate has broadened its focus to consider the related issue of traditional knowledge (TK), and particularly how traditional knowledge may be protected through the intellectual property system. Increasingly, traditional knowledge is considered as the content, substance or idea of knowledge (such as traditional know-how about the medicinal use of a plant, or traditional ecological management practices), as distinct from the form, expression or representation of traditional cultures (such as a traditional song, performance, oral narrative or graphic design), which are known as TCEs or expressions of folklore. This section reviews the current debate about traditional knowledge protection, which is at a more exploratory stage but is nonetheless an area of high policy priority for many countries, and is under active consideration within WIPO as well as several other international organizations.

7.72 Holders of Traditional Knowledge, such as indigenous and local communities, have stressed that there is a holistic relationship between their traditional knowledge, the genetic resources (such as plants) which form part of their environment, and the TCEs or expressions of folklore that reflect their cultural identity. The WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (the IGC) was established in 2001 to address these issues in a comprehensive way, and has therefore considered the protection of both traditional knowledge and TCEs, together with intellectual property aspects of genetic resources.

7.73 The call for protection of traditional knowledge through the intellectual property system raises challenging questions. To begin with, what is traditional knowledge? Can the astonishing diversity of indigenous and local intellectual and spiritual traditions be bundled together into one single definition, without losing the diversity that is their lifeblood? And what is meant by "protection" what is to be protected, and what is it to be protected from, for what purpose, and for whose benefit? If there are to be rights in traditional knowledge, who should own the rights, and how should they be enforced?

7.74 In addressing these issues, the IGC's work on traditional knowledge protection has also highlighted deeper concerns. For instance, there are concerns that attempts to protect traditional knowledge within the intellectual property system could turn traditional knowledge into an asset sought by third parties, thereby separating it from the very communities that create and nurture it, and consequently depriving them of vital benefits. So communities have maintained that any protection of traditional knowledge should remain true to its spiritual, scientific and legal roots. For many communities, the ancestral customary laws and practices that determine how knowledge should be protected are integral to the knowledge itself: traditional law and knowledge form an indivisible whole. Should these roots – the community life, the traditional practices and beliefs that are integral to traditional knowledge – be protected just as much as the intellectual and cultural fruits they have yielded?

Traditional Knowledge and the Intellectual Property System

7.75 This means that the search for traditional knowledge protection can amount to a fundamental reassessment of the basic principles and assumptions of the intellectual property system, and a complex debate about how traditional knowledge relates to the formal concepts and structures of the modern intellectual property systems. Some argue that intellectual property facilitates the assertion of illegitimate property rights over material derived from traditional knowledge. But practice has shown how intellectual property systems can strengthen the authority of the holders of traditional knowledge and associated genetic resources, and can help to define and structure how their intangible assets are used and the benefits equitably shared.

7.76 Much depends on opening up more practical options to indigenous and local communities, and enhancing their capacity for benefiting from their options. This poses the crucial question: what is the immediate need? Is it to create new forms of legal protection for traditional knowledge, to strengthen communities' capacity for making use of existing mechanisms or to build coordinated links between development and adaptation of legal systems and practical capacity-building?

Traditional Knowledge and the Global Marketplace

7.77 The debate about traditional knowledge protection has come to a head because of the increased perceived value of traditional knowledge in the global marketplace. Traditional knowledge and associated genetic resources have been drawn on to create new products, pharmaceuticals and agricultural products. In addition, the cultural, spiritual and technological dimensions of many traditional knowledge systems have survived, often adapting to the challenges of contact and interaction with modern technological society: traditional knowledge remains part of the life of many living communities, and should not be relegated to the archives as a historical curiosity. Certainly, traditional knowledge is a new concept in international intellectual property. WIPO initiated work on traditional knowledge in 1998, and the Convention on Biological Diversity, a landmark in the recognition of traditional knowledge in international law, was concluded in 1992.

7.78 Yet traditional knowledge constitutes some of humankind's oldest intellectual traditions and systems of knowledge and belief. Technical know-how, TCEs and the natural environment interact and interplay in a complex manner, finding expression in customary practices, community laws and ethical standards. For some traditional communities, customary law creates a vital link between access to and custodianship of traditional knowledge, and a sense of responsibility to respect, preserve and use it appropriately. These forms of knowledge, law and custodianship long predate the emergence of modern intellectual property law. So one concern is to respect and safeguard these traditional legal concepts and traditional knowledge management systems. Traditional wisdom has also been vital for the conservation of the natural environment, and is an essential source of information about the preservation and sustainable use of biological resources. It is

therefore no coincidence that the first recognition of traditional knowledge as such in an international legal setting was in relation to the conservation of biological diversity.

Challenges For the Future

7.79 Future development of traditional knowledge protection therefore confronts a number of seeming paradoxes:

- this is a strikingly new area of international cooperation in intellectual property, but it concerns knowledge and systems of knowledge that have deep and ancient roots;

- it is an international issue, marked by a search for global solutions, but it concerns traditional knowledge systems that are highly diverse and are inherently embedded in local customary law and the natural environment;

- traditional knowledge and the formal legal means of protecting it are seen as different things (just as an invention and the patent which protects it are distinct concepts), but for indigenous communities, having traditional knowledge and also having the responsibility for safeguarding it and using it according to customary law form an indivisible whole.

7.80 International progress on traditional knowledge protection is currently at a crossroads. The debate has already yielded a much clearer shared understanding of the basic ideas and concepts for traditional knowledge protection, and a more focused understanding of what the policy choices are. Several specific initiatives have already enhanced the practical recognition of traditional knowledge within the patent system, so that traditional knowledge is less likely to be the subject matter of ill-founded patent claims. The possibilities for protecting traditional knowledge through existing legal tools, including the law of confidential information (traditional knowledge as undisclosed technical know-how), geographical indications (some products are literal embodiments of geographically-localized traditional knowledge) and patent law (over 20,000 patent applications have been filed in China for innovations in the field of traditional Chinese medicine). In addition, several countries have introduced *sui generis* protection of traditional knowledge, and this practical experience is helping to guide understanding of what further legal steps are needed to prevent the misappropriation and misuse of traditional knowledge.

7.81 The use of existing and new intellectual property approaches alone will not resolve the challenges confronting traditional communities today, who will need to draw on a range of legal and practical tools to strengthen respect for the customary laws that protect their traditional knowledge. Yet there are grounds for optimism that judicious use of the intellectual property system can be a useful support for these communities, and can contribute to their cultural and economic well-being and autonomy. Practical experience, in turn, should lead to greater understanding of what new legal measures are needed, at the national and international levels.

Reprography

Reprography and Intellectual Property

7.82 Reprography is the generic term now used to describe all the kinds of photocopying equipment currently available, which enable facsimile copies of documents of every kind to be

made instantly and cheaply on apparatus that is simple to operate. Today, in almost all countries, such equipment is ubiquitous, and very large numbers of copies of literary, dramatic, musical and artistic material are made through the use of reprographic equipment around the world.

7.83 Article 9 of the Berne Convention (Paris Act l971) stipulates that "authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form," and all contemporary copyright laws contain provisions implementing this principle. Paragraph (2) of Article 9, however, empowers national copyright laws to permit the reproduction of works in certain special cases, subject to two conditions:

- the permitted reproduction must not conflict with the normal exploitation of the work;

- the reproduction must not unreasonably prejudice the legitimate interests of the author.

7.84 Photocopying on the scale which exists today appears to conflict with the normal exploitation of those works, which are copied in such large numbers; and such a volume of copying may unreasonably prejudice the legitimate interests of the author and, of course, his publisher. A variety of solutions to the problem have been adopted in different countries.

7.85 In the 1970s, in some of the Scandinavian countries, a voluntary blanket licensing scheme, initially in respect of national works only, was instituted to cover photocopying in educational establishments. Subsequently, in the 1980s, in some of these countries the copyright law was amended so as to give statutory backing to this blanket licensing approach; under the statutory provisions the ambit of the blanket license was extended to all copyright works, including foreign works, with a provision for arbitration to deal with disputes arising between the organization administering the blanket licenses and the educational establishments covered by them.

7.86 In Germany a more advanced and comprehensive system has been instituted by amendments to the principal Copyright Act, a dual one of statutory payments together with blanket licensing. The statutory payments are made by the manufacturers and importers of photocopying equipment, the amount of the payment depending on the speed of operation of the equipment. In addition, when equipment of this kind is used in educational establishments, in public libraries or in other institutions which make the equipment available to the public on payment of a charge, copying royalties are to be collected and distributed by collecting societies under the blanket licenses.

Audio and Video Recording

7.87 Technological advances have made possible the high-quality copying of sound and audiovisual recordings. The copyright implications of this activity are the same as in the case of the copying of literary and other material by reprographic equipment — in other words it is a potential infringement of the fundamental right protected by Article 9 of the Berne Convention and by the provisions in national laws which implement that Convention requirement.

7.88 Home recording has also been the subject of very considerable study at national and international levels; a number of countries have enacted or are considering legislation to deal with the matter.

7.89 Just as in the case of reprography, the various national solutions adopted are not identical, but they are all based on more or less the same approach which may be summarized in the following way:

- the basic idea underlining the approach generally adopted is that in respect of each unit of recording equipment, blank tape, or recordable compact disc (CD), of a kind likely to be used for home recording, and which is released to the public, a statutory payment should be collected;

- the rationale of this approach is that although it is not possible to identify each individual home user, nevertheless it is possible to identify the users as a class because they are those persons who buy the equipment and the blank tapes or CDs by means of which home recordings are made; the payment takes the form of an element in the purchase price of the equipment, blank tape and CD bought for the purpose;

- also, as it is the manufacturers and importers of the equipment, blank tape and recordable CD who, by making those items available to the public, make it possible for the public to use authors' works in this way, it is reasonable to require the manufacturers and importers to collect the statutory payment and account for it to the copyright owners;

- under these schemes the statutory payments — which in some countries are charged on the equipment only, in some on the blank tape and sometimes recordable CDs only, and in some on both — are made by the manufacturers and importers to collective agencies representing the various categories of interested parties entitled to a share in them; the collective agencies are responsible for distributing the amounts so received.

7.90 The differences between the various national schemes relate principally to the following matters:

- the extent to which the total amount of statutory payments is distributed to individual right-owners and other interested parties, or is applied to social purposes. In some countries virtually l00% is distributed on an individual basis, whereas in other countries a proportion, which in some cases may be 50%, is applied to general social purposes — such as the granting of scholarships to authors and composers;

- the extent to which the copyright owners of non-national works (but which are protected under the copyright law of the country) are entitled to participate in the distribution of the statutory payments; in some countries all national works from other countries belonging to the same Convention to which the country in question belongs, are entitled to participate; in other countries only national authors and other interested parties participate.

Communication Technologies

Introduction

7.91 Communication technologies, which started with the transmission of sound only, began to serve the public on a significant scale in the first and second decades of the 20th century. For 30 or 40 years thereafter, broadcasting was simply the transmission through the ether by wireless means

of electromagnetic signals which, when received by suitable apparatus, could be converted into sounds and visual images audible to, and perceivable by, human ears and eyes. Progressively, from the mid-20th century to its end, the more sophisticated communications methods by satellite and cable (described below) were important developments. Finally, from the 1990s, electronic commerce and the Internet revolutionized communication technologies.

Satellites

7.92 In the middle of the 20th century, a significant development took place in the field of broadcast communications. Instead of the electromagnetic signals emitted by the original broadcast traveling directly — that is, without any man-made intervening assistance — from the original transmitter to the receiver, the transmitted signals were received first by a satellite placed in orbit some 22,500 miles above the earth's surface. The satellite traveled at a speed and direction which kept it, in effect, motionless in relation to the earth in what is known as a geostationary orbit. From this satellite the received signals would then be transmitted back to earth where, at first, for technical reasons, they were receivable only by ground stations, but increasingly have become receivable by private receiving sets owned and operated by individual members of the public. This has meant that both radio and television programs originating in, and transmitted from, one country, are receivable in many other countries; indeed, some of the footprints of these satellites may cover as much as one-third of the earth's surface.

Types of Satellites

7.93 Traditionally, one distinguishes between three types of telecommunication satellites: point-to-point, distribution and direct broadcast satellites, the first two of which are also referred to as communication satellites or fixed service satellites.

7.94 Point-to-point satellites are used for intercontinental communication between one emitting point and one or more receiving points. Their signals cover roughly one-third of the earth's surface, so that with the aid of three such satellites, placed over the Atlantic, Indian and Pacific Oceans, signals from any country in the world can be transported — if necessary via double hop — to just about any other country in the world, provided that the necessary earth stations are available. These earth stations must be very powerful and in consequence are very expensive.

7.95 Distribution satellites cover smaller geographical areas (e.g. Europe or part of the United States of America), and their signals are generally destined for a multiplicity of receivers (such as broadcasters or cable system operators) spread out over that particular area. The signal is more concentrated and more powerful than that from a point-to-point satellite, and in consequence the earth stations required for receiving signals from such satellites are considerably smaller — and cheaper — than those needed in a point-to-point satellite communication system.

7.96 Direct broadcast satellites are instruments which transmit programs that are intended for direct reception by the general public. They are "ordinary transmitters hung up in space," with all the advantages that such a bird's-eye view carries with it.

7.97 Originally, fixed service satellites and direct broadcasting satellites were clearly distinct, because they operated on different frequency bands, allocated for each purpose. The development of inexpensive and efficient satellite reception equipment for use by private households has blurred that distinction, because a large number of satellites now transmit programs intended for direct reception by the general public, using frequency bands that were previously reserved for fixed

service satellites. Therefore, it has become more common in modern legislation to include, under the term "satellite broadcasting," satellites operating on frequency bands which are reserved for closed, point-to-point communication, if the circumstances in which individual reception of the signals takes place are comparable to those which apply in the case of direct broadcasting satellites. Thus, for example, if equipment to decode signals is available to the general public with the consent of the originator of the transmissions, such transmissions will normally be deemed broadcasts, rather than closed point-to-point transmissions.

Copyright and Satellites

7.98 Satellite broadcasting raises a large number of problems of considerable interest in the copyright field. Under Article 11bis(1) of the Berne Convention, broadcasting is one of the forms of communication to the public that is covered by the rights granted under that Convention, and since that provision grants authors of literary and artistic works the rights to "broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images," it is obvious that satellite broadcasting is covered by those rights.

7.99 In most cases, the signals are sent to the satellite from one specific country (or from exterritorial waters or other places outside the jurisdiction of any country), but they can be received in two or more countries. First of all, it must be determined which law or laws apply to such international transmissions; is it the law of the country from which the transmission originates only, is it the law of the countries in which it can be received, or is it — where applicable — both? This question is of particular interest in those cases where, under Article 11*bis*(2) of the Berne Convention, non-voluntary licenses apply in one country, for example the country from which the transmission originates, but not in others, for example the country or countries where the transmission is received. Another question concerns the identification of the relevant right-owners in those cases where the rights have been granted on a territorial basis, and where there are different owners of the rights in the country where the transmission originates and in the country or countries where it can be received.

7.100 A consensus seems to be emerging that the applicable law is that of the country from which the transmission originates. However, in those cases where the transmission originates from a country which does not grant exclusive broadcasting rights, there seems to be a tendency towards stretching the international applicability of national legislation as much as possible, in order to avoid to the extent possible the use of countries without copyright protection, or with inadequate protection, as "safe havens."

7.101 As regards the question which owners of territorially divided rights can exercise their rights concerning international transmissions, the solution is first and foremost to be found in well coordinated international contracts which do not leave any doubt in that respect. As regards the rights that are administered by collective management organizations, the International Federation of Societies of Authors and Composers (CISAC) had adopted a rule according to which it is the society in the country in which the transmission originates that is empowered to give the necessary authorizations, but under an obligation to consult in advance the societies in the "footprint" of the satellite regarding issues of special interest to those societies, including the distribution of royalties between different owners of territorially divided rights.

7.102 Frequently, satellite broadcasters use encryption technology to limit the reception of their programs. They may, for example, broadcast a high-value program which is financed through subscription fees from the viewers, and in this case the equipment necessary to decode the program (that is, to make it visible and audible) is only furnished to the subscribers, for example, in the form of a "smart card" — a microprocessor installed in a card, to be inserted in the receiver's decoding

apparatus. Later, if payments cease, the decoding equipment can "close" the program for that individual viewer, by means of special technical signals transmitted to the smart card alongside the transmissions of the program. Such technology can also be used to limit the distribution of programs geographically, by limiting access to decoding equipment to subscribers in certain geographical areas. Even though the encryption technology is becoming more and more advanced, there have been substantial problems with unauthorized smart cards being produced by pirates and distributed widely, to the detriment of the broadcasters and — as a consequence — the owners of rights in the works broadcast.

7.103 The WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) address this problem by obliging the States party to those treaties to provide adequate legal protection and effective legal remedies against the circumvention of such technological protection measures. It is fully justified to consider such unauthorized production, import and distribution of smart cards as a kind of copyright piracy, and national legislation should respond with the same efficiency as it does to the well-known "classical" forms of piracy.

Cable Distribution

7.104 Cable distribution systems have existed for many years on a small scale, typically as so-called "community antennas" which served one or a few apartment blocks and thereby replaced the numerous antennas which previously were erected by the inhabitants themselves. Also, in areas where mountains or high buildings made reception difficult or impossible, such systems enabled reception in the "shadow areas" by means of a single, often high and well-placed antenna.

7.105 Eventually, and particularly in the 1980s and 1990s, these systems evolved significantly, both technologically in terms of their capabilities of carrying a multitude of programs, either from terrestrial broadcasting, satellites, or even programs fed directly into the cable systems (" cable originated programs"), and quantitatively in terms of the size of the systems and their share of the total number of households in the various countries. In more and more regions of the world, cable television has become a commercial activity of significant importance.

7.106 The dissemination of works and other protected subject matter in cable systems is a communication to the public. However, the status of such communication under the Berne Convention depends on whether the program is cable-originated or a broadcast. In the former case, which also includes programs which are transmitted by satellite to the cable system, provided that such satellite transmission is "closed" and therefore not a broadcast in itself, the applicable provisions of the Berne Convention are:

- Article 11, which grants exclusive rights for communication to the public of performances of dramatic, dramatico-musical and musical works;

- Article 11*ter*, which grants exclusive rights to authors of literary works for communication to the public of recitations of their works;

- Article 14, which grants authors of literary and artistic works an exclusive right of communication to the public by wire of works adapted and reproduced in audiovisual works;

- Article 14*bis*, which grants the same right to the owner of copyright in an audiovisual (cinematographic) work.

In addition, it should be noted that Article 8 of the WIPO Copyright Treaty (WCT) grants a right of communication to the public, by wire or wireless means, for all categories of works. In practice, this means that exclusive rights must be granted as regards cable-originated programs.

7.107 As regards cable retransmissions of broadcasts, the provisions of Article 11bis of the Berne Convention applies. According to paragraph (1) of this Article, authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one. This limitation means that when the conditions and payments for broadcasts are negotiated, due attention must be paid to the extent of the communication made by the broadcaster, be it as original broadcasting, rebroadcasting or cable distribution.

7.108 Paragraph (2) of Article 11bis provides that national legislation may "determine the conditions under which [these rights] may be exercised, but these conditions shall apply only in the countries where they have been prescribed. They shall not in any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority." This provision means that non-voluntary license schemes may be established for cable retransmission of broadcasts. While such schemes can be found in some national laws, there seems to be a tendency towards giving right-owners a stronger bargaining position by granting them exclusive rights, rather than just a right of remuneration. At the same time, it is often recognized that it is necessary to shield cable operators from individual claims from right-owners, because the cable operators have no influence on the contents of the broadcasts that they retransmit, and in practice cannot cut off the retransmission whenever a work is broadcast to which they have not acquired the retransmission rights. One way of doing this is to establish compulsory collective management of the retransmission rights, whereby the cable operators can settle all questions regarding the retransmission rights by entering into agreements with collective management organizations.

Digital Distribution Systems

7.109 One of the most fundamental technological developments relating to the protection of copyright and related rights in recent decades is the use of computers and digital networks for storage, transmission and use of works. On the Internet, text, graphics, photographs and sound can be exchanged between computers at the click of a button, and real-time transmission of audiovisual works is also possible. As new business models are developed to make use of these technical possibilities, the Internet is increasingly taking a central position in the dissemination of works and other protected subject matter to the general public. Especially when networks are so powerful that they can disseminate audiovisual works in real time (or even faster than real time, in which case they will be stored by the receiver and viewed once or more in real time, during and after the transmission) to become accessible to ordinary consumers, such transmission has become an important means of distribution. It is possible that digital distribution may largely replace, for example, distribution of audiovisual works on videocassettes or DVDs.

7.110 Such a development raises several important questions relating to the protection of copyright and related rights, including the question of whether such a transmission "on demand" to, for example, a private home entails a "communication to the public" which is covered by the exclusive rights of the right-owners. Other important questions are the legal protection of the various encryption systems that are necessary to control the dissemination of the works against manufacture and distribution of unauthorized decoding devices, and the legal protection of such rights management information which it is necessary to attach to the works when transmitted, not

least in order to ensure a correct feedback for billing purposes and, eventually, for the purpose of securing a correct distribution of the payments to the right-owners. Important answers to the questions raised in this connection are given in the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), which are discussed in detail in chapter 5 above.

The Internet

7.111 The Internet is a global system of connected networks that operate together by virtue of the use of common protocols, established through an open standard-setting process. The Internet is founded on an open, non-proprietary protocol known as Transport Control Protocol/Internet Protocol (TCP/IP), and uses a standard coding system, hypertext markup language (HTML), for representing data in graphical form on the World Wide Web. The Internet has rapidly evolved from a scientific and academic network into a network whose most popular application, the World Wide Web, has enabled it to become widely adopted since the 1990s. It is the open nature of this network, along with its multifunctional character and increasingly low-cost access, which has galvanized the potential for electronic commerce. At the same time, however, the open network is providing access to a digital environment in which multiple perfect copies of text, images and sounds can be easily made and transmitted, and trademarks easily misused, posing new challenges for intellectual property owners.

Electronic Commerce

7.112 The "digital age," in which the Internet has played a critical role, has seen dramatic and rapid communications, economic and social developments. The technological innovations that initiated these changes have also fuelled the new digital economy, reflected in new financial markets and trade flows, innovative models for business, as well as new opportunities for creators and consumers.

7.113 The remarkable scope of these developments has made electronic commerce a subject of significant economic, policy and social importance. Commerce conducted across electronic media is not new. However, the advent of the Internet, the "network of networks" using open standards, has given rise to a prodigious international expansion in the number of users and range of applications relevant to our daily lives. There are currently more than half a billion users, accessing more than 2 billion pages of information available via the World Wide Web. In many regions of the world, it has begun to change significantly the ways in which individuals, companies and governments organize their affairs, interact and conduct business.

7.114 The term "electronic commerce" has achieved widespread recognition, becoming a highly visible symbol in the contemporary language of information and communication technology that brought profound changes in the final years of the last millennium. The words are commonly used in the media, in business and in conversation to refer to activities associated with the use of a computer, or other network-accessible device, and the Internet to trade goods and services in a new, direct and electronic manner. There has been tremendous growth in the value of commercial transactions on the Internet; starting from zero in 1995, total electronic commerce is estimated to have grown to around 433 billion US dollars in 2000 and 1.9 trillion US dollars in 2002 and is expected to reach some 6 trillion by 2004.

7.115 While individuals do engage in transactions over the Internet (business-to-consumer, or B2C), most of the growth in electronic commerce is driven by the less visible business-to-business sector or B2B. Here the Internet is acting as a powerful means for improving the quality of management and service, thereby enhancing existing or establishing new customer and supplier relationships, while bringing new efficiency and transparency to operations. It is an excellent mechanism for reducing costs all round, including those associated with production, inventories, sales execution, distribution and procurement.

7.116 Two defining characteristics of electronic commerce can be noted. First, there is its international character. The electronic means described above have created a global medium without borders, so that any business offering goods or services on the Internet need not target a specific geographical market. Instead, the establishment of a commercial website can provide even a small business with access to markets and Internet users worldwide. The second characteristic is the interdisciplinary nature of electronic commerce, and the corresponding impact that this brings to the forces of convergence. Both large and small enterprises are finding that some of the traditional lines between business sectors — which have been founded on the different physical manifestations for the goods or services offered and the different physical means for their distribution, for example, books, films, CDs, television, radio and web broadcasts — are becoming less clear. This is generating new competitive pressures for restructuring within and across industries, confronting businesses with opportunities as well as challenges.

7.117 Within the commercial sphere, issues of intellectual property that have had such relevance in the physical (off-line) world, involving rights in respect of patents, trademarks and copyright, among others, also arise in relation to electronic commerce, but with different aspects to be addressed and, in many cases, shorter periods of time. Trademarks, for example, which provide consumers with an accessible symbol associated with the goodwill of an enterprise, are playing an important role in the electronic commercial environment where personal dealings are infrequent. With respect to patents, the creative business methods that are being developed to conduct commerce over the digital networks raise new questions of patentability. Further, the shorter life cycles of many of the products and services associated with the Internet and digital technologies call for the timely acquisition and enforcement of such intellectual property rights.

7.118 There is a further distinction of particular relevance to intellectual property, especially to copyright and related rights, in respect of commerce on digital networks: as noted, the Internet facilitates both commerce in physical products and commerce in intangible products. For commerce involving physical products, the Internet functions as a global system facilitating sales, in which the placing of an order and the making of payment can (but does not necessarily have to) take place on-line, while the goods themselves are delivered separately through a postal or other delivery service. For commerce involving intangible products, the Internet serves not only as a system to promote sales, but also as a system to effect the delivery of the intangible product itself, such as a piece of music or software, a film or a publication. This distribution can take place almost instantaneously, and the intangible product may travel virtually without restriction across national borders. Indeed, this aspect of electronic commerce may be its most compelling dimension: there is an inherent logic to using the Internet to buy and sell intangible products that need never be more than an integral part of the flow of communication by digital means. At the same time, however, there is a commensurate need for effective intellectual property protection that can address the international dimensions of this commerce.

7.119 Already, the largest segment of business-to-consumer electronic commerce involves intangible products that can be delivered directly over the network to the consumer's computer, such as entertainment, travel, news, e-mail and financial services. While these intangible products, by their very nature, are difficult to measure, an increasing amount of the content that is being

offered is subject to intellectual property rights. This commerce in intangible products raises a number of issues for intellectual property, in addition to those that would arise in respect of physical goods. For example, there is a growing role to be played by technological measures and digital rights management systems in protecting the rights of intellectual property owners. In addition, questions of the scope of rights and how existing law applies, jurisdiction, applicable law, validity of contracts and enforcement become more complex when the products offered do not necessarily have a physical manifestation.

A Complementary Approach to the Development of Intellectual Property Norms

7.120 Reference has been made in chapter 5 (under Progressive Development of International Intellectual Property Law) to the need for a new approach, in order to accelerate the pace of measures to meet intellectual property challenges. The traditional and more long-term approach of international treaties between States has been complemented by consultations and the establishment of various advisory bodies: the aim is that representatives of member States, of intergovernmental organizations and of non-governmental organizations should join together to help member States to establish priorities and coordinate activities in finding means to protect, administer and enforce intellectual property rights. In order that the concepts and practices of intellectual property find an environment where they can function optimally, WIPO has also undertaken activities to reach out to all levels of society, including the general public.

WIPO Internet Domain Name Processes

7.121 The two WIPO Internet Domain Name Processes provide examples of the innovative means by which international norms have been developed and implemented by WIPO. The WIPO Processes were initiated at the request of certain of WIPO's Member States, to study and develop recommendations for the prevention and resolution of conflicts that involve intellectual property rights in the Internet Domain Name System (DNS). Domain names are the user-friendly forms of Internet protocol address that allow messages to be routed via the Internet and have gained increasing importance as business identifiers in online commerce.

7.122 The WIPO Processes were conducted through a combination of Internet-based and personal consultations throughout the various regions of the world, in a balanced and transparent manner. WIPO endeavored to obtain wide geographical and sectoral participation, and to reach the broadest possible consensus in its recommendations, so that the interests of all Internet stake-holders could be taken into account and practical workable solutions found to the real problems that had been identified.

7.123 The first WIPO Process commenced in June 1998, to address the relationship between domain names and trademark rights and to study means of preventing and resolving disputes arising from the abusive and bad-faith registration of domain names that include trademarks, a practice known as "cybersquatting." The first WIPO Process resulted in a report, published in April 1999, setting out WIPO's recommendations. These recommendations resulted in the implementation by the Internet Corporation for Assigned Names and Numbers (ICANN) of a Uniform Dispute Resolution Policy and Rules (UDRP) to resolve domain name disputes involving trademarks, and in the development of a system of best practices for domain name registration

authorities to avoid such conflicts. The WIPO Arbitration and Mediation Center was accredited by ICANN to provide dispute-resolution services under the UDRP.

7.124 A number of issues were identified in WIPO's report that were considered outside the scope of the First WIPO Process and in need of further study. The Second WIPO Process, which began in July 2000, was initiated to address the issues that might arise in the event of the bad faith, abusive, misleading or unfair use of:

- personal names;

- International Nonproprietary Names (INNs) for pharmaceutical substances;

- names of international intergovernmental organizations (IGOs), such as the United Nations;

- geographical identifiers, including geographical indications, indications of source and geographical terms including country names;

- trade names.

7.125 The Second WIPO Process was conducted on the same basis as the first, and resulted in the publication of a report in September 2001 (entitled "The Recognition of Rights and the Use of Names in the Domain Name System"), which was submitted to the Member States of WIPO and the Board of ICANN. The Report was subjected to comprehensive analysis by the WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT), which formulated recommendations on which the WIPO Member States took a decision in September 2002. The recommendations decided upon by the Member States are as follows:

- personal names: it was decided that no action should be taken in this area;

- International Nonproprietary Names for pharmaceutical substances (INNs): it was decided that no particular form of protection should be implemented in the DNS at this stage, but that WIPO together with WHO would continue to monitor the situation and that, where necessary, it would bring any important developments to the notice of Member States;

- names of international intergovernmental organizations (IGOs): it was decided that the Uniform Domain Name Dispute Resolution Policy should be amended to allow complaints to be filed by IGOs under certain circumstances, while taking into account the privileges and immunities of such organizations under international law. This recommendation was transmitted to ICANN, the body responsible for amending the UDRP, in February 2003;

- geographical indications, indications of source or geographical terms: it was decided that the question of protection of geographical indications in the DNS should be entrusted to the SCT. With respect to the protection of country names in particular, Member States recommended that the UDRP should be amended to provide protection against the future registration of such names as domain names, where such registration would be liable to create confusion. This recommendation was also transmitted to ICANN in February 2003; and

- trade names: it was decided that the question of protection of trade names in the DNS should be kept under review and raised for further discussion as the situation demanded.

WIPO's Global Network

7.126 Recognizing the vital importance of information technology to a worldwide strategy for intellectual property promotion and protection, WIPO launched in 1998 a major project, called WIPONET, with the aim of providing the necessary infrastructure and services for improved information exchange in the global intellectual property community. The network links the business processes of interdependent intellectual property offices worldwide and users of the Internet. The project promotes the:

- digital development and exchange of intellectual property information;
- establishment of new services;
- streamlining and automation of the business functions of intellectual property offices;
- progressive development and application of global standards and guidelines in intellectual property matters.

7.127 WIPONET already brings information benefits to all countries, but especially to developing countries, where it helps their integration into the international digital environment. To further achieve this aim, WIPO is progressively assisting the intellectual property offices of developing and certain other countries with Internet connectivity and basic equipment.

Standing Committees and Advisory Bodies

7.128 The complementary approach is increasingly pursued through Standing Committees and Advisory Bodies. WIPO has constituted three Standing Committees on legal matters. These are, respectively, the Standing Committees on the Law of Patents, on Copyright and Related Rights and on the Law of Trademarks, Industrial Designs and Geographical Indications. The deliberations of the Standing Committee on the Law of Patents (SCP) led to the convening of a Diplomatic Conference in May 2000 which adopted the Patent Law Treaty (see chapter 5), whilst those of the Standing Committee on Copyright and Related Rights led to the convening of a Diplomatic Conference on the Protection of Audiovisual Performances in December 2000 (see chapter 5).

7.129 After the successful adoption of the Patent Law Treaty, the members of the SCP decided to proceed with further substantive harmonization and agreed to focus discussions on a number of basic legal principles that determine whether a given invention qualifies for patent protection; these, it will be recalled, are the definitions of prior art, novelty, inventive step (non-obviousness) and industrial applicability (utility), sufficiency of disclosure, and the structure and interpretation of claims. Discussions on a draft Substantive Patent Law Treaty and Regulations and Practice Guidelines under it began in November 2000.

7.130 The Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications drafted a set of measures to simplify and harmonize procedures relating first to well-known marks, which were adopted as a Joint Recommendation by the WIPO General Assembly and the Assembly of the Paris Union in 1999, then to trademark licenses, which were adopted in 2000, and finally to the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet, which were adopted in 2001 (see chapter 5). This Standing Committee has initiated work with a view to revising the Trademark Law Treaty (TLT). In order to keep pace with technological

developments and the harmonization and simplification of certain administrative procedures adopted within the framework of the Patent Law Treaty, the revision of the TLT involves provisions on electronic filing of trademark applications and associated communications. The revised TLT will also contain provisions on signature, which accommodate recent developments, such as the increasing acceptance by Offices of electronic signatures or other types of identification.

7.131 An Advisory Committee on Enforcement of Industrial Property Rights was established in 2000, whose work is described in chapter 4.

7.132 The Standing Committee on Information Technologies (SCIT), which was created by WIPO Member States in 1998, serves as a forum to give policy guidance and technical advice on the overall information technology strategy of WIPO, including WIPO standards and the documentation aspects of intellectual property. Following the adoption of a new structure at its meeting in January 2001, the SCIT now has two subsidiary working groups, for Information Technology Projects and Standards and Documentation respectively. Its membership comprises all WIPO Member States and observers.

7.133 The SCIT area of the WIPO Website, besides containing links to all meeting documentation, also currently provides access to information relating to annual technical reports, industrial property statistics, the Journal of Patent Associated Literature, WIPO standards and other documentation.

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