

NICOLAS ROUILLER

International Business Law

An introduction to the legal instruments
and to the legal environment of business
from an international perspective



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X. Intellectual property and licensing contract

For many enterprises, intellectual property is not less important than traditional forms of property (real estate, movable material assets). Intellectual assets can even be the very or only substance of a company.⁶⁷⁵

Importance of intangible assets

Intellectual property may consist in a legal monopoly, i.e. in the right, granted by the legal system to the holder, to forbid other persons to use an invention or a creation without the holder's consent ("exclusive right"). A patent is a legal monopoly on a technical invention. A trademark is a legal monopoly on a sign or distinctive expression. A copyright is a legal monopoly on an original work. These intellectual property rights were created in their contemporary form in the course of the industrial revolution⁶⁷⁶ and harmonized by international conventions as of the middle of the 19th century.⁶⁷⁷

Intellectual property assets as legal monopolies

Intellectual property may also consist in a value that is not protected by a legal monopoly, but which exists in economic terms as a simple result of facts: for example, unpatented (or non-patentable) know-how, ideas or recipes do have a value;⁶⁷⁸ this value exists because a company manages to keep a particular ability, which others (notably competitors) do not have. The way to do so is classically the preservation of confidentiality; the legal system, by criminalizing the unauthorized infringement of confidentiality (trade secrets) or in making the infringers civilly liable, contributes to the existence of such value; however, the essential factor for such value to exist is the actual implementation of measures to keep the relevant knowledge confidential. This being said, even without necessarily the corresponding information to be kept confidential, a valuable know-how can be the result of a particular training of employees. To the extent that such intellectual property is not individualized in assets (what e.g. a

Other intangible assets

secret recipe can be), the value of this intellectual property can be reflected in the general goodwill of a company.

1. Intellectual property rights

Overview

The description of the intellectual property rights in this section is an overview. It deals first with intellectual or property assets that correspond to rights (legal monopolies) specifically created by statutory laws, i.e. mainly patents, trademarks and copyrights (pt. 1.1 – 1.4). Then, it deals with assets that do not correspond to a legal monopoly, but result from the implementation of other legal rights or, simply, of factual practices (pt. 1.5).

1.1 Patents

Patentable inventions

In most legal systems, a patent can be granted to protect a technical or technological, useable and non-obvious invention.⁶⁷⁹

- technical character

The reference to the technical or technological character of the patentable invention implies notably that, for example, literary or artistic creations, accounting methods or purely mathematical inventions are not patentable. Abstractions and scientific principles are not “technical” and cannot be patented as such.⁶⁸⁰

- usability

The reference to the usable (or “useful”) character of the invention means in particular that an invention that has only a theoretical benefit (and no tangible use) cannot be patented.⁶⁸¹

In many jurisdictions, it is required, more precisely, that the invention be usable industrially.⁶⁸²

- inventive step (non-obvious character)

The last requirement for an invention to be patentable is that it be not only new (“novelty”), but also non-obvious (it must be the result of an “inventive step”). *Novelty* is purely objective

and means that the invention does not belong to the “state of the art”⁶⁸³, i.e. the technical knowledge that was accessible to the public at the moment of filing the patent.⁶⁸⁴ The *non-obviousness* requires that the invention be *an inventive step*; this means that it shall *not be obvious for a person “skilled in the art”*⁶⁸⁵ (e.g. an engineer or researcher working in the concerned field of technique).

Even inventions that fulfill these conditions may be deemed non-patentable for reasons related to “ordre public”⁶⁸⁶, i.e. prohibitions aiming at protecting essential interests or highest moral values.⁶⁸⁷ In liberal (pluralistic) societies, defining such values is not simple.⁶⁸⁸ Most patent laws recognize explicitly that animal varieties are not patentable.⁶⁸⁹ Besides, due to the higher interest of avoiding the risk that medical therapy be hindered (or made more expensive) by rights of patent holders, “*methods for treatment of the human or animal body*” and “*method of diagnostic*” are not patentable (by contrast, products to be used for such methods are patentable)⁶⁹⁰.

It is in general recognized that scientific *discoveries* are not patentable⁶⁹¹ (and it can be noted that an attempt to create, by an international convention, a specific “right on scientific property” was rejected in 1978⁶⁹²). Whether an invention is a discovery is often what is argued in complex cases linked with evolution of technologies; a recent illustration is the refusal by the US Supreme Court to grant patents to inventions that consist in isolating sequences of the human genetic code (DNA).⁶⁹³ This being said, the same jurisdiction has been extremely reluctant to admit exceptions to patentability that do not result directly from the concept of patent or from explicit provisions of patent law; this general approach has been decisive in relation with granting patents to many biotechnological inventions,⁶⁹⁴ whereas other jurisdictions may

Exceptions

Disputed boundaries of definition

more broadly apply restrictions or exceptions to patentability.⁶⁹⁵

Approaches differ regarding the protection of computer software. Some legal systems consider computer programs as potentially patentable, whereas other legal systems grant them a particular copyright.⁶⁹⁶

Procedure for granting; duration of protection

The procedure for the granting of a patent starts with an application that the inventor or the owner of the invention files with a public office competent for intellectual property (such office can be either a national or an international office, like in Europe the *European Patent Office*). This office verifies whether the invention appears to comply with the conditions of patentability. If the result of its examination is positive, it grants a patent (as a rule, the intellectual property office's decision can be opposed⁶⁹⁷ or appealed⁶⁹⁸ by persons who are interested in the granting or refusal of the patent).

In the current standard of legislation, the patent can have a maximum duration of 20 years⁶⁹⁹ (provided yearly or periodical fees are paid). This duration is computed from the moment at which the *application* of the patent is filed with the intellectual property office (unless – in some cases – the product or process has to be approved by administrative authorities before it is admitted on the market).⁷⁰⁰ Before the intellectual property office formally grants the patent, the applicant may enjoy some provisory legal protection.⁷⁰¹

Patent granted without guarantee

It must be noted that patents are granted without guarantee of the state.⁷⁰² In particular, if the holder of a patent sues judicially a person for infringement of his patent rights, this person may ask the court to render a judgment on the validity of the patent. The court is not bound by the decision of the intellectual

property office which granted the patent; it may declare the patent null and void, or restrict its scope.⁷⁰³

In addition, it can be noted that, as a rule, the state cannot be held liable by persons who would be harmed by the use of the patented invention by the holder of the patent.

*Patent granted
without liability*

In order for a patent to be registered internationally, the procedure is, from a formal point of view, not particularly complex. A very large number of countries⁷⁰⁴ have adhered to the *Union for the protection of industrial property* (the first version of which was enacted in 1883⁷⁰⁵; it is ordinarily called “Paris Convention”) and to the *Patent Cooperation Treaty* (enacted in 1970; abbreviated PCT)⁷⁰⁶. These international legal texts ensure on the one hand that the priority date resulting from a patent filing in one country is also relevant for the application in other countries party to these treaties⁷⁰⁷; on the other hand, they set forth a procedure, pursuant to which the first national office (of the “country of origin”), with which the first application has been filed, forwards the application to an *International Bureau* (administered by the World Intellectual Property Organization, WIPO), which shall itself perform searches and forward the application to the various national offices of the countries for which the patent registration is sought⁷⁰⁸.

*International
registration*

Besides, as referred to above,⁷⁰⁹ for patents on the European continent, most registration procedures are in reality being handled solely by the European Patent Office.

In the current situation, whereas the international procedure is relatively easy for the applicant from a formal point of view, it must be kept in mind that countries may still have particular rules about patentability.⁷¹⁰ The fact that an international body like the International Bureau, having performed its own

preliminary examination, forwards a patent application to the designated countries, does not ensure in all cases that each of these countries will grant a national patent.

Another practical aspect, which it is important to have in mind in relation with international applications, consists in the considerable costs incurred not only for registering the patent but also for maintaining its validity, since each national office charges its own registration fees as well as periodical fees.

1.2 Trademarks

*Definition by the function:
distinctive sign*

In the contemporary understanding⁷¹¹, trademarks (or marks)⁷¹² can be defined as “*distinctive signs, used to differentiate between identical or similar goods and services offered by different producers or services providers*”⁷¹³.

Nature of signs

In some legal systems, it is specified that such signs shall be “*capable of being represented graphically*” or “*visually perceptible*”.⁷¹⁴

Obviously, such signs can consist in verbal expressions, figurative elements (drawings, pictures) or combination of colors – or in a combination of these various types of signs.⁷¹⁵ Beyond this, the tendency goes towards increasingly admitting as trademarks signs that are not perceptible visually (this relates notably to sounds, since these can easily be *described* in writing or “graphically”; besides, also in legal systems where signs are required to be “capable of being represented graphically”, it can occur that a distinctive smell – “olfactory mark” – be admitted as trademark, provided it is possible to describe it verbally in an unambiguous way⁷¹⁶).

Distinctive character

The central issue for a sign to be protectable as trademark is that it be *distinctive*. Indeed, the function of a trademark is to distinguish goods or services offered by a company from those

offered by its competitors; and the legal system grants to the trademark holder a monopoly on this sign.

It results from these elements that a trademark cannot be purely descriptive or “generic”:⁷¹⁷ indeed, a sign that only describes the goods or services of a company does not have the effect of distinguishing them from the identical or similar goods or services offered by competitors; moreover, it would not be acceptable that a descriptive expression be monopolized by a company, so that its competitors would be prohibited to use such expression, whereas – obviously – it is often necessary in business to use expressions that describe the goods or services one offers. Therefore, a descriptive expression will not be protectable as a trademark and cannot be registered as such.

- no protection for descriptive or generic signs

For example, a manufacturer of cigars cannot register the expression “cigars” as trademark for its products; such expression shall be freely available for all its competitors. By contrast, a manufacturer of clothes can register such expression (“cigars”) as trademark for the trousers, socks etc. that it sells (whereas the expression “trousers” respectively “socks” would not be protectable as trademarks for these goods). “Orange” would not be protectable as trademark to designate the trading of the named fruit, but is protectable (since non-descriptive) for other activities (notably telecommunications).

There is an exception for initially descriptive expressions that have become notoriously a reference to a particular company; this may result from a long and/or successful use,⁷¹⁸ and/or an efficient marketing. Although *linguistically descriptive*, such expressions have *acquired in practice a distinctive character*; they can therefore be protected as trademark. In particular, such an expression can be *registered* as trademark once its notoriety is established. And, as for an inherently distinctive trademark (and as described below⁷¹⁹), its holder can prohibit

- descriptive signs that have become distinctive through use

competitors to use the expression or an expression that is likely to create confusions with it.

However, if a descriptive expression is *absolutely necessary* for the competitors, because they have no other expression to refer to their goods or services, even the notoriety shall normally not allow such descriptive expression to become protectable. There is in this regard a balance of interests to observe, by taking into account the goal of the legislation on trademarks and unfair competition, which is to avoid risks of confusions⁷²⁰: the absolutely needed character of an expression cannot be admitted simply because that expression is the most “efficient” (most elegant, shortest, etc.) to designate the goods or services; if the customers have started to associate a descriptive expression with a particular company, the prohibition made to its competitors to use that expression will be necessary to avoid risks of confusions. Thus – and although in perfect governance, a company shall preferably opt from the beginning for inherently distinctive signs – once a descriptive expression has become distinctive of a specific company, protection of consumers and fairness require normally that its competitors abstain from using it, in spite of the inconveniences for them⁷²¹ (it is therefore only if the inconvenience cannot be overcome, i.e. if no other expression can reasonably be used, that an *absolute need* can be admitted, hindering the protectable character of an initially descriptive expression that has become a notorious reference to a specific company).

- *technically
necessary shape*

An issue similar to the descriptive character of an expression relates to trademarks that consist in the shape or packaging of a product. As such, shapes (and packaging) can be protected as trademarks,⁷²² provided they are distinctive. But if a shape is the only possible one for the type of product (or to reach a particular *technical* effect), it is technically necessary; since

competitors shall be able to offer the type of product (with the same technical effects)⁷²³ and therefore need this shape, such – *technically necessary* – shape cannot be monopolized by a company and thus cannot be protected as a trademark.⁷²⁴

By contrast, it can happen that an initially distinctive sign becomes generic. It occurs when the consumers cease to associate an expression with the products of a particular company, and start to use the expression in order to refer to the *type of products*. Such paradox situation, as a rule, results from an exceptional popularity of the product and of its designation; the “mistake” of the successful manufacturer in such context consists in having been insufficiently attentive to the “denaturation” of the trademark into a generic expression. Among the famous examples, one may quote the *Walkman* of Sony, which was a trademark and, at least in some countries, became generic and therefore unable to be protected.⁷²⁵ *Kleenex* for paper handkerchiefs, *Teflon* for non-stick coating for pans (the molecule of polytetrafluoroethylene), *Velcro* for “hook-and-loop fasteners”, *Frisbee* for the flying disc toy, as well as *Jacuzzi*, *Vaseline* or *Post-It Note*, are clearly jeopardized as trademarks, and, at least in several jurisdictions, have become unable to be (i.e. to remain) protected as trademarks, because in the mind of consumers, these expressions refer (now) to the type of product and not (anymore) to the product of a particular manufacturer. Through a very intense marketing campaign, it is possible for a manufacturer to *reestablish* in the public the association between the expression and its particular company; if this campaigning is successful, the expression, which has recovered its distinctive character, can enjoy again the protection as trademark.⁷²⁶

- initially
distinctive signs
that become
generic

The requirement of non-descriptiveness is consubstantial to the function of trademarks to distinguish the goods and services offered by a company from those offered by the competitors.

Deceptive signs

Signs and expressions that have therefore no relation to (“nothing to do with”) the goods or services are the archetype of admissible trademarks. However, not everything that is not descriptive of the offered product is admissible: in particular, a sign that is likely to *deceive* the consumers (e.g. about the geographical origin of a product, or about its nature or quality) cannot become a valid trademark.⁷²⁷ With other words, a trademark cannot be descriptive of another product, unless no risk of deception exists (because it is obvious that this other product is not offered). The prohibition of deceptive signs is even in reality a superior concept of trademark law; this concept *includes* the classical effects of trademark law that consist (as will be described in detail below⁷²⁸) in enabling the owner to prevent risks of confusion, because creating such risks is a particular type of deceptive behavior.

Other “absolute” grounds for refusal

Besides, signs shall not be protected as trademarks if they are contrary to public order, laws⁷²⁹ or “accepted principles of morality”⁷³⁰.

Also, countries have committed in the Paris Convention to refuse to protect as trademarks signs that contain flags, emblems or guarantee signs of other countries (e.g. governmental certification services)⁷³¹, or of international organizations⁷³².

Conflict with an earlier trademark

All requirements mentioned above in relation with the capacity of a sign to be protected as trademark can be said to be “absolute”, i.e. related to the sign itself. One usually refers to “*relative grounds for refusal*”⁷³³ to describe the situations where a sign for which a trademark protection is sought conflicts with an earlier trademark. In reality, the possibility to oppose the registration of a trademark – to the extent that the opposition is based on an earlier trademark – is an aspect of the protection conferred to the trademark: the protection includes

the ability to prevent the registration of a conflicting trademark.⁷³⁴ Therefore, it is time to lay down the scope of trademark protection.

The protection of a trademark consists in the exclusive right of its owner to prevent all third parties from using *identical or similar signs for goods or services which are identical or similar* to those in respect of which the trademark is registered, if such use would create *a risk of confusion*.⁷³⁵ The risk of confusion is presumed if an identical sign is used for identical goods or services.⁷³⁶

*Scope of protection:
- in general*

For example, if the trademark “cigars” is registered for trousers and socks, its owner is able to prevent the use of the expression “cigars” (or the similar expression “cigarettes”) for trousers and socks (identical goods) and also, probably, for dresses and stockings (since these are similar goods, i.e. belonging to the same broad category – clothes). Indeed, there is the risk that a consumer, in presence of the competitor’s goods bearing a sign identical or similar (“cigars” or “cigarettes”), would believe that they are the goods of the trademark owner (or at least would see an association of any kind between them).

In practical terms, the risk of confusion may lead, if it gets real, the consumer to buy goods of the competitor, because he believes that they are those of the company he already knows; the competitor benefits – unfairly – from a good reputation of the trademark owner’s products; the sale to the client affected by the confusion is illegitimately lost for the trademark owner. Reversely, the consumer may renounce to purchase goods from the trademark owner because he associates them with the competitor’s goods bearing a sign identical or similar to the trademark; this renouncement may occur, in particular, if the competitor’s goods are of bad quality or in any manner have a

bad reputation; the disadvantage for the trademark owner would be unfair.

To prevent these unfair disadvantages of the trademark owner and the unfair advantages of the competitor, the trademark owner can prohibit any use of the identical or similar sign. This includes prohibiting affixing such sign on the products themselves, on the packaging of products, using such sign in advertisement, on letterheads, websites, etc.⁷³⁷ The implementation by courts of justice is similar in all fields of intellectual property; injunctions (urgent interim measures) have a particular importance.⁷³⁸

- well-known
trade marks

Reputed trademarks enjoy an increased protection: their owners can prohibit the use of identical or similar signs *also* for products or services⁷³⁹ that are neither identical nor similar to theirs.⁷⁴⁰ For example, the owner of the automobile trademark “Mercedes” can forbid the use of this reputed sign also in relation with food products; “Nestlé”, although the expression is used by the trademark owner essentially in food products, can forbid the use of this reputed expression in electronic products or in the car industry. Despite the absence of a risk of confusion, the law purports here to avoid a *dilution* of the distinctive power of the reputed sign, while its unauthorized use can be seen as a mere *parasitism*.

Limits to the
protection

Trademark protection does, as a rule, not entitle the owner to prohibit a person from using a sign he used before the trademark was registered.⁷⁴¹ It does not either entitle the owner to prohibit third parties from using the protected sign in order to refer to the product “in accordance with honest practices in industrial or commercial matters”,⁷⁴² notably for the sale of spare parts or for services in relation with delivered products (e.g. maintenance services related to machines or systems referred to by a trademark)⁷⁴³.

The application for trademark registration is filed with a national office of intellectual property (in the European Union, there is also the possibility to file the registration of a “Community trade mark”, which exists in parallel to national trademarks, with a European office⁷⁴⁴). The application shall contain, beyond the sign itself, the listing of goods and/or services for which protection is sought (according to the so-called “Nice classification”⁷⁴⁵, there are 34 “classes” of goods and 11 “classes” of services; the applicant can, within a general class, be more precise and specify the particular goods or services that he intends to use; there is no absolute limitation for the selection of the classes at the moment of application,⁷⁴⁶ but the affirmation of the intended *use* may be *prima facie* questionable if too many classes are selected).

Procedure of registration:
- application

If the office does not perceive absolute grounds for refusal, it publishes the trademark that has been applied for.

- publication

Owners of earlier trademarks have the possibility to file an *opposition*; as seen above⁷⁴⁷, they can invoke that the trademark in application is a sign that is identical or similar to their own trademark, for identical or similar services, and that there is a risk of confusion (owners of well-known trademarks can even invoke protection beyond similar products⁷⁴⁸). If the office is convinced, it ultimately refuses to register the trademark.

- possible opposition

If the trademark is successfully registered, the registration remains valid for an initial period (which is in most countries 10 years), which can be renewed as often as the owner so wishes.⁷⁴⁹ However, the renewal (and even the preservation within the initial period) can be made dependent on an actual use of the trademark.⁷⁵⁰ This rule aims at avoiding that expressions and other signs are monopolized without this being actually useful for the holder (and the consumers).

- duration of registration

- international
registration

The applicant can have the registration performed easily in a large number of countries⁷⁵¹ thanks to mechanisms that have been put in place by the treaties called the *Madrid Agreement Concerning the International Registration of Marks*⁷⁵² (in short “Madrid Agreement”) and the *Protocol relating to the Madrid Agreement*⁷⁵³ (in short “Madrid Protocol”): once it has registered the trademark, the national office, which is entrusted with collecting all applicable fees, forwards the application to an *International Bureau* (administered by the WIPO), which itself forwards in a centralized manner the application to the offices of the countries designated by the applicant.⁷⁵⁴ The procedure is then dealt with by each national office;⁷⁵⁵ in case of preliminary refusal by a national office, the applicant shall proceed before such office.⁷⁵⁶

- judicial
invalidation of
trademark after
its registration

In every case, the granting of a trademark by an intellectual property office does not guarantee the validity of the trademark. After that the trademark has been registered, a court of justice can still pronounce the nullity of the trademark.⁷⁵⁷ It may occur in particular if the defendant sued by the trademark owner for infringement of trademark has, in trial, the position of claiming (by a “counter-claim”) that the allegedly infringed trademark is invalid⁷⁵⁸.

In many jurisdictions, a trademark can also be cancelled if its registration was done “in bad faith” or if the registered trademark is not used for a relatively long period of time (in most systems: five years⁷⁵⁹).⁷⁶⁰ In a balanced system, such decision of cancellation can – in our opinion – legitimately be taken only by an independent court of justice (and not by an administrative authority), since it has the effect of suppressing a property that has started to exist. However, in some jurisdictions, the intellectual property office itself has – quite questionably – this power of revocation.⁷⁶¹

It must be noted that trademarks are not the only signs and distinctive expressions used in business life. Many distinctive signs are not registered at all, and simply result of the use – like the “trade names”⁷⁶² used “in the ordinary course of business”⁷⁶³. Some distinctive signs are registered in other state registers than in the trademark registers (e.g. a company name is registered in the Register of commerce); the name of a person can also be used in business life, and have thus (also) the function of a distinctive sign. Some distinctive signs are registered with private persons, like notably the internet domain names. For some of these signs (name of companies and of persons), legal provisions may create a specific protection (or, for domain names, particular semi-private procedures actually grant some efficient protection⁷⁶⁴), but in general, the main instrument to protect these signs is the legal prohibition of *unfair competition*. Rules on unfair competition fight the deceptive behaviors and notably the risk of confusion,⁷⁶⁵ as trademark law does.

*Distinctive signs
other than
trademarks*

The collective marks (and the guarantee marks)⁷⁶⁶ differ substantially from individual trademarks. In the contemporary understanding, an individual trademark is an asset of its owner, in which he invests for his interests;⁷⁶⁷ the legal means against infringement aim at protecting his investment, even if the protection is *also* justified by the societal aspects related to preventing the consumers’ risks of confusion. By contrast, a *collective mark* is not an individual trademark owned by several persons, but a sign, the function of which is to confirm to the public that the goods or services offered with such sign correspond to particular characteristics.⁷⁶⁸

*Collective
trademarks*

To register a collective mark, a *regulation* thereof must be filed with the intellectual property office; this regulation must indicate under which conditions market participants can affix the mark to their products or use it in offering their services;

the regulation is normally subject to the approval of the office. A mere *collective mark stricto sensu* aims at showing the membership of a company to a circle or group of producers or enterprises. A *guarantee mark* aims at showing that products have been made in accordance with determined practices and/or have a determined quality; the regulation of a guarantee mark shall ensure that the holder actually controls what is guaranteed and has the power, if needed, to sanction the breach of the conditions; the holder should normally be independent of the companies whose products are guaranteed by the mark. As a whole, it is clear that, even if they are transferable and have a value, and constitute a marketing tool for their users, collective and guarantee marks have mainly the function of *informing* the public.⁷⁶⁹

1.3 Copyright (and related rights)

Overview

Classically, since the middle of the 19th century, the protectable subject matter⁷⁷⁰ of copyright (*droit d'auteur*) is referred to as "literary and artistic works"⁷⁷¹. New rights ("related rights") enjoying, fundamentally, the legal regime of copyright (from phonograms to software) have been added in the course of the evolution of technologies.

The holder of the copyright on a protected work has, firstly, a legal monopoly on its reproduction; he has the power of *prohibiting copying* in a broad sense, including modified or partial reproduction⁷⁷². Besides, it is nowadays almost universally⁷⁷³ recognized that the creator also enjoys "moral rights" (e.g. rights to claim authorship of a work or to oppose changes to the work that could harm his reputation⁷⁷⁴).

Copyrights exist without registration (i.e. without any procedures or filings to be accomplished before an authority):⁷⁷⁵ a copyright exists as soon as a protected work is

created. Since the right exists without registration⁷⁷⁶, it is protected in every country that recognizes copyrights.⁷⁷⁷

In this legal context, international conventions have obviously played a crucial role since the beginning of the modern history of copyright. A convention adopted at Berne as early as 1883 (and revised several times since then)⁷⁷⁸ is still the basis of the international understanding of copyright.⁷⁷⁹ It defines as follows the classically protectable subject matter: *“The expression ‘literary and artistic works’ shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science”*.⁷⁸⁰

Types of protected works: listing in the international Convention of Berne

Besides, rights close to the copyright belonging to authors of works in the strict sense are granted to *performers* of these works⁷⁸¹ (i.e. notably the persons playing or interpreting musical, dramatic or literary works). Similar rights are also granted to producers of phonograms⁷⁸² and to broadcasting organizations⁷⁸³. Such rights are called “related rights” or “neighboring rights”⁷⁸⁴.

“Neighboring rights” for performers and producers of phonograms

Although it was long debated (and can still be debated) whether (and, if yes, under which conditions) computer programs can be considered as works, international treaties

Computer programs treated as works

have enacted the rule pursuant to which computer programs shall be protected in the same manner as if they were literary works under the Berne Convention.⁷⁸⁵

General requirements of originality or individuality for a work to be protected

As regards the works in the proper sense, it is somewhat surprising to observe that, after more than a century of existence of the Berne Convention as a nearly universal treaty, there are still substantial controversies and conceptual discrepancies about the fundamental question of what level of originality, individuality or creativeness is needed in order for a work to be protected by copyright.⁷⁸⁶ The *object* of copyright protection (“copyrighted work”) remains difficult to conceptualize in an abstract definition that would be obviously satisfactory. Whereas it is clear that a poem, a painting of fine arts or a melody is as such protected by copyright, it is more difficult to determine whether a technical book or a functional drawing is protected. A consensus exists about the rule that “ideas” as such shall not be protected by copyright;⁷⁸⁷ article 9 subs. 2 of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (“TRIPS”) excludes from copyright protection “*ideas, procedures, methods of operation or mathematical concepts as such*”. Accordingly, only the *expression* of an idea is protected,⁷⁸⁸ to the extent that there are several ways of expressing this idea. This distinction (idea vs. expression of an idea) does not solve all questions: indeed, an *artistic idea* (e.g. a type of plot⁷⁸⁹, a type of character) may exist beyond its particular expression and there might be, in reality, the legitimate need of legally protecting it (and a consensus of lawyers to grant such protection).

Criterion of relative originality as practicable tool

Probably – in our opinion – one of the effective solutions to approach copyright does not concentrate on defining whether a work contains a minimum amount of originality, individuality or creativeness, or on distinguishing whether it is a mere “idea” or already the “expression of an idea”. Indeed, in today’s

understanding, the requested level of originality, individuality or creativeness is rather (very) low.⁷⁹⁰ Therefore, an effective approach consists in determining whether the expressions, against which the holder of the copyright intends using its monopoly, have themselves some proper amount of originality, individuality or creativeness. If a posterior work has an equivalent (or superior) amount of originality, individuality or creativeness, it will be, as a rule, legitimate not to grant a (relative) monopoly (i.e. in actual terms, the right to prohibit the posterior work) to the first creator. At least, this criterion appears to be valid for rather banal works: the author of a text consisting in a banal structure and banal expressions shall have the power of prohibiting a text that copies it narrowly, but he shall not have the power of prohibiting a text that, having similarities, has itself some amount of proper originality (and is not a *derivative work*)⁷⁹¹. By contrast, the author of a very original text shall have the power of prohibiting a text (or parts thereof) in which the similarities are important, i.e. in which the differences from the original text are themselves banal or secondary. In short, a purely technical description of the “copyrighted work” is probably less helpful than an *examination of the relationship* (in terms of originality, individuality and creativeness) between the work of a first author and the work that he wishes to prohibit.

This approach based on what can be called “*relative originality*”⁷⁹² reintroduces in copyright law, unavoidably, some appraisal on the merits⁷⁹³ (what modern conceptions of the definition of copyrightable work aimed at avoiding⁷⁹⁴). This is however legitimate, since the actual issue is whether a second work can be prohibited (by the first author) or not: a judge having to decide on this can only be influenced by and pay attention to the respective merits; and he shall do so.⁷⁹⁵ Indeed, it is better – and all in all more predictable rationally – to

transparently deal with the respective originality of the two litigious works, even if this almost necessarily involves some subjective judgment on the merits, rather than pretending to apply purely abstract “technico-legal” definitions of the copyrighted work.

*Content of the copyright:
- exclusive right of reproduction*

As regards the particular rights of the copyright holder, the fundamental one is the exclusive right of authorizing the reproduction of the protected work.⁷⁹⁶ As already mentioned above, this exclusive right covers also modified or partial reproductions; this important aspect will be further dealt with, several times, below.⁷⁹⁷

Legislations foresee that the exclusive right of reproduction is subject to exceptions, which shall not prevent a normal exploitation of the work.⁷⁹⁸ Among these exceptions, the right exists to *quote* a work or to use such for *teaching*⁷⁹⁹; this use shall be limited to the extent justified by the purpose and the source shall be named (as well as the name of the author if mentioned on the source).⁸⁰⁰

- exclusive right of performing musical or dramatic works

Authors of musical and dramatic works have the exclusive right of authorizing the public performance of their works and the communication thereof.⁸⁰¹ The same applies to cinematographic works.⁸⁰²

- exclusive right of translating, adapting etc.

Authors also have the exclusive right of authorizing translations⁸⁰³, adaptations, arrangements or other alterations⁸⁰⁴ of their works.

- right to remuneration in case of rental

To the extent that they do not grant an exclusive right to the author for rental of his work, several legislations foresee the author’s right to be remunerated when his work is rented.⁸⁰⁵

- exclusive rights of holders of “related rights”

Holders of “related” or “neighboring rights” (performers, producers of phonograms) have similar rights. Performers can

prohibit the fixation of their performance and, if such has been fixed, the reproduction, broadcasting or other communication of their performance.⁸⁰⁶ Producers of phonograms can prohibit the “direct or indirect reproduction” thereof.⁸⁰⁷

The rights listed above have mainly economic effects⁸⁰⁸: the right to prohibit reproduction means also, in practical terms, the right to allow reproduction in exchange for remuneration. In addition to the economic rights, the Berne Convention creates so-called moral rights: *“the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation”*.⁸⁰⁹ The right not to divulge the work can also be considered as a moral right.⁸¹⁰ - *moral rights*

The exclusive rights of the author can be transferred totally or partially by contract. The publishing contract and the licensing contract are among the most important instruments to transfer partially these rights, or to arrange a particular exercise thereof. It is possible for the author and the publisher or licensee who contracts with him to organize very freely the manner in which the work will be exploited (published, distributed, translated, adapted, etc.; in exchange of which remuneration; for which duration). - *transferring the rights by contract*
-- *freedom*

By contrast, the contractual freedom is restricted with regard to the moral rights.⁸¹¹ Another type of restriction exists in several legal systems, where the right to collect remunerations deriving e.g. (for authors) from rental of copies of works or (for performers) from broadcasting of performances can be exercised only through particular companies, which receive from the State a monopoly on this collecting; these companies shall redistribute the benefits to the authors.⁸¹² -- *restrictions*

*Duration of the
exclusive rights
- of authors*

According to the international treaties, the exclusive rights of authors shall, in general, be valid for at least the author's lifetime and for the 50 years that follow his death.⁸¹³ In case where the time cannot be calculated on the basis of the lifetime and death of an author, the minimum duration of copyrights is 50 years after the authorized publication (or, if there was none, 50 years from the making).⁸¹⁴ Many legislations set forth a longer duration (e.g. 70 years after the death of the author).⁸¹⁵

- of performers

As regards rights of performers and producers of phonograms, the computation of the protection period starts as of the moment at which the performance (or its fixation) took place. International treaties prescribe, for most rights, a minimum duration of 50 years,⁸¹⁶ whereas this duration is longer in several legal systems (e.g. 95 years⁸¹⁷).

*Extent and limits
of the exclusive
right of
reproduction
- modified works*

To close this synthetic presentation of copyright, some remarks shall be done about the exclusive right to prohibit reproduction.

On the one hand, it does not only cover the reproduction in the strict sense, i.e. the making of identical copies; it also covers *modified or partial reproductions of a work*.⁸¹⁸ Such modified or partial reproductions can consist in mere *plagiarism*, but can also be *derivative works*, i.e. works that are themselves individual to some extent, but in which one can still recognize individual features or characteristics (traits) of a prior work.⁸¹⁹

- parodies

On the other hand, an exception, which is justified by the freedom of expression,⁸²⁰ consists in the parodies: in a free society, it must be possible to criticize and mock a work and its values. Obtaining the approval from the author in order for his work to be mocked is often unlikely; taking this into account, many legal systems admit that the making and performing of a parody (unlike the regime applicable to other "adaptations") does not need the authorization of the author of the parodied

work. Pursuant to the general rule applicable to exceptions (which shall not impede a fair exploitation of the work),⁸²¹ a work is a true parody, exempted from the authorization, if it does not have the same economic function as the parodied work.⁸²²

Another conceptually important “exception”, which is rather a systemic limit of copyright, consists in what can be called a “parallel creation”⁸²³, i.e. a work that is similar or even identical to a prior work, but was created without knowledge of that prior work,⁸²⁴ so that such had no direct influence on the chronologically posterior author and did not inspire him. The second work is neither a reproduction, nor an adaptation; it is not a derivative work. Contrary to what is applicable in patent or trademark law (or in the law of industrial designs),⁸²⁵ the exclusive rights of the author are not a purely objective monopoly on the work; if, in the creation of the posterior work, there is no relationship with the prior work, but only an objective similarity or identity of both works, this does not justify the right to prohibit the posterior work: indeed, such is an independent creation. However, in practice, it may often be difficult to make evidence that the author of the posterior work really had no knowledge of the prior work.

- “parallel creations”

Besides, depending on national legislations, particular exceptions to the regime of copyright may be foreseen, as regards the object (e.g. political, judicial⁸²⁶ or public speeches; official texts⁸²⁷) or as regards the type of reproduction (e.g. archive copy⁸²⁸,⁸²⁹).

- variable exceptions

1.4 Other legal monopolies: designs, plant variety rights, etc.

Whereas the protection of patents, trademarks and copyright can be considered as the *core* or necessary elements of

intellectual property, particular laws create additional immaterial monopolies.

1.4.1 Industrial designs

*Protectable
subject matter*

According to nearly universal treaties, like *Paris Convention for the Protection of Industrial Property*⁸³⁰ and the *Agreement on Trade Related Aspects of Intellectual Property Rights* (“TRIPS”) adopted within the WTO-system,⁸³¹ the industrial designs that are “new and original” shall be protected.⁸³²

An industrial design can be described as the “*ornamental or aesthetic aspect of an article*”⁸³³; it may consist of three-dimensional features, such as the shape or surface of an article, or of two-dimensional features, such as patterns, lines or color.⁸³⁴ They are applied to innumerable products of industry and handicraft: technical and medical instruments, watches, jewelry, electrical appliances, vehicles, architectural structures, textile, etc.⁸³⁵ Although designs can be said to be less central intellectual property assets than patents or trademarks, they are important to make a product attractive and appealing, to increase its marketability.

*Conditions for
protection*

As a rule, the novelty and originality requirement means that, to be protectable, a design shall not insignificantly differ from known designs (or from combinations of known design features).⁸³⁶ The laws of many countries foresee that a design is not protectable if it is essentially dictated by technical or functional factors⁸³⁷ – such exception exists also in trademark law.⁸³⁸

The originality shall be appreciated objectively.

*Legal source of
protection*

Depending on the country, the protection is granted either through a particular legislation (“industrial design law”), or through copyright, or through trademark law (notably the

protection of tridimensional trademarks). In several legal systems, an industrial design can be protected simultaneously by the particular design law and by copyright law.⁸³⁹

The particular design protection requires a registration with a national office of intellectual property. International agreements provide for a facilitated (simultaneous) registration in several countries, through an International Bureau.⁸⁴⁰

Procedure

The exclusive right of the owner consists in the right to prohibit the commercial copying of the design, i.e. the making and selling of objects that bear or embody an identical or substantially identical design.⁸⁴¹

Content and effects of the protection

Some exceptions can be foreseen by national laws; they shall not unreasonably harm the interests of the owner.⁸⁴² One frequent exception, mitigating the harshness of the priority based on registration, spares persons who created or used the design, without registration, before it was registered by somebody else: they can continue to use the design. This exception can also be found in trademark law.⁸⁴³

According to the international minimal standard, the protection shall be available for at least 10 years.⁸⁴⁴ Many countries make available a longer protection (e.g. 15 or 25 years).

Duration of protection

1.4.2 New varieties of plants

A particular regime of protection can be granted to “new varieties of plants”. A treaty in this regard has been adopted by most industrialized countries.⁸⁴⁵

Protectable subject matter

The “breeder” can register a plant variety if it is “*new, distinct, uniform and stable*”.⁸⁴⁶

- conditions in general

In particular, the distinctness means that the registered variety shall be “*clearly distinguishable from any other variety whose*

-- distinctness

existence is a matter of common knowledge at the time of the filing of the application”.⁸⁴⁷

-- *uniformity*

The uniformity requirement supposes that, “*subject to the variation that may be expected from the particular features of its propagation, the variety [be] sufficiently uniform in its relevant characteristics*”⁸⁴⁸. With other words, the variety shall really be a species: the different individuals belonging to the variety shall not vary too significantly from each other (common characteristics shall remain present in all individuals).

-- *stability*

Stability means that the variety “*remain[s] unchanged after repeated propagation*” (or, in the case of a particular cycle of propagation, at the end of each such cycle).⁸⁴⁹ In simple terms, the variety shall remain the same in the course of time: new individuals shall have common characteristics with the ones from which they are bred and with the predecessors of the latter.

Application and grant of protection

The protection is granted, after an application for registration, by a national authority.⁸⁵⁰ Such authority has to conduct an examination, in which it can grow the variety, carry out tests or take into account the results of tests already carried out.⁸⁵¹

Scope of protection

As regards the content of protection, the breeder has the exclusive right to produce or reproduce (multiply) the propagating material of the protected variety (as well as to condition it for the purpose of propagation, to offer it for sale, to sell or market it, to export and import it and to stock it for any of these purposes).⁸⁵²

The treaty foresees compulsory exceptions to the exclusive rights of the breeder regarding “*acts done privately and for non-commercial purposes*”, for “*acts done for experimental purposes*” and acts “*done for the purpose of breeding other varieties*”.

Countries may provide for supplementary exceptions,⁸⁵³ which are however rather limited, except if the public interest is at stake⁸⁵⁴.

Regarding the duration of the breeder's exclusive rights, the international minimum standard is that it shall not be shorter than 20 years from the date on which the right has been granted (and 25 years for trees and vines).

Duration of protection

1.4.3 Layout-designs (topographies) of integrated circuits

The *Agreement on Trade Related Aspects of Intellectual Property Rights* ("TRIPS"), which is a part of the WTO system and is therefore binding for a vast majority of countries in the world, sets forth that *topographies of integrated circuits* shall be protected⁸⁵⁵

Protectable subject matter

From the legal texts, an "integrated circuit" can be defined as a product that intends to perform an electronic function, whereas its elements (one of which at least is active) and some (or all) of the interconnections are integrally formed in (or on) a piece of material. The "topography" (or "layout-design") is the three-dimensional disposition of these elements.

In an easier language, an integrated circuit is nothing else but a microchip, a set of electronic transistors assembled on one small plate ("chip") of semiconductor material, usually silicon. Invented by Geoffrey DUMMER in 1952, integrated circuits technology allows integration of large numbers of tiny transistors into a small chip (up to 10 nanometers in 2014). This made possible the creation of the first microprocessor, Intel 4004©, and ever since has enabled construction of ultra-light computers, mobile phones and other high-performance electronic devices.

The layout (“topography”) of the transistors on the plate in each microchip is a unique element which allows reducing the dimensions of the material chips and proportionally increasing their functions. The smaller an integrated circuit, the less the material needed for its manufacturing and the smaller the space needed to accommodate it. In practice, it is possible to copy each layer of the integrated circuit by photographing and to prepare photo-masks for reproduction. For this reason, the layouts have had to become subject to protection of specific intellectual property legislation.

Non-banality as condition of protection

A protection is granted if such topography is not banal (the legal requirement is worded as “originality”, but its level is low: a topography is protectable if it is the result of its creators’ own intellectual effort and is not commonplace among creators of topographies and manufacturers of integrated circuits at the time of its creation).⁸⁵⁶

Scope of protection

The protection consists in the exclusive rights of reproducing in any manner the protected topography (except as regards the banal parts of the topography), or of selling, importing or distributing for commercial purposes an integrated circuit in which a protected topography is incorporated.⁸⁵⁷ These acts are allowed if they are “*performed for private purposes or for the sole purpose of evaluation, analysis, research or teaching*”.⁸⁵⁸

Besides, there are no exclusive rights against an identical original topography that was independently created by a third party.⁸⁵⁹

Duration of the protection

As per the international regulation, the protection shall be protected for a “*term of no less than 10 years from the date of the first commercial exploitation wherever in the world it occurs*” or from the date of filing an application for registration.⁸⁶⁰

Countries can specify that the protection lapses in any case 15 years after of creation of the topography.⁸⁶¹

1.4.4 Software (computer programs)

The section very briefly deals with the complex and debated issue whether software is patentable and copyrightable.⁸⁶² To say this simplistically, in European countries, software can be patented only if it is linked with an effect on hardware or other technical elements.⁸⁶³ The conception is broader in the United States⁸⁶⁴, notably.⁸⁶⁵ However, from a practical point of view, the creators of software are satisfactorily protected in European countries – and elsewhere – by the rule according to which computer programs are assimilated to literary works, i.e. enjoy the protection of copyright.⁸⁶⁶

1.5 Legal rules protecting indirectly intangible assets

Some legal rules do not create particular exclusive rights of intellectual property, but prohibit *behaviors* in order to protect an actual and practically existing immaterial value. This value can be considered as an asset. The clearest illustration is the protection of trade secrets. Other rules, belonging notably to unfair competition, have a similar function.

1.5.1 Trade secrets

Trade secrets must be protected notably pursuant to article 39 of the *Agreement on Trade Related Aspects of Intellectual Property Rights* (“TRIPS”), which obliges countries member to the WTO to protect “undisclosed information” if such is acquired “*in a manner contrary to honest commercial practices*”. Long before this treaty was adopted, confidential information was already protected by provisions of criminal codes or of other laws in nearly all legal systems and this remains; the effect of article 39 TRIPS is that it has created a – high – international minimum standard of protection.

Sources of protection

Conditions for protection

Under this standard, in order to be protectable by judicial action against illegitimate acquirers, the undisclosed information is required to be really a secret (in the sense that it is not generally known or accessible to persons within the circles that normally deal with the kind of information in question);⁸⁶⁷ the secrecy has to be kept by measures that are reasonable under the circumstances;⁸⁶⁸ and the information is required to have commercial value as a result of its confidential character.⁸⁶⁹

The protection presupposes also the *dishonesty* in acquisition of the secret. To circumscribe this concept, an official note to article 39 TRIPS enumerates in this regard “*practices such as breach of contract, breach of confidence and inducement to breach*”.⁸⁷⁰ It adds that the “*acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition*” is also dishonest.⁸⁷¹

These requirements, and in particular the dishonesty in acquisition, show how conceptually different the protection of trade secrets is (“*behavior-related*”) as compared with the legal monopolies created by patent law, trademark law or copyright law (such laws, to protect the intellectual property right, do not require dishonesty as such or another behavior than – even involuntary – copying).⁸⁷²

Secret vs. patent

Innovative companies are often confronted with the dilemma of whether they shall patent an invention or keep it secret.⁸⁷³ One significant advantage of the secret is its potential duration: whereas the laws limit the maximum duration of patent protection to 20 years, the secret remains legally protected as long as its confidential character is preserved. The choice depends therefore on the actual ability to take efficient measures to preserve confidentiality (and their costs as

opposed to patenting costs); it also depends on whether the invention is expected to be exploitable for more than 20 years (it might not be so in a field of quickly evolving techniques).

Secrets actually kept for very long periods of time exist notably in the nutrition business; famous recipes include the *Chartreuse liqueur* (preserved and exploited by Chartreux monks in France since the 17th century) and the Coca Cola (preserved since 1886).

This being said, many secrets are not patentable at all. A vast majority of inventions do not meet the criteria set by patent law, be it because they are not of technical nature, or, e.g., because they are not innovative enough. Sometimes, the industrial knowledge of a company (“know-how”), even significantly technical and innovative, is too complex (or too broad, or too intersected with business methods, or too particular) to be patented. Other valuable knowledge, as for example the listing of clients or prices practiced by the company, is obviously not patentable. For all such secrets, the only protection is confidentiality and the legal provisions that aim at legally safeguarding it – by punishing infringers or granting judicial orders⁸⁷⁴ to prevent further divulgation –, provided the company (as stated notably in article 39 TRIPS) had taken the reasonable practical measures to actually preserve it.

*Non-patentable
secrets*

1.5.2 Internet domain names

A domain name is obviously a financial asset for its holder: an attractive or suitable domain name gives business advantages (easier access to customers, more efficient advertisement and marketing).

*Nature of
domain name*

In legal terms, an internet domain name is only a relationship (in most cases: a contract) between the holder⁸⁷⁵ and the

organization (“*Internet Corporation for Assigned Names and Numbers*”, abbreviated “ICANN”, or national registrars⁸⁷⁶) that grants it. Most organizations grant the domain name according to a simple rule: the first who applies (and fulfills simple formalities and performs a payment) becomes the holder (administrator) of the domain name.

Registration made in bad faith

Very frequent legal issues – and litigations – arise in relation with the registration of a domain name when it amounts to *usurpation* or is, in any other manner, done in bad faith. Typically, a person registers a domain name that corresponds to a famous trademark or famous company (in order to sell the administration rights to the trademark or name owner, or in order to divert in his favor flows of clients who have been attracted by the famous name).⁸⁷⁷

Procedures against registration made in bad faith

The ordinary courts of justice may render decisions to implement the protection of the trademark or of the name (e.g. judicial order to transfer the domain name to the trademark owner or to cease its utilization). In order to facilitate the resolution of disputes related to domain names, the World Intellectual Property Organization (WIPO) has set up a simplified arbitral procedure, called the *Uniform Domain Name Dispute Resolution Policy* (UDRP). It applies to most “generic Top-Level Domains” (gTLDs), like “.com”, “.info”, “.org”, “.net”,⁸⁷⁸ and also to many “country code Top-Level Domains” (ccTLDs)⁸⁷⁹. This arbitration procedure is extremely cheap (in comparison with ordinary commercial arbitrations or with courts of justice), informal and rapid.⁸⁸⁰ The arbitrators can order a gTLD or ccTLD to be transferred, cancelled or modified.⁸⁸¹ As regards the legal technique, the arbitration agreement is included in the contract between the registrar of domain names and its customer (i.e. the domain name holder).⁸⁸²

Besides, laws do not create a specific protection of domain name holders, e.g. against competitors who (in order to create confusions or by parasitism) use on their products or in their advertisement an expression contained in the domain name of the holder. From this point of view, a domain name is not an exclusive right. A legal protection against such behaviors may arise from general rules, notably on unfair competition. Such are described in the following section.

Protection of holder against use of expressions contained in domain name

1.5.3 Unregistered signs

Trademarks are *par excellence* the distinctive signs used for business activities. The name of a company is also an important distinctive sign. In most legal systems nowadays, these signs are recorded in official (governmental) registers (intellectual property office for trademarks; registrar of companies for company names).

Practical importance of unregistered signs

This being said, companies and individuals do not only use registered signs for their activities; they also use signs and expressions (product names, advertising slogans, etc.) that are not registered as trademarks (and, of course, neither as company names). However easy it may be in the 21st century to register a trademark by a simple online procedure before one's national intellectual property office (without the assistance of any specialized IP consultant), the obvious fact remains that the overwhelming majority of potentially distinctive signs and expressions are used without being filed with any official register.

The Paris Convention on Industrial Property foresees that “trade names” that have not been registered shall nevertheless be protected;⁸⁸³ thus, it can be considered that the holder of an unregistered trade name has an exclusive right on it, similar to the right enjoyed by the owner of a trademark.⁸⁸⁴ This protection of trade names, which are not clearly distinguished

*Type of legal protection:
- exclusive right*

from (almost always registered) company names, as an exclusive right on an unregistered sign, is exceptional: for other unregistered signs, there is no such basis for an exclusive right.

- prohibition of
type of behavior;
unfair
competition

The protection of these other unregistered signs derives therefore from general legal rules that, instead of prohibiting the infringement of a legal monopoly, prohibit certain types of *behaviors*. In this regard, the crucial legal rules are those that aim at fighting *unfair competition*.

-- likelihood of
confusion

The most relevant aspect of unfair competition law in relation with unregistered distinctive signs is the general prohibition of “*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*”⁸⁸⁵. This general prohibition to create confusion gives, as regards the criteria, to unregistered signs a protection that is very close to the one granted to trademarks.⁸⁸⁶

This being said, due – in practice – to the fact that trademarks have been reviewed upon registration by a governmental body, which confirmed their distinctive character, and due to the existence of a legal monopoly of the trademark owner on the registered sign, it is obvious that trademarks enjoy an easier implementation and broader scope of protection when it comes to prohibit signs or expressions that may create a risk of confusion. The examination of whether a sign or expression creates confusion with *a trademark* is conducted in a manner that isolates the sign or expression used by the defendant; by contrast, when it comes to examine under the sole aspect of unfair competition law whether the defendant creates a risk of confusion with the user of an unregistered sign, all circumstances will be taken into account – and some of the circumstances may have the effect of excluding the risk of

confusion (and thus of countering the prohibition of the act as unfairly competitive behavior).

It can be mentioned that unfair competition law does not only prohibit the creation of a risk of confusion.⁸⁸⁷ It prohibits in general “*any act of competition contrary to honest practices in industrial or commercial matters*”.⁸⁸⁸ This includes, among other behaviors, denigration (disparagement)⁸⁸⁹ and misleading indications or allegations⁸⁹⁰.

*-- other unfairly
competitive
behaviors*

2. Implementation of intellectual property rights (enforcement)

Existence of an international standard of rules

The implementation of intellectual property rights by courts of justice or other authorities – the “enforcement” – does not particularly differ from the implementation of other rights,⁸⁹¹ but, by contrast to most rights, an explicit and comprehensive standard of rules exists *on the international level*: the *Agreement on Trade Related Aspects of Intellectual Property Rights* (TRIPS), which binds all countries members to the World Trade Organization (WTO),⁸⁹² contains not less than 22 articles on enforcement⁸⁹³. A large part thereof (articles 41-50) relates to the civil litigations, another to measures to be taken by border (custom) authorities (articles 51-60) and one provision relates to criminal procedures (article 61); one provision, which completes the numerous particular provisions in specific treaties, sets a general standard about the procedures for the acquisition (and maintenance) of rights by registration (article 62).

2.1 Civil claims

Content of possible claims

In general, the holder of an intellectual property right can request from a court of justice (1) that it be recognized that his right has been infringed by defendant, (2) that any future infringement by the defendant be prohibited⁸⁹⁴ (3), that counterfeit goods be confiscated and destroyed⁸⁹⁵ (if this complies with proportionality)⁸⁹⁶, (4) that objects that have been used to commit infringement be confiscated and destroyed⁸⁹⁷ (if this complies with proportionality)⁸⁹⁸, and (5) that in case of willingly or negligently accomplished infringement, damages (monetary compensation) be awarded;⁸⁹⁹ besides (6), recovery of expenses and of profit illegally generated by the defendant can be ordered even if the defendant infringed the intellectual property right without

intention or negligence.⁹⁰⁰ It is also set forth that the infringer may be ordered (7) to inform the right holder about “*the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution*”.⁹⁰¹

These claims can be awarded by a final judgment. The prohibition (i.e. the item N° 2 in the above listing) can also be ordered in an *interim* way, notably for the duration of the trial, if the claimant shows that there is an emergency (such decision can be called “*interim urgent injunction*” or “*provisional measures*”, as will be discussed in details below).⁹⁰²

Final and temporary orders

For all types of situation, in order to prevent or limit the risk of misuses, it is foreseen that the authorities may “*order a party at whose request measures were taken and who has abused enforcement procedures to provide to a party wrongfully enjoined or restrained adequate compensation for the injury suffered because of such abuse*” (this covers also the defendant’s expenses, including attorney’s fees).⁹⁰³

Liability for undue enforcement

2.2 Rules for the civil trial

In very general terms, the TRIPS requires that enforcement procedures “*permit effective action against any act of infringement of intellectual property rights [...], including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements*”. They “*shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse*”; they “*shall be fair and equitable [...], not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays*”.⁹⁰⁴

Requirement of efficiency and fairness

It is specified that “*decisions on the merits of a case shall be based only on evidence in respect of which parties were offered*

Evidence and right to be heard: - in general

*the opportunity to be heard”;*⁹⁰⁵ in particular, “*defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims [...] All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence*”.⁹⁰⁶

- with regard to
confidential
information

A balance between the right to challenge evidence and the need to protect secrets shall be preserved (“*the procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements*”)⁹⁰⁷. This is often complex in practice: in intellectual property, confidential information frequently constitutes decisive evidence; but any party against whom such evidence is used shall be able to be informed about it in order, potentially, to comment and challenge it (in its veracity or in its interpretation). Attempts of balanced solutions include notably an access to confidential information at the court’s premises, without that copies can be made, or communication of such information with a court’s orders specifically obliging the receiving party to preserve confidentiality of the communicated information.

- with regard to
elements held by
other party

Besides, if, having already provided the evidence that he has, a party explains that some elements of evidence are held by the opposing party, the court may order the opposing party⁹⁰⁸ to bring (“produce”) this evidence in the trial.⁹⁰⁹ Measures to protect confidentiality shall also be taken when such production of evidence is ordered.

Urgent
injunctions:
- temporary
nature

An essential aspect of intellectual property protection is the interim urgent injunctions, or “provisional measures”. They consist in orders that can be rendered by the court, before the end of the trial, for a limited time or for the entire duration of the trial. They typically aim at preventing (further) infringement

of a right or another illegal behavior, or also to preserve evidence of an infringement.⁹¹⁰

Such urgent injunctions exist also in other fields of law, but they are particularly important – and widespread – in intellectual property;⁹¹¹ the TRIPS contains an explicit provision related to them, setting so an international standard.

The crucial difference with an ordinary trial is the simplified and extremely rapid character of proceedings. The essential aspect of simplification is the level of evidence: instead of having to *prove* the facts that he alleges, the claimant may obtain an urgent injunction by only making his allegations *likely* (or credibly plausible).⁹¹² The facts to be made likely are that the claimant is the holder of a right, and that this right is being infringed or that an infringement is imminent (or that evidence is likely to be destroyed or concealed).

- *simplified requirements regarding evidence*

With this lower level of evidence, a decision on interim injunction can be rendered within a few weeks (instead of numerous months or years as it can be necessary to obtain a final judgment). Decisions can even be obtained within a few days or hours – if necessary without giving the opposing party the possibility to express his position –, “*where any delay is likely to cause irreparable harm*”;⁹¹³ such utmost urgent decisions are valid only until a possibility is given to the opposing party to reply, so that a “normal” interim decision can be rendered⁹¹⁴.

- *rapidity*

Any interim decision on provisional measures needs to be followed and confirmed by an ordinary claim; usually, such claim shall be filed within 1 or 2 months after that the interim decision has been rendered.⁹¹⁵

- *necessary relationship with ordinary trial*

If no ordinary claim is timely filed, or if at the end of the trial, it appears that the claim is to be rejected (or that the interim

injunction, which was ordered, was otherwise unjustified), the claimant may have to compensate the defendant.⁹¹⁶

- *proportionality* Since they are based on likeliness (and not evidence) and on possibly superficial legal reasoning due to the urgency, and have only provisory character, it is important, in general, that the principle of *proportionality* be observed in ordering provisional measures. If some measures are efficient without that they have irreversible effects, they shall be preferred to measures with irreversible effects; for example, a seizure of allegedly counterfeit goods shall be preferred to their destruction. It is also legitimate to make interim decisions dependent on whether an infringement appears to be nearly obvious or merely likely.⁹¹⁷

- *security to cover possible liability of claimant* Besides, taking into account that the final judgment may lead to the conclusion that the provisional measures were unjustified, courts may request the claimant to provide security in order for interim measures to be in force⁹¹⁸ (e.g. money deposit with the court, or bank guarantee to cover the possible injury that interim measures will have – illegally if they are finally unjustified – generated for the defendant). As a typical example, in a case where Nestlé obtained injunctions prohibiting a competitor to sell capsules similar to those of Nespresso, a security of CHF 2 million was decided by the court to be provided by Nestlé, since the competitor made likely a yearly net income of CHF 500'000 if no interim prohibition were ordered and since the trial on the merits was expected to last for 4 years.⁹¹⁹

2.3 Enforcement by custom authorities

Practical role of custom clearance In practice, as regards the implementation of intellectual property rights against *counterfeit goods* (infringing trademarks) or *pirated goods*⁹²⁰ (infringing copyright, and possibly other

rights like patents), a very important aspect of enforcement consists in the intervention of custom authorities. Indeed, goods are subject to formalities (and thus to possible verifications) because of custom clearance (mainly in order for national VAT or custom duties to be levied, and also to implement import prohibitions). The custom clearance represents therefore objectively an excellent opportunity also for the discovery and seizure of goods that infringe intellectual property.

The holder of an intellectual property right shall “*provide adequate evidence to satisfy the competent authorities that [...] there is prima facie an infringement of [...] intellectual property right and [...] supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities*”.⁹²¹ When such application has been made, the custom “*authorities shall inform the applicant within a reasonable period whether they have accepted the application and [...] the period for which [they] will take action*”.⁹²²

*Request to
custom
authorities*

If they identify the infringing goods, the custom authorities may proceed to “*the suspension [...] of the release into free circulation of such goods*”.⁹²³ The “suspension” means that the custom authorities detain (or “seize”) the infringing goods.

*“Suspension of
release into free
circulation”
(detention of
goods)*

If the suspension is ordered, it shall be promptly notified to the importer and to the holder of the intellectual property right who requested it.⁹²⁴

Once the suspension has been notified, the holder of the violated intellectual property right shall file a civil claim on the merits or a criminal law action and inform the custom authorities within a time-limit of 10 days (possibility extended to 20 days) computed as of the day on which notice of the suspension has been received. If no such claim is filed, the

suspension ceases and the goods shall be released by the custom authorities. If such claim is filed, there is a possibility – unless a judicial injunction has been rendered – for the owner or importer to request the suspension to be reviewed by custom authorities (in order to determine whether it shall be modified, revoked or confirmed).⁹²⁵

The holder of the intellectual property right shall, as a rule, be granted by custom authorities the possibility to inspect the detained goods in order to proceed to verifications and to “substantiate his claims”⁹²⁶ (i.e. to collect evidence for his claim on the merits).

*End of
procedure:
- in case of
justified
suspension*

At the end of the procedure, if the infringement has been established in a final way, counterfeit goods shall in principle be destroyed (or “disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder”,⁹²⁷ e.g. by removing the part of the goods that contains the technology belonging to the legal monopoly protected by a patent⁹²⁸).

*- in case of
unjustified
suspension*

If, to the contrary, the suspension of the release of the goods was unjustified, the person who requested it can be ordered “to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the [...] detention of the goods”.⁹²⁹

2.4 Criminal penalties

*Criminal
penalties for
intentional
counterfeiting
and piracy*

In addition to the possibility to sue infringers before civil courts, the holder of an intellectual property right may also proceed under criminal law in certain circumstances. The *Agreement on Trade Related Aspects of Intellectual Property Rights* (TRIPS), imposes to all countries members to the World Trade Organization (WTO) that criminal penalties (imprisonment and/or monetary fines) be provided to punish at least “willful

trademark counterfeiting and copyright piracy on a commercial scale".⁹³⁰ This treaty requests that the penalties against such crimes be "*sufficient to provide for a deterrent*"⁹³¹, i.e. to seriously dissuade infringement.⁹³²

The law of many countries also provides for criminal punishment to be applied to other infringements of intellectual property rights (notably to patent infringement, but also to breach of trade secrets or to unfairly competitive behaviors), at least if they are committed intentionally ("willfully").⁹³³ Rather rarely,⁹³⁴ even negligent breaches are criminally punishable; the penalties are then considerably smaller.

Penalties for other behaviors

In addition to imprisonment or monetary fines, a criminal procedure may lead to *seizure* and *destruction* of the infringing goods and of any materials that have predominantly been used to commit the infringement.⁹³⁵ In many jurisdictions, courts of justice can also order the *confiscation* of the profit generated by criminal activity.

Other sanctions of criminal behaviors

As mentioned in the general chapter on criminal law, a practical advantage for a company to use criminal law procedures is that the costs are, as a rule, borne by the government; another advantage consists in the power of the prosecutor to quickly order seizures and investigation measures.⁹³⁶ However, also from a practical point of view, it must be noted that, in many countries, prosecutors do not systematically have sufficient resources to conduct proceedings in intellectual property litigations, especially in complex cases.

Practical advantages

3. The contract of licensing

The licensing contract is one of the most important contracts of the contemporary economy. It is the main legal instrument by which immaterial assets can be used by persons and companies (*licensees*) other than the owner of the related intellectual property rights (*licensor*): by licensing a right, the owner *allows* another person to accomplish acts that, without a license, would be infringements of intellectual property; the license contract is the owner's commitment to abstain from invoking his exclusive right on an immaterial legal monopoly against the licensee (i.e. it is a renouncement to prohibit acts of the licensee).

Its practical function can be to allow an individual consumer to use a computer program, or to allow a multinational company to exploit an invention and commercialize worldwide products embodying it, or to allow a film producer to use a scenario to create a movie: obviously, the licensing contract has an infinite number of functions. It can be used as the legal instrument to shape a long-term relationship (e.g. industrial cooperation), or as the tool for a punctual operation (e.g. streaming on internet). Trademarks, patents, copyrights, industrial designs, plant varieties, topographies of integrated circuits, as well as unregistered distinctive signs or confidential know-how, for example, can be licensed.

Licensing is of course not the only contract related to intellectual property. The contract of assignment, by which an intellectual property right is ultimately (once and for all) *transferred* from an initial owner (e.g. creator or inventor) to a new owner, is clearly distinct from the licensing contract. By contrast, agreements like publishing and franchising *include* particular types of licenses; although they are often presented

as distinct contracts, they can be described as being in reality subtypes of licensing contracts.

3.1 Conceptual types of license as regards exclusivity

A licensing contract can be exclusive. This means that the licensee is the only person or entity allowed to use or exploit the intellectual property right. In virtue of the licensor's contractual commitment, no other person can receive a license and the licensor himself shall abstain from using or exploiting the licensed asset.

*Exclusive license:
- concept*

The exclusivity relates usually to a territory: an exclusive license is e.g. granted for one country, or for a part of a country, or for a group of countries, or for the entire world. The exclusivity can also relate to a field of activity (e.g. education, nutrition industry, maritime activities) or types of clients (e.g. private consumers, business customers) or types of sales (e.g. on internet, in shops); such exclusivity defined "by field", by type of client, by type of sales (i.e. "non-geographical definition of exclusivity") can of course be combined with geographical exclusivity (e.g.: exclusivity in on-line sales to customers domiciled in the European Union).

*- definitions of
exclusivity*

If the licensor grants a sole license, this means that he commits not to grant licenses to other persons; however, the licensor may himself continue to use or exploit the intellectual property right.

Sole license

A non-exclusive license means that the licensor has not taken the commitment towards the licensee to abstain from granting licenses to other persons.

*Non-exclusive
license*

A sub-license is a license that the licensee himself grants to a third party on the intellectual property right that has been

Sub-license

licensed to him by the licensor. The licensing contract can allow or exclude the licensee's possibility to grant sub-licenses.

3.2 Types of remunerations (royalties)

The remuneration paid by the licensee to the licensor is usually called the *license fee* or the *royalties*.

*Proportional
royalty*

A typical form of remuneration is an amount calculated in proportion with the sales of products that embody or use the intellectual property asset (trademark, copyright, patent, design), i.e. a percentage (e.g. 5% of the income resulting from such sales). The royalties can also be determined as a fixed amount *per sold unit* of the product embodying the intellectual property asset.

*Variable
proportion*

In a same contract, the percentage rate can vary depending on the quantity of sales; typically, a decrease after a threshold is reached can be agreed in order to reward (and create thus an incentive for) the efforts and success of the licensee (e.g. the license fee is 10% up to a turnover of USD 2 M, and % for the turnover that exceeds USD 2 M). Reversely, a progressive license fee can be agreed to take into account the initial investment costs of the licensee (e.g. the fee is 3% up to a turnover of USD 1 M and 6% after that this threshold is reached).

Fixed amounts

It can also be agreed that a fixed amount will be paid. If it is the only remuneration paid to the licensor, it is usually called "lump sum" (it can be paid once and for all, or periodically, e.g. once a year). A fixed amount can also be paid cumulatively to the proportional remuneration; in such cases, the fixed amount typically aims at covering the licensor's transaction costs (and his renouncement to alternative opportunities) and/or at creating an incentive for the licensee to generate enough sales to at least cover this initial expense.

If supplementary services to be provided by the licensor are agreed (e.g. technical assistance in case where a patent or know-how is licensed,⁹³⁷ or marketing support in case of trademark licensing or franchising), their remuneration is either deemed to be included in the license fee (fixed or proportional) or it is agreed to be paid separately (e.g. by hourly or daily rates of engineers or consultants dispatched by the licensor).

License agreements may occur to foresee that the licensor's expenses specifically generated by the particular license shall be compensated by the licensee.

Reimbursement of expenses

The advantage of a lump sum is its simplicity. Proportional remunerations raise, notably, the difficult issue of whether the figures provided by the licensee about his sales (generating royalties) correspond to reality. Licensing contracts therefore often contain clauses about the licensor's right to verify accounting or to proceed to other inspections, or to have the declared figures specifically reviewed by an independent expert (auditor). A frequent clause is that the costs of such expertise shall be borne by the licensee if it reveals that (whatever the reason) the declared figures were (significantly) below reality; additionally, an increased ("punitive") royalty rate (e.g. 20% instead of 5%) can be foreseen for such event (to be applied either to the entire sales or to the undeclared sales).

Proportional royalty and the need for verifications

3.3 Licensor's services beyond licensing

Many licensing agreements set forth that the licensor has the obligation to protect the licensed intellectual property right (and is thus obliged to proceed judicially) against third parties who infringe this right by selling counterfeit or piracy goods.

Protection of the licensed right

In particular with licensing of patents – and almost necessarily with the licensing of know-how –, licensing agreements often include positively an obligation of the licensor to provide a

Communication of practical knowledge

comprehensive communication of technical knowledge that enables the licensee to understand and efficiently use the licensed technology.

Technical assistance

In addition to an initial transfer of knowledge, the contract can foresee a standing obligation of the licensor to provide a technical assistance (e.g. to dispatch engineers within a determined time after that a request for assistance is notified, or to ensure continuous training of the licensee's employees).

It happens that this assistance is quantitatively limited; such limitations are, as a rule, legitimate: providing the assistance can be a considerable burden for the licensor, and the incapacity of the licensee to do without an assistance going beyond the agreed limits can show that, from a practical point of view, the contract can only be terminated.

Obligations in case of improvements

Relatively frequently in the licensing of patent and know-how, the licensor is also obliged, for the duration of the contract, to inform the licensee about new techniques developed on the basis of the licensed patent or know-how and to extend the licensing to these new techniques (or at least, in virtue of an option clause, the licensor is obliged to offer the licensee the possibility of extending the agreement to these new techniques, often for a predetermined supplementary royalty⁹³⁸).

Indemnification of licensee

Some contracts foresee that the licensor is obliged to indemnify (reimburse) the licensee if third parties, for example holders of other intellectual property rights that are themselves infringed by the use of the licensed asset, take action against the licensee. The indemnity can cover the amount of compensation that the licensee has to pay to such third parties if their action is victorious (or the production costs of the licensee's goods that have been destroyed as a consequence of the third parties' victorious action). In the other cases, notably when the third

parties' action was unfounded, the indemnity can at least consist in reimbursing⁹³⁹ the licensee's expenses that are not covered by the third parties (e.g. actual costs for legal representation, to the extent that the licensee cannot obtain payment from the third parties).

3.4 Obligations of the licensee beyond payment of royalties

The contract often obliges the licensee to actually exploit the licensed intellectual property asset. This is justified by the clear financial interest of the licensor to receive royalties, if such are agreed to be proportional. In case of such mode of remuneration with an exclusive license, an obligation to exploit may even be *implied*;⁹⁴⁰ indeed, otherwise, the licensor would have no interest at all in the licensing if the licensee were to decide to renounce to the exploitation of the license. It is thus advisable for a licensee, who wishes to keep the possibility of not exploiting the licensed asset, to explicitly exclude any obligation to exploit. Reversely, due to the uncertainty linked with implied obligations, it is advisable for a licensor, who wants the licensee to be obliged to exploit, to insist on having a clause to that effect explicitly mentioned in the contract.

Obligation to exploit the licensed right

The contract may also provide for the licensee's obligation to respect a minimum standard of quality (notably in trademark licenses); the licensee can be obliged to tolerate inspections of the licensor in this regard.

Quality standard

Often motivated by the fixed standard of quality, an obligation of the licensee to get supplies from the licensor can be agreed; this obligation is interesting for the licensor, who may realize a supplementary turnover by selling these supplies, but is questionable from the point of view of competition law (at least in the EU) and potentially invalid, as discussed in the following section.

Obligation to order supplies from the licensor

Prohibition to challenge the validity of the licensed right

Similarly, the licensee's obligation – very spontaneously agreed and perfectly understandable from a business point of view – not to challenge the validity of the licensed intellectual property right (patent, trademark) is potentially unenforceable because of competition law (at least in the EU and in the USA; but the licensor is almost always entitled to terminate with immediate effect a licensing agreement with a licensee who starts challenging the validity of the licensed right⁹⁴¹).

Non-competition

An obligation of the licensee not to compete with the licensor is often agreed on; again, its compatibility with competition law may be complex in some situations.

Confidentiality

An unchallengeable obligation, which can frequently be considered to have been agreed impliedly, is the duty to preserve confidentiality. This obligation lasts after the end of the contract.

A similar obligation is the prohibition to make use of the licensed techniques (e.g. of the know-how accompanying a patented technology) after the end of the contract. For reasons of competition law, it is more questionable to foresee an obligation for the licensee not to use the licensed patented technology after that the patent has expired.

Communication of circumstances

The licensee can also be obliged by a specific clause to inform the licensor about any breach of the licensed right by third parties, and, if the legislation admits this, to take himself judicial actions against such third parties.

Techniques developed by the licensee

The contract can also foresee that the licensee shall communicate any relevant information to the licensor (e.g. a defect that he notices in the licensed technology; activities of competitors that he learns). It can occur that the contract obliges the licensee, in case he develops new techniques based on the licensed technique (or that are even just related to the

same field as the licensed technique), to grant a license to the licensor; there will be, in such cases, “cross-licenses”; instead, or cumulatively, contractual clauses can also provide for a sharing of the profit resulting from such developments. Competition law may restrict the validity of such clauses (notably as regards exclusive cross-licenses).

3.5 Competition law aspects; limitation of contractual freedom

Notably in the European Union and in the United States of America, competition law broadly prohibits agreements that limit competition.⁹⁴² The agreements on technology transfers – and among them the licensing contracts on patents and technical know-how – are treated in a particular way, because it is recognized that, whereas they almost necessarily limit competition, they bring benefits to the progress of techniques and to the efficiency of the economy in general.⁹⁴³ They deserve also a particular attention because the bargaining power of the holder of a technology is often particularly strong, so that, very spontaneously, many clauses severely restricting competition could be imposed by the licensor.⁹⁴⁴

Purpose of competition law

In the European Union, a Regulation of the Council prohibits clauses, in license agreements⁹⁴⁵ not insignificantly affecting competition,⁹⁴⁶ that would oblige the licensee not to challenge the validity of the licensor’s intellectual property right on the territory of the Union⁹⁴⁷ (a similar obligation exists in US law⁹⁴⁸). It also prohibits clauses that oblige “*the licensee to grant an exclusive license to the licensor [...] in respect of its own severable improvements or its own new applications of the licensed technology*”⁹⁴⁹ or to assign to the licensee its rights on such improvements or new applications⁹⁵⁰.

Strictly prohibited clauses

Clauses prohibited also between non-competitors

This Regulation also tendentially prohibits clauses in technology transfer agreements that *“restrict a party's ability to determine its prices when selling products to third parties”* (however, since the purpose of the Regulation is to avoid anticompetitive *minimum* prices, it allows nevertheless the *“possibility of imposing a maximum sale price or recommending a sale price, provided that it does not amount to a fixed or minimum sale price as a result of pressure from, or incentives offered by, any of the parties”*).⁹⁵¹ The Regulation also targets clauses that aim at restricting *“sales to end-users by a licensee which is a member of a selective distribution system and which operates at the retail level”*.⁹⁵²

Prohibited clauses between competitors

Regarding technology transfer agreements between competitors, the Regulation fundamentally prohibits very numerous types of clauses, notably those that foresee a *“limitation of output”*⁹⁵³, an *“allocation of markets or customers”* (with some exceptions)⁹⁵⁴ or *“the restriction of the licensee's ability to exploit its own technology or the restriction of the ability of any of the parties [...] to carry out research and development”*⁹⁵⁵.

3.6 Aspects regarding the taxation of royalties

Issue and source tax

Royalties constitute commercial expenses of the licensee, and, correspondingly, a part of the income of the licensor. If the licensee is a company domiciled in a taxed jurisdiction, royalties decrease the taxable profit.

Royalties particularly draw the attention of the tax authorities, considering, on the one hand, the enormous international flows that they represent⁹⁵⁶ and, on the other hand, the immaterial character of the licensed assets (which may make an appraisal of its value, and sometimes of its reality, difficult). It is a fact that many outgoing royalty payments go from companies

established in high tax countries into entities domiciled in lower tax countries (and sometimes in zero-tax jurisdictions). To prevent misuses, a majority of countries have introduced a source tax on the outgoing payment of royalties (typically: 25% or 30%).

However, since the royalties are in most cases perfectly legitimate payments, the treaties on the avoidance of double taxation (colloquially called “double taxation treaties”) oblige the contracting countries to very significantly reduce (e.g. down to 10 or 5%) or, in most contemporary treaties, to totally eliminate the source tax on royalties.⁹⁵⁷ As a practical result, when the country of the licensor has concluded a double taxation treaty with the country of the licensee, the financial flow of royalties is usually taxed only in the country of the licensor.

Treaties on the avoidance of double taxation

An exception is made if, due to a particular relationship between the licensor and the licensee (e.g. if the licensor is the majority of the shareholder of the licensee), the amount of royalties exceeds what would have been agreed between independent contractual partners. In such situation, as a rule, the source tax is eliminated only on the portion of royalties that does not exceed the amount which, as it can be reasonably appraised,⁹⁵⁸ an independent licensee would have agreed to pay.⁹⁵⁹

Notes to chapter X: intellectual property and licensing contract

⁶⁷⁵ Already in 1999, a study made by the US Security and Exchange Commission (SEC) revealed that 98% of the value of the company Amazon was immaterial, 84% for Starbucks, 73% for McDonalds and 68% for Disney (cf. Weston ANSON, *How Intangible Assets Drive Capitalization*, LES [Licensing Executive Society] Nouvelles September 1999, p. 133).

⁶⁷⁶ Before the 19th century, functional equivalents of modern patents and copyrights were exceptionally granted by a government as *privileges* to a particular person for a particular invention or creation, on a rather arbitrary basis (this appears to have existed even in Ancient Greece; for examples in late Medieval Europe, see DEAZLEY/KRETSCHMER/BENTLY, *Privilege and Property: Essays on the History of Copyright* [2010]; an example was the privilege granted in 1649 to the philosopher and mathematician Blaise PASCAL for this calculator, the “Pascaline”, cf. ÖHLSCHLEGEL, *Französische gewerbliche Schutzrechte aus dem 17. Jahrhundert*, *Mitteilungen der deutschen Patentanwälte* 1980, p. 163-166; another example is the granting in 1449 by the English King Henry VI of a patent to John of UTYNAM for the making of stained glass). — Some countries early broke new ground: *general* laws to protect inventions were enacted by the Republic of Venice in 1474 already and by the Kingdom of England in 1624 (with the *Statute of Monopolies*). England also enacted already in 1710 a first copyright law that generally granted to authors *and publishers* an exclusivity of 14 years (see John FEATHER, *The Book Trade in Politics: The Making of the Copyright Act of 1710*, *Publishing History* 1980, p. 39, note 3; this Act was, in its result, somewhat similar, but created more subjective rights – cf. on this concept, above note 59 – than for example the privileges granted in France to *publishers* for book trade on the basis of a regulation of 1618 – the *Lettres patentes*; see e.g. Henri FALK, *Les privilèges en librairie sous l’Ancien Régime* [1905]; Frédéric RIDEAU, *La formation du droit de propriété littéraire en France et en Grande-Bretagne: une convergence oubliée* [2004], p. 33-60). — The US Constitution of 1787 contained the following provision (article I, section 8, clause 8): “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”. A first Copyright Act was adopted in 1790 (see William PATRY, *Copyright Law and Practice* [1994], p. 10 sq.) and a first Patent Act in 1793 (see

below note 694). — In France, a first patent statute was enacted in January 1791, as well as a statute to protect authors of theater plays and of music, whereas a *general* statute to protect authors' rights was adopted on 19th July 1793 (*Loi sur la propriété littéraire et artistique*, article 1 of which reads: “*Les auteurs d’écrits en tout genre, les compositeurs de musique, les peintres et dessinateurs qui feront graver des tableaux ou dessins, jouiront durant leur vie entière du droit exclusif de vendre, faire vendre, distribuer leurs ouvrages dans le territoire de la république et d’en céder la propriété en tout ou en partie*” ; pursuant to article 4, the counterfeiter could be sentenced to pay an amount equivalent to the price of 3000 copies of the copied work).

⁶⁷⁷ For these conventions, see above p. 18 (ad notes 9-11) and 26.

⁶⁷⁸ See on this for example Philippe GILLIÉRON, *La valorisation des biens de propriété intellectuelle dans la vie d’une société anonyme* (2005), p. 643, who deals also with unregistered rights; see also guidebooks that the World Intellectual Property Organization makes available, see e.g. FLIGNOR/OROZCO, *Intangible Asset & Intellectual Property Valuation: A Multidisciplinary Perspective* (2006), p. 3, 5 sq. and 12, with reference notably to trade secrets; see also Ian COCKBURN, *IP Audit - A “How to” Guide - Evaluation de la propriété intellectuelle: guide pratique*, which refers among other evaluated assets, in its table 1, to recipes, formulations, manuals, training, and even, besides general goodwill, to networks, distribution contracts and customer loyalty (www.wipo.int retrieved on 22nd September 2013).

⁶⁷⁹ See e.g. article 52 subs. 1 of the European Patent Convention: “*European patents shall be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application*”. See 35 United States Code § 101 (“*Inventions patentable*”): “*Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title*”. The international bodies set up by the Patent Cooperation Treaty (p. 337 ad note 704) have, pursuant to article 33 subs. 1, to render “*a preliminary and non-binding opinion on the questions whether the claimed invention appears to be novel, to involve an inventive step (to be non-obvious), and to be industrially applicable*”. Within the WTO, see also article 27 subs. 1, 1st sentence TRIPS: “*Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable*

of industrial application” (whereas a note specifies that “the terms ‘inventive step’ and ‘capable of industrial application’ may be deemed by a Member to be synonymous with the terms ‘non-obvious’ and ‘useful’ respectively”).

⁶⁸⁰ Cf. article 52 subs. 2 of the European Patent Convention: “The following in particular shall not be regarded as inventions within the meaning of paragraph 1: (a) discoveries, scientific theories and mathematical methods; (b) aesthetic creations; (c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers; (d) presentations of information”. The US Supreme court has ruled in the famous case *Diamond v. Chakrabarty* (447 U.S. 303 [1980]): “The laws of nature, physical phenomena, and abstract ideas have been held not patentable [...]. Thus, a new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that $E=mc^2$; nor could Newton have patented the law of gravity. Such discoveries are ‘manifestations of ... nature, free to all men and reserved exclusively to none’” (referring to *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U. S. 127, 130 [1948]).

⁶⁸¹ See for US law e.g. CHEESEMAN, *Business Law* (2012), p. 147.

⁶⁸² See articles 52 subs. 1 *in fine* (quoted above in note 679) and 57 of the European Patent Convention: “An invention shall be considered as susceptible of industrial application if it can be made or used in any kind of industry, including agriculture”. A purely private use may not be sufficient (see the decision T 74/93 of the European Patent Office rendered in 1995), but, as rightly pointed out by DESSEMONTET (*La propriété intellectuelle et les contrats de licence* [2011], N 198, note 485), this does of course not hinder the patentability of an invention which, whereas the product will be used in the private sphere, will be produced industrially (the large scale of the production or, of course, its profitability are not a requirement; *op. cit.*, N 199). — See also article 33 subs. 4 of the Patent Cooperation Treaty: “For the purposes of the international preliminary examination, a claimed invention shall be considered industrially applicable if, according to its nature, it can be made or used (in the technological sense) in any kind of industry. ‘Industry’ shall be understood in its broadest sense, as in the Paris Convention for the Protection of Industrial Property”. See also the article 27 subs. 1 TRIPS, quoted above in note 679 *in fine*.

⁶⁸³ Article 54 subs. 1 of the European Patent Convention: “An invention shall be considered to be new if it does not form part of the state of the Art”. See also article 33 subs. 2 of the Patent Cooperation

Treaty: *“For the purposes of the international preliminary examination, a claimed invention shall be considered novel if it is not anticipated by the prior art as defined in the Regulations”*.

⁶⁸⁴ Article 54 subs. 2 and 3 of the European Patent Convention: *“The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application. Additionally, the content of European patent applications as filed, the dates of filing of which are prior to the date referred to in paragraph 2 and which were published on or after that date, shall be considered as comprised in the state of the art”*.

⁶⁸⁵ Article 56 subs. 1, 1st sentence of the European Patent Convention: *“An invention shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art”*. See also article 33 subs. 3 of the Patent Cooperation Treaty: *“For the purposes of the international preliminary examination, a claimed invention shall be considered to involve an inventive step if, having regard to the prior art as defined in the Regulations, it is not, at the prescribed relevant date, obvious to a person skilled in the art”*.

⁶⁸⁶ Article 53 of the European Patent Convention: *“European patents shall not be granted in respect of: (a) inventions the commercial exploitation of which would be contrary to ‘ordre public’ or morality; such exploitation shall not be deemed to be so contrary merely because it is prohibited by law or regulation in some or all of the Contracting States”*.

⁶⁸⁷ As shown in article 53 lit. a, 2nd sentence, of the European Patent Convention (quoted above in note 686), the non-patentability cannot result only from contrariety of the invention to laws (see also DESSEMONTET [above note 682], N 199); it must be contrary to laws that protect strong moral values or essential public interests – so as to constitute the “ordre public” referred to in that provision. — This is also made clear, within the WTO system, by article 27 subs. 2 TRIPS: *“Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, 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”*.

⁶⁸⁸ See e.g. ROUILLER, *Der widerrechtliche Vertrag* (2002), p. 501-504 (spec. ad note 2652). Many countries have foreseen precise prohibitions (see e.g. article 2 subs. 1 of the Swiss Patent Act in relation notably with human germinative cells).

⁶⁸⁹ Article 53 lit. b of the European Patent Convention excludes granting of patents for “*plant or animal varieties or essentially biological processes for the production of plants or animals*”. It specifies however that “*this provision shall not apply to microbiological processes or the products thereof*”. Specific laws create *plant variety rights* (see section 1.4.2, p. 357). See notably article 27 subs. 3 lit. b TRIPS: “*Members may also exclude from patentability: [...] plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. 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*”.

⁶⁹⁰ Article 53 lit. c of the European Patent Convention excludes that patents be granted for “*methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised on the human or animal body; this provision shall not apply to products, in particular substances or compositions, for use in any of these methods*”. Article 27 subs. 3 lit. a TRIPS allows the states member to the WTO to “*exclude from patentability: [...] diagnostic, therapeutic and surgical methods for the treatment of humans or animals*”.

⁶⁹¹ See above note 680. In the case *Diamond v. Chakrabarty*, the US Supreme Court’s explanations as to why, in the case *Funk v. Kalo*, the patentability had been denied, illustrate what a discovery is in practical terms: “*There, the patentee had discovered that there existed in nature certain species of root nodule bacteria which did not exert a mutually inhibitive effect on each other. He used that discovery to produce a mixed culture capable of inoculating the seeds of leguminous plants. Concluding that the patentee had discovered ‘only some of the handiwork of nature,’ the Court ruled the product nonpatentable: ‘Each of the species of root-nodule bacteria contained in the package infects the same group of leguminous plants which it always infected. No species acquires a different use. The combination of species produces no new bacteria, no change in the six species of bacteria, and no enlargement of the range of their utility. Each species has the same effect it always had. The bacteria perform in their natural way. Their use in combination does not improve in any way their natural functioning. They serve the ends nature originally provided, and act quite independently of any effort of the patentee’*”.

⁶⁹² See DESSEMONTET (above note 682), N 194.

⁶⁹³ Judgment rendered on 13th June 2013 in the case *Association for Molecular Pathology v. Myriad Genetics, Inc.* The printed version states notably: “The claims [of the patent applicant] focus on the genetic information encoded in the BRCA1 and BRCA2 genes” (p. 2, summary); “Many of Myriad’s patent descriptions simply detail the ‘iterative process’ of discovery by which Myriad narrowed the possible locations for the gene sequences that it sought” (p. 14); “We [hold] that genes and the information they encode are not patent eligible [...] simply because they have been isolated from the surrounding genetic material” (p. 16). — By contrast, this court reserved its opinion regarding changes of the genetic code (“Scientific alteration of the genetic code presents a different inquiry, and we express no opinion about the application of §101 to such endeavors” [p. 16]; for the text of § 101, see above note 679).

⁶⁹⁴ See e.g. the case *Diamond v. Chakrabarty* (referred to in note 680), p. 446-447: “The relevant legislative history also supports a broad construction. The Patent Act of 1793, authored by Thomas Jefferson, defined statutory subject matter as ‘any new and useful art, machine, manufacture, or composition of matter, or any new or useful improvement [thereof].’ [...] The Act embodied Jefferson’s philosophy that ‘ingenuity should receive a liberal encouragement.’ [...] In 1[9]52, when the patent laws were recodified, Congress replaced the word ‘art’ with ‘process,’ but otherwise left Jefferson’s language intact. The Committee Reports accompanying the 1952 Act inform us that Congress intended statutory subject matter to ‘include anything under the sun that is made by man.’ [...] Judged in this light, respondent’s micro-organism plainly qualifies as patentable subject matter. His claim is not to a hitherto unknown natural phenomenon, but to a nonnaturally occurring manufacture or composition of matter – a product of human ingenuity ‘having a distinctive name, character [and] use’”.

⁶⁹⁵ This can be illustrated by the question of whether the “Oncomouse” (simplistically said: a mouse genetically modified to develop cancers, for uses in oncologic research) invented by the Harvard scientists LEDER and STEWART was patentable. Whereas it was never judged by a US court (the US Patent Office admitted the claim under N° 4’736’866), its patentability was rejected by the Canadian Supreme Court in the judgment referred to as *Harvard College v. Canada (Commissioner of Patents)* rendered in 2002; the court considered that patent law had not intended to allow patents on “higher forms of life” (4 SCR 45, § 187; in § 166, the court noted that such patent would be “a radical departure from the traditional patent

regime”). The case remained partly unsolved in Europe (whereas the Examining Division had granted in 1992 the patent – the application had been filed in 1985 –, the Opposition Division’s decision to maintain it in 2002 was appealed and the *Board of Appeal*, who decided on 6th July 2004 to remit the case to the Opposition Division with the instruction to maintain the patent on an amended form [decision N° T 315/03]; the patent expired before the last decision). — It can be noted that in its judgment *Monsanto Canada Inc. v. Schmeiser* (1 SCR 902, 2004 SCC 34), the Canadian Supreme Court recognized the validity of a patent granted for a modified gene of a plant (“glyphosate-resistant gene for the canola-plant”).

⁶⁹⁶ See p. 349 and 361 (and in particular article 52 subs. 2 lit. c of the European Patent Convention quoted in note 863).

⁶⁹⁷ See e.g. article 99 subs. 1, 1st sentence, of the European Patent Convention: “*Within nine months of the publication of the mention of the grant of the European patent in the European Patent Bulletin, any person may give notice to the European Patent Office of opposition to that patent, in accordance with the Implementing Regulations*”. The procedure is described in articles 100 to 105, with general rules in articles 113 sq.

⁶⁹⁸ Cf. article 107, 1st sentence, of the European Patent Convention: “*Any party to proceedings adversely affected by a decision may appeal*”. In addition to general rules (see above note 697 *in fine*), the procedure is described in articles 106 to 112.

⁶⁹⁹ In the WTO system, see article 33 TRIPS; see also article 63 subs. 1 of the European Patent Convention: “*The term of the European patent shall be 20 years from the date of filing of the application*”. For US law, see CHEESEMAN, *Business Law* (2012), p. 147.

⁷⁰⁰ See article 63 subs. 1 in fine of the European Patent Convention (above note 699), with the nuance foreseen in subs. 2: “*Nothing in the preceding paragraph shall limit the right of a Contracting State to extend the term of a European patent, or to grant corresponding protection which follows immediately on expiry of the term of the patent, under the same conditions as those applying to national patents: [...] b) the subject-matter of the European patent is a product or a process for manufacturing a product or a use of a product which has to undergo an administrative authorisation procedure required by law before it can be put on the market in that State*”.

⁷⁰¹ See e.g. article 67 subs. 1, 3rd sentence, of the European Patent Convention: “*In any event, each State shall ensure at least that, from the date of publication of a European patent application, the applicant can claim compensation reasonable in the circumstances from any*

person who has used the invention in that State in circumstances where that person would be liable under national law for infringement of a national patent". — Until 1st January 2011, the Swiss Patent Act contained a specific provision in this regard (article 66 subs. 2); today, a protection before the patent is granted can result from *injunctions* obtained pursuant to general rules (see p. 370 sq.); to decide on such, the judge (in Switzerland: the Federal Patent Court) has notably to evaluate to which extent the patent application is likely to be accepted and whether a provisory prohibition is proportional (in this regard, the injunction may be made dependent on the claimant providing a financial security for the case where his claim would finally be rejected). Pursuant to article 67 of the Convention quoted *in initio* of this note, provided the patent is finally granted to the applicant, the infringer will owe *compensation* to cover the financial harm inflicted to the holder *as of the day of application* (article 111 subs. 2 of the Swiss Patent Act).

⁷⁰² See e.g., explicitly, the article 1 subs. 3 of the Swiss Patent Act.

⁷⁰³ See e.g. article 138 of the European Patent Convention, which reserves the right of national courts of justice to judge that a patent granted by the European Patent Office is not valid (because it does not respect the patentability conditions foreseen in the Convention).

⁷⁰⁴ As of 2013, 175 countries are members to the Paris Convention; 147 are members to the PCT.

⁷⁰⁵ The *Paris Convention for the Protection of Industrial Property* was then amended relatively often (1900, 1911, 1925, 1934, 1958, 1967), the last time on 28th September 1979 simultaneously with the PCT (below note 706).

⁷⁰⁶ The *PCT* was then amended on 28th September 1979, on 3rd February 1984 and on 3rd October 2001.

⁷⁰⁷ Article 4 lit. A subs. 1 of the Paris Convention: "*Any person who has duly filed an application for a patent, or for the registration of a utility model, or of an industrial design, or of a trademark, in one of the countries of the Union, or his successor in title, shall enjoy, for the purpose of filing in the other countries, a right of priority during the periods hereinafter fixed*"; article 4 lit. C subs. 1: "*The periods of priority referred to above shall be twelve months for patents and utility models, and six months for industrial designs and trademarks*".

⁷⁰⁸ The handling by the national office of origin is laid down in articles 9-11 PCT ("receiving office"), with article 12 laying down the forwarding ("*Transmittal of the International Application to the International Bureau and the International Searching Authority*"). Articles 13-19 describe the tasks of the international bodies, whereas

articles 20 sq. describe the forwarding of the applications to the other national offices (“*designated offices*” or “*elected States*”) and the handling of international requests by them. — Besides the *international search* foreseen in article 15 PCT, an *international preliminary examination* can be sought (from the *International Preliminary Examining Authority*), as laid down in articles 31-42 PCT (see above note 679 *in fine*).

⁷⁰⁹ P. 336, before note 697.

⁷¹⁰ See, for an illustration, the diverging decisions in the “Oncomouse” case, as laid down in note 695 above.

⁷¹¹ Before the (middle of the) industrial revolution, marks were mainly used by professional groups (craftsmen’s guilds) that enjoyed legal monopolies on certain activities in a geographical area (severe sanctions applied to counterfeits, since these infringed the monopoly as such). Individuals might have attempted to impose a well-known sign to distinguish their products, but it does not appear that the legal systems recognized a *specific* protection for such individual signs (outside collective craftsmen’s monopolies). *General* judicial actions existed against the risks of deception created by persons imitating the signs of others, such as in the English Common Law the action of *palming off* or *passing off* (as well as, on the European continent and to some extent, the provisions against *forgery*; it even seems that in Roman law, producers of swords or amphorae were produced against copiers; cf. Olivier MENDRAS, *L’évolution du droit français des marques*, *Revue des Marques*, January 2000). — Modern *specific* legislations on trademarks date from the middle of the 19th century: a French *Loi sur les marques de fabrique et de commerce* was enacted in 1857, followed by the United States in 1870 (see Anne CHASSER, *A historical perspective*, *The Trademark Reporter* 2003 p. 31 sq.) and the United Kingdom (*The Merchandise Marks Act* of 1862 and the *Trade Mark Registration Act* of 1875).

⁷¹² US-American law (Trademark Act 1946, amended) distinguishes between “trademarks” related to goods and “service marks” (see § 1-2 compared to § 3 [15 U.S.C. § 1051 – 1053]). The Paris Convention and Madrid Agreement also use the expression of “service mark” (see e.g. article 6^{sexies} of the Paris Convention). However, recent international regulations (TRIPS, quoted below in note 713) consider that *trademarks* is an expression related to signs related to good or services; it is also the expression used for goods as well as for services in the WIPO general language; in the same way, see the UK legislation quoted in note 714 below.

⁷¹³ This definition is published by the WIPO (in its “trademarks gateway”). It corresponds to the definition that several national laws provide (e.g. Swiss Act on Protection of Trademarks of 1992, article 1) as well as to the definition foreseen, within the WTO system, by article 15 subs. 1, 1st sentence, TRIPS: “*Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark*”. — By contrast, important international treaties that deal with trademarks, like the Paris Convention of 1883 and even the Madrid Agreement of 1891 and its Protocol of 1989 (both dealing exclusively with trademarks) or the Singapore Treaty on the Law of Trademarks of 2006, do not contain a definition of trademarks; they only *refer to* trademarks, which are supposed to be defined by national legislation (as particularly visible in article 6 subs. 1 of the Paris Convention: “*The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation*”, as well as in article 2 subs. 1 of the Singapore Treaty; these treaties mainly set forth the procedure for international registration). The *Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks* concluded at Nice in 1957 (ordinarily referred to as “Nice Agreement”), which establishes the classifications of goods and services relevant for registration of trademarks, does not either provide for a definition of trademarks.

⁷¹⁴ See, for the EU, the Council Regulation (EC) N° 207/2009 of 26th February 2009 *on the Community trade mark* (which left the previous Regulation N° 40/94 of 20th December 1993 almost entirely unchanged), article 4: “*A Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings*”. Section 1 of the UK Trade Mark Act (1994) defines “trade mark” as “*any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings. A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging*”. See also article L711-1 of the French Code de la propriété intellectuelle (“*La marque de fabrique, de commerce ou de service est un signe susceptible de représentation graphique servant à distinguer les produits ou services d'une personne physique ou morale*”). — In the

WTO system, although the ability of being represented graphically is not an element of the definition of the trademark (see above note 713), article 15 subs. 1, 4th sentence, TRIPS *allows* the member states to set forth this requirement (*“Members may require, as a condition of registration, that signs be visually perceptible”*).

⁷¹⁵ See the definitions of the *EU Community trade mark* in article 4 of the Regulation above in note 714 (which also quotes the definition of contained in the UK Trade Mark Act). See also, for the WTO system, article 15 subs. 1, 2nd sentence TRIPS: *“Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks”*.

⁷¹⁶ See the decision rendered on 11th February 1999 by the Second Board of Appeal of the (EU) Office for Harmonization in the Internal Market (case *Venootschap onder Firma Senta Aromatica Marketing*, R 156/1998-2); the applicant had “sought to register as an olfactory mark ‘the smell of fresh cut grass’ for goods, namely, tennis ball” (p. 2, N° 1), so that the Board of Appeal examined *“whether the trade mark sought to be registered, which is in the nature of a smell or olfactory mark, is sufficiently represented in graphical form”* (p. 5, N° 8); it reasoned that *“the smell of freshly cut grass is a distinct smell which everyone immediately recognizes from experience”* (N° 14).

⁷¹⁷ See e.g. article 7 (*“Absolute grounds for refusal”*) of the EU Regulation on the Community trade mark, subs. 1: *“The following shall not be registered: [...] (b) trade marks which are devoid of any distinctive character; (c) trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service; (d) trade marks which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade [...]”*.

⁷¹⁸ See e.g. article 15 subs. 1, 3rd sentence, TRIPS: *“Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use”*. See also article 7 of the EU Regulation on Community trade mark, subs. 3: *“Paragraph 1 (b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it”*.

⁷¹⁹ P. 343 sq. ad notes sq. 735.

⁷²⁰ Article 10^{bis} of the Paris Convention, subs. 3/i, emphasizes on the *very general need* to avoid risks of confusions (“*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*”). The fact that the goal of avoiding confusions (also recalled in article 6^{bis}) is mentioned *expressis verbis* in the Convention that, besides, does not even define trademarks shows that this goal is a priority in industrial property law.

⁷²¹ In this regard, it can be noted that the approach in the TRIPS is rather strongly unfavorable to the exceptions based on the descriptive character of an expression: article 15 subs. 1, 3rd sentence, quoted above in 718, is cautious, and article 17 (“*Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties*”) is restrictive for the exceptions based on descriptive character (and hostile to the idea of “absolute need” of a descriptive expression).

⁷²² See above the provisions quoted in notes 714 and 715.

⁷²³ Unless the technical effect is *patented* (p. 334); but even if it is patented, the competitors shall be free to use it as soon as the patent protection (currently of maximum 20 years) expires (p. 336). Registering as trademark the shape needed for the technical effects shall not be a means to extend the monopoly of these technical effects, which was granted – for a limited time – by the patent.

⁷²⁴ See e.g. article 7 (“*Absolute grounds for refusal*”) of the EU Regulation on the Community trade mark, subs. 1: “*The following shall not be registered: [...] (e) signs which consist exclusively of: (i) the shape which results from the nature of the goods themselves; or (ii) the shape of goods which is necessary to obtain a technical result; or (iii) the shape which gives substantial value to the goods*”.

⁷²⁵ Judgment of the Austrian Supreme Court (*Oberster Gerichtshof*) of 29th January 2002 (N° 4Ob269/01i).

⁷²⁶ One aspect of this question is dealt with in article 10 of the EU Regulation of the Community trademark: “*If the reproduction of a Community trade mark in a dictionary, encyclopaedia or similar reference work gives the impression that it constitutes the generic name of the goods or services for which the trade mark is registered, the publisher of the work shall, at the request of the proprietor of the Community trade mark, ensure that the reproduction of the trade*

mark at the latest in the next edition of the publication is accompanied by an indication that it is a registered trade mark”.

⁷²⁷ E.g., article 7 subs. 1 lit g of the EU Regulation on Community trade mark prohibits the registration of “*trade marks which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service*”.

⁷²⁸ P. 343 sq.

⁷²⁹ In this regard, the prohibition for “illegality” is broader than for patents (the registration of a patent cannot be refused merely for the reason that its exploitation would infringe with laws currently in force: see above notes 686 and 687).

⁷³⁰ E.g., article 7 subs. 1 lit f of the EU Regulation on Community trade mark prohibits “*trade marks which are contrary to public policy or to accepted principles of morality*”.

⁷³¹ See article 6^{ter} subs. 1 lit. a of the Paris Convention: “*The countries of the Union agree to refuse or to invalidate the registration, and to prohibit by appropriate measures the use, without authorization by the competent authorities, either as trademarks or as elements of trademarks, of armorial bearings, flags, and other State emblems, of the countries of the Union, official signs and hallmarks indicating control and warranty adopted by them, and any imitation from a heraldic point of view*”. Accordingly, for example, article 7 subs. 1 lit. h of the EU Regulation on Community trade mark prohibits to register “*trade marks which have not been authorized by the competent authorities and are to be refused pursuant to Article 6^{ter} of the Paris Convention*” (additionally, lit. i prohibits “*trade marks which include badges, emblems or escutcheons other than those covered by Article 6^{ter} of the Paris Convention and which are of particular public interest, unless the consent of the appropriate authorities to their registration has been given*”).

⁷³² See article 6^{ter} subs. 1 lit. b of the Paris Convention.

⁷³³ This is the title of article 8 of the EU Regulation on Community trade mark.

⁷³⁴ The comparison of article 8 subs. 1 (“*Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered: [a] if it is identical with the earlier trade mark and the goods or services for which registration is applied for are identical with the goods or services for which the earlier trade mark is protected; [b] if because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is*

protected; the likelihood of confusion includes the likelihood of association with the earlier trade mark") with article 9 subs. 1 lit. a and b of the EU Regulation on Community trade mark (see below in notes 736 respectively 735) shows that the possibility to oppose the registration of a trademark is simply an aspect of the trademark protection.

⁷³⁵ Article 16 ("*Rights conferred*") subs. 1, 1st sentence, TRIPS: "*The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion*". See also article 9 subs. 1 lit. b of the EU Regulation on the Community trade mark: "*A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: [...] (b) any sign where, because of its identity with or similarity to the Community trade mark and the identity or similarity of the goods or services covered by the Community trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark*".

⁷³⁶ Article 16 subs. 1, 2nd sentence, TRIPS: "*In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed*". See also article 9 subs. 1 lit. a of the EU Regulation on the Community trade mark: "*[...] The proprietor shall be entitled to prevent all third parties [...] from using in the course of trade: (a) any sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered*".

⁷³⁷ Article 9 subs. 2 of the EU Regulation on the Community trade mark: "*The following, inter alia, may be prohibited under paragraph 1: (a) affixing the sign to the goods or to the packaging thereof; (b) offering the goods, putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder; (c) importing or exporting the goods under that sign; (d) using the sign on business papers and in advertising*".

⁷³⁸ P. 368 sq.

⁷³⁹ That "service marks" may also be "well-known trademarks" is explicitly foreseen by article 16 subs. 2 TRIPS.

⁷⁴⁰ Article 16 subs. 3 TRIPS: "*Article 6^{bis} of the Paris Convention (1967) shall apply, mutatis mutandis, to goods or services which are not*

similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use". Article 6^{bis} subs. 1 of the Paris Convention: "The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith". See also, for example, article 9 subs. 1 lit. c of the EU Regulation on Community trade mark: "The proprietor shall be entitled to prevent all third parties [...]: (c) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trade mark".

⁷⁴¹ See article 16 subs. 1, 3rd sentence TRIPS: "The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use".

⁷⁴² Article 12 of the EU Regulation on the Community trade mark: "A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade: (a) his own name or address; (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service; (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, — provided he uses them in accordance with honest practices in industrial or commercial matters".

⁷⁴³ Indeed, because of competition (antitrust) law, manufacturers or software producers usually cannot legally reserve maintenance services to themselves; this market shall be open to competitors or to

other actors. These shall therefore be legally able to refer to the machines or systems to be maintained.

⁷⁴⁴ The *Office for Harmonization in the Internal Market* (in Alicante).

⁷⁴⁵ See above note 713.

⁷⁴⁶ See e.g. article 5 subs. 1, 3rd sentence of the Madrid Agreement: “[...] protection may not be refused, even partially, by reason only that national legislation would not permit registration except in a limited number of classes or for a limited number of goods or services” (the Madrid Protocol has the same provision).

⁷⁴⁷ P. 342 ad note 734.

⁷⁴⁸ P. 344.

⁷⁴⁹ See article 18 TRIPS (“*Term of protection*”): “*Initial registration, and each renewal of registration, of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely*”.

⁷⁵⁰ See e.g. article 15 of the EU Regulation on the Community trade mark: “(1) *If, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use. The following shall also constitute use within the meaning of first subparagraph: (a) use of the Community trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered; (b) affixing of the Community trade mark to goods or to the packaging thereof in the Community solely for export purposes. (2) Use of the Community trade mark with the consent of the proprietor shall be deemed to constitute use by the proprietor*”. — See also article 19 TRIPS: “(1) *If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use. (2) When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration*”. — Article 5 lit. C, subs. 1 and 2, of the Paris Convention limits the possibilities of

invalidating the trademark because of the absence of use: “(1) If, in any country, use of the registered mark is compulsory, the registration may be cancelled only after a reasonable period, and then only if the person concerned does not justify his inaction. (2) Use of a trademark by the proprietor in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered in one of the countries of the Union shall not entail invalidation of the registration and shall not diminish the protection granted to the mark”.

⁷⁵¹ As of 2013, 56 for the Madrid Agreement and 91 for the Madrid Protocol. This number is not as large as for the international registration of patents (see above note 704, mentioning 147 countries member to the PCT).

⁷⁵² The Madrid Agreement was enacted as early as 1891, and revised in 1900, 1911, 1925, 1934, 1957 (together with the adoption of the Nice Agreement, see above note 713 *in medio*), 1967 and on 28th September 1979.

⁷⁵³ The Madrid Protocol was adopted in 1989 and amended in 2006 and 2007; the Madrid Protocol creates a truly international system of trademarks, where each trademark registered through the Madrid Protocol is independent. By contrast, the system of the Madrid Agreement (applicable to countries not member to the Protocol) still has the rule that, if the trademark in the country of origin is invalidated during the 5 first years, all trademarks in other countries that based on the country of origin are invalidated (the trademarks registered through the Madrid Agreement are thus dependent for 5 years, which allows a “centralized attack” in the country of origin to cancel a trademark possibly in all countries not member to the Protocol; under the Protocol, article 9^{qui quies}, an international trademark cancelled as a consequence of such “centralized attack” can be transformed, within three months after the cancellation, into national trademarks keeping the same priority date as the cancelled trademark).

⁷⁵⁴ See Article 2-4 of the Madrid Agreement and Protocol.

⁷⁵⁵ See e.g. Article 5 of the Madrid Agreement and Protocol.

⁷⁵⁶ A minimum standard of procedural rights is set forth by article 5 subs. 6, 1st sentence, of the Madrid Agreement and Protocol: “Invalidation, by the competent authorities of a Contracting Party, of the effects, in the territory of that Contracting Party, of an international registration may not be pronounced without the holder of such international registration having, in good time, been afforded the opportunity of defending his rights”.

⁷⁵⁷ See for example DESSEMONTET (above note 682), N 503.

⁷⁵⁸ The judge does not necessarily have to decide whether the trademark is invalid or not; he can abstain to do so, for example, if the defendant's position consists in pointing out the absence of any risk of confusion between the expressions or signs he uses and the trademark of the claimant.

⁷⁵⁹ See article 19 subs. 1, 1st sentence, TRIPS quoted above in note 750.

⁷⁶⁰ See e.g. article 51 and 52 of the EU Regulation on the Community trade mark.

⁷⁶¹ This system, which is allowed by article 62 subs. 4 and 5 TRIPS, has been chosen for the European community trade mark (article 52 subs. 1: "*A Community trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings: (a) where the Community trade mark has been registered contrary to the provisions of Article 7; (b) where the applicant was acting in bad faith when he filed the application for the trade mark*"). Although the decision of the Office (articles 56 sq.) is subject to an appeal before the Board of Appeal (articles 58-64) and before the Court of Justice of the Union (article 65), it is quite questionable that an administrative authority be granted such power (suppression property) at all (a decision of first level, although appealable, always influences very significantly the procedure; and, in practice, many appealable decisions are not challenged by appeal). This – quite questionable – allotment of competence can be explained by the fact that the European legislator did not want to grant *national* courts the power of cancelling a community trademark and did not want either to overload the European court of justice of Luxembourg (which, to express this simplistically, is used to deal only with "important" cases). — For a system respectful of property, see e.g. the UK Trade Marks Act of 1994, article 46 subs. 4, pursuant to which any party can request the revocation to be judged by a court ("*An application for revocation may be made by any person, and may be made either to the registrar or to the court, except that - (a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and (b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court*"; identical, article 47 subs. 3). See also e.g. the Swiss Trademark Act, article 52 sq., according to which a revocation can only be decided by a court of justice (and also article 47 subs. 4 of UK Trade Marks Act: "*In the case of bad faith in the registration of a trade mark, the registrar himself may apply to the court for a declaration of the invalidity of the registration*"). — It

would not be true to justify the choice of the administrative procedure by its speediness: judicial authorities can protect interests by rendering urgent injunctions when the situation appears to be sufficiently clear (see p. 370-372); if the situation is not immediately sufficiently clear, it is justified to conduct a full procedure, where the involved parties can raise their arguments and bring evidence of relevant facts; such (adversarial) procedure is better conducted by a court of justice than by an administrative authority.

⁷⁶² See article 8 of the Paris Convention: “*A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark*”.

⁷⁶³ See for example DESSEMONTET (above note 682), N 578 (“*l’identification choisie par leur utilisateur dans le cours ordinaire des affaires*”) and 598 sq. — See also p. 366 ad note 883.

⁷⁶⁴ In this regard, cf. Philippe GILLIÉRON, *La procédure de résolution en ligne des litiges relatifs aux noms de domaine* (2002), summary by ROUILLER, *ASA Bulletin* 2002 p. 733-736; KAUFMANN-KOHLER/SCHULTZ, *Online Dispute Resolution: Challenges for Contemporary Justice* (2004), p. 36. — See also p. 363 sq.

⁷⁶⁵ Article 10^{bis} of the Paris Convention (see already note 720 above) reads: “(1) *The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition. (3) The following in particular shall be prohibited: (i) 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; (ii) 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; (iii) 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*”. — See also p. 366 sq.

⁷⁶⁶ See article 7^{bis} subs. 1 and 2 of the Paris Convention: “(1) *The countries of the Union undertake to accept for filing and to protect collective marks belonging to associations the existence of which is not contrary to the law of the country of origin, even if such associations do not possess an industrial or commercial establishment. (2) Each country shall be the judge of the particular conditions under which a collective mark shall be protected and may refuse protection if the mark is contrary to the public interest*”.

⁷⁶⁷ This understanding is notably visible in the articles 15-21 TRIPS, which significantly prevent the member countries from creating additional conditions to the protection (notably articles 19-20). As well as article 21 TRIPS (2nd part: “*the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs*”), article 17 subs. 1 of the EU Regulation on the Community trade mark also reflects that the trademark is an asset, of which a company can dispose (“*A Community trade mark may be transferred, separately from any transfer of the undertaking, in respect of some or all of the goods or services for which it is registered*”): even if it aims at distinguishing the company’s products from those of other companies in the consumers’ eyes, the consumers’ belief is not decisive and the trademark can be transferred (i.e. sold) to any other company, including a competitor, even if the consumers’ belief will be mistreated by this transfer (subs. 4 of article 17 sets forth limitations only if a transfer may create deception about the geographical origin, the quality and nature of goods, i.e. not about the provider of goods or services).

⁷⁶⁸ One can refer to the articles 66 to 74 of the EU Regulation on Community trade mark (“*Collective Community trade mark*”). This regulation can be compared to articles 21-27 of the Swiss Trademark Act (see DESSEMONTET [above note 682], N 520 sq.).

⁷⁶⁹ Among the grounds for revocation of a EU collective Community trade mark, see article 73 subs. 1 lit. a and b of the EU Regulation: “[...] *the rights of the proprietor of a Community collective mark shall be revoked on application to the Office [...] if: (a) the proprietor does not take reasonable steps to prevent the mark being used in a manner incompatible with the conditions of use, where these exist, laid down in the regulations governing use, amendments to which have, where appropriate, been mentioned in the Register; (b) the manner in which the mark has been used by the proprietor has caused it to become liable to mislead the public [...]*”. This illustrates the priority of the function of properly informing the public.

⁷⁷⁰ This expression to define the *object* of intellectual property rights is used in the TRIPS (see e.g. articles 15 and 27).

⁷⁷¹ It is the concept used also by the World Intellectual Property Organization on its introductory webpage (www.wipo.int/copyright, last retrieved on 2nd January 2014: “*Copyright is a legal term used to describe the rights that creators have over their literary and artistic works*”). — In the earlier developments, particular legislations were

enacted to protect certain types of intellectual works (see above note 676).

⁷⁷² See e.g. DESSEMONTET (above note 682), N 63, with reference to judicial decisions.

⁷⁷³ For over a century, there was a significant divergence between the (European) continental concepts, for which copyright is “rooted” in the person of the author (hence the French expression *droit d’auteur* and its translations or equivalents like the German *Urheberrecht*) with therefore the consequential moral rights, and the Anglo-American conception(s), according to which (if we say this simplistically) the copyright is the monopoly of reproduction (this – pragmatic – approach was the one adopted by the British Parliament in 1710 [*Statute of Anne*], referred to above in note 676, whereas the continental conception was adopted in 1791 in the more idealistic context of the French Revolution). In spite of remaining differences in the sensitiveness, practical convergences are today predominant.

⁷⁷⁴ This synthetic description (in a field where international conventions are not particularly synthetic, see ad notes 777 sq.) is proposed by the WIPO (loc. cit. in note 771).

⁷⁷⁵ Article 5 subs. 2, 1st sentence, of the Berne Convention: “*The enjoyment and the exercise of these rights shall not be subject to any formality*”.

⁷⁷⁶ A few countries do provide for registration of works, but they are a small minority.

⁷⁷⁷ As of 1st January 2014, 167 countries were members to the Berne Convention (note 778).

⁷⁷⁸ It was completed at Paris in 1896, revised at Berlin in 1908, completed at Berne in 1914, revised at Rome in 1928, at Brussels in 1948, at Stockholm in 1967 and at Paris in 1971. It was last amended in 1979.

⁷⁷⁹ Several additional treaties have been adopted, e.g. the *World Intellectual Property Organization Copyright Treaty* (in short WIPO Copyright Treaty or WCT) adopted in 1996. Within the WTO, the TRIPS, adopted in 1993, have some provisions on copyrights, but they mostly consist in obliging member states to enforce the Berne Convention (article 9 subs. 1).

⁷⁸⁰ Article 2 subs. 1 of the Berne Convention.

⁷⁸¹ See article 14 subs. 1 TRIPS. The subject matter is also dealt with in a Convention adopted at Rome in 1961 (*Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations*).

⁷⁸² See article 14 subs. 2 TRIPS. The subject matter is also dealt with in a Convention adopted at Geneva in 1971 (*Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms*).

⁷⁸³ See article 14 subs. 3 TRIPS.

⁷⁸⁴ The expression “*neighboring rights*” is a literal translation of the original French expression “*droits voisins*”; it is very often used in English translations from texts of any European-continental jurisdiction (which have transposed the French expression, like “*naburige rechte*” in Dutch or “*Nachbarrechte*” in German, or adopted similar expressions, like “*смежные права*” [“adjacent rights”] in Russian or, again in German, “*verwandte Rechte*”). Texts originally written in English use rather the expression “*related rights*”.

⁷⁸⁵ Article 10 subs. 1 TRIPS: “*Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971)*”.

⁷⁸⁶ For example, for French law, the comprehensive book on copyright of VIVANT/BRUGUIÈRE, *Droit d’auteur* (2009), deals from p. 53 to 183 with the question of whether originality is needed for a work to be protected and, if yes, what the content of this requirement is.

⁷⁸⁷ The French legal tradition uses an eloquent expression: “*les idées sont de libre parcours*” (VIVANT/BRUGUIÈRE [above note 786], N 58-66).

⁷⁸⁸ The full text of article 9 subs. 2 TRIPS reads: “*Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such*”.

⁷⁸⁹ A very famous and complex litigation arose from the – openly wanted – similarities with Margaret MITCHELL’s *Gone with the Wind* that the French author Régine DEFORGE used in her novel *La bicyclette bleue* (the plot is the same, transposed from the American South after the Secession War into the occupied France during the Second World War). The French Supreme Court ruled (4th February 1992), in law, that the composition of the theme of a novel (i.e. the plot) is protectable as an original element of that work; however, the Court of Appeal that had to implement this general reasoning, and thus to analyze both novels, considered (15th December 1993) notably that the plot was too banal to be protected as such in the particular case (see the summary and criticism in Pascal KAMINA, *Film Copyright in the European Union* [2004], p. 225).

⁷⁹⁰ For an approach in comparative law, DESSEMONTET (above note 682), N 64 (“*il existe une convergence entre la doctrine européenne et la doctrine américaine, qui n’exige qu’un minimum d’individualité*”).

⁷⁹¹ See below p. 354 ad note 819.

⁷⁹² See DESSEMONTET (above note 682), N 63 ad note 168.

⁷⁹³ Deciding that a work or a part thereof is *banal* (i.e. not original) is clearly an appraisal of the merits.

⁷⁹⁴ See VIVANT/BRUGUIÈRE (above note 786), N 190.

⁷⁹⁵ See DESSEMONTET (above note 682), N 63 ad note 168 (“à un faible degré d’individualité correspond un périmètre de protection plus réduit”) and 113 ad note 255 (“moins une œuvre est originale, moins elle sera protégée contre des reproductions qui s’en rapprochent sans y être identiques”), with references to judicial practice.

⁷⁹⁶ Article 9 subs. 1 of the Berne Convention: “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”.

⁷⁹⁷ P. 352 (ad notes 803 sq.) and 354 sq.

⁷⁹⁸ Pursuant to article 9 subs. 2 of the Berne Convention, the legislations can “permit the reproduction of such 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”. See also article 13 TRIPS: “Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder”.

⁷⁹⁹ Article 10 of the Berne Convention sets forth that it is “permissible to make quotations [...] provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose” (subs. 1) and also to use literary or artistic works for teaching (“to the extent justified by the purpose [...] by way of illustration in publications, broadcasts or sound or visual recordings, provided such utilization is compatible with fair practice”).

⁸⁰⁰ Article 10 subs. 3 of the Berne Convention.

⁸⁰¹ Article 11 subs. 1 of the Berne Convention: “Authors of dramatic, dramatico-musical and musical works shall enjoy the exclusive right of authorizing: (i) the public performance of their works, including such public performance by any means or process; (ii) any communication to the public of the performance of their works”.

⁸⁰² Article 14^{bis} of the Berne Convention.

⁸⁰³ Article 8 of the Berne Convention. Articles 11 subs. 2 and 11^{ter} subs. 2 set forth that the author also has an exclusive right in relation with the performance of translated version of his (dramatic, dramatico-musical and literary) works.

⁸⁰⁴ Article 12 of the Berne Convention; see also article 14 subs. 2 on the exclusive right (of the author of the original work) in case where a cinematographic adaption has been authorized.

⁸⁰⁵ The EU legislation reserves to the authors the exclusive right to rent (Council's Directive 92/100 of 19th November 1992), contrary to e.g. Swiss law (which foresees the compulsory remuneration).

⁸⁰⁶ Article 14 subs. 1 TRIPS.

⁸⁰⁷ Article 14 subs. 2 TRIPS.

⁸⁰⁸ Article 6^{bis} subs. 1 *in initio* of the Berne Convention refers to them under the expression "*economic rights*".

⁸⁰⁹ Article 6^{bis} subs. 1 of the Berne Convention.

⁸¹⁰ This right has a variable extent: German (§ 42 Urhebergesetz) and French laws (article L 121-4 Code de la propriété intellectuelle) recognize to the author the right of withdrawing the work. Other legislations (e.g. Swiss law) only recognize the right not to divulge the work (DESSEMONTET [above note 682], N 109 sq.).

⁸¹¹ See article 6^{bis} subs. 1 of the Berne Convention: the sentence quoted ad note 808 is preceded by the words "*even after the transfer of the [economic] rights*".

⁸¹² See e.g. for a brief overview in the EU and in Switzerland, DESSEMONTET (above note 682), N 130 (ad note 303), 172 and 189-1 sq.

⁸¹³ Article 7 subs. 1 of the Berne Convention: "*The term of protection granted by this Convention shall be the life of the author and fifty years after his death*".

⁸¹⁴ Article 12 TRIPS: "*Whenever the term of protection of a work [...] is calculated on a basis other than the life of a natural person, such term shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making*".

⁸¹⁵ EU legislation sets forth that the period of protection shall be 70 years (articles 1 and 11 of the Council's Directive 93/98 of 29th October 1993).

⁸¹⁶ Article 14 subs. 5, 1st sentence, TRIPS: "*The term of the protection available [...] to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place*". The minimum duration is 20 years for the rights of broadcasting organizations.

⁸¹⁷ In the US legislation, the period of protection is 95 years. A project of regulation in the EU also foresees 95 years.

⁸¹⁸ See above ad note 772.

⁸¹⁹ Such works do not necessarily *aim* at being *adaptations* (see above ad note 804; for a famous case, see note 789 above).

⁸²⁰ For this view, cf. VIVANT/BRUGUIÈRE (above note 786), N 612, with reference to judgments rendered on 28th February 1995 and 13th October 2006 by the Cour d'appel of Paris; in US-American law, this is admitted under the title of "*fair use*" (in English law, "*fair dealing*").

⁸²¹ See above note 798.

⁸²² See for example DESSEMONTET (above note 682), N 140, who insists on the criterion that the consumers' decision to purchase the parody or the initial work is based on different motivations.

⁸²³ For this expression in design law, see DESSEMONTET (above note 682), N 663.

⁸²⁴ The case summarized in note 789 arose also because the author of the posterior work openly mentioned in her preface that she had knowledge of, and was inspired by, the prior work (and thanked the first author for her "involuntary cooperation"!).

⁸²⁵ Indirectly, DESSEMONTET (above note 682), N 647 (p. 477-478, esp. ad note 1447), while describing the requirements for design protection (absolute novelty) and its scope (monopoly, even towards parallel creations) as compared to the regime of copyright protection, describes the regime of parallel creations in copyright. — The treatment of an "*independently created*" topography of an integrated circuit is identical to the regime in copyright (see p. 360 ad note 859).

⁸²⁶ Article 2^{bis} subs. 1 of the Berne Convention.

⁸²⁷ Article 2 subs. 2 of the Berne Convention.

⁸²⁸ In many legislations, the right to make one copy for archives is linked with the authors' (standardized and collective) right to a remuneration based on the material on which such archive copies are usually recorded (CD, hard disks, etc.); manufacturers of such material have to pay these remunerations to the entities that have received the task of collecting them for the final benefit of the authors (see above ad note 812).

⁸²⁹ Some exceptions are related to the object *and* the type of reproduction: e.g. regarding *public speeches* (as opposed to political and judicial speeches), only the broadcasting and reproduction for informatory purposes are potentially allowed by legislation (see articles 2^{bis} subs. 2 and 11^{bis} of the Berne Convention).

⁸³⁰ The Union created by the Paris Convention has 175 members as of January 2014.

⁸³¹ The WTO had 153 members as of March 2013. — Other international treaties on designs have less members: the *Hague Agreement Concerning the International Deposit of Industrial Designs*

(1925, revised last time in 1999) and the *Locarno Agreement Establishing an International Classification for Industrial Designs* (1968, amended last time in 1979) had 61 respectively 53 members as of January 2014.

⁸³² Article 25 subs. 1, 1st sentence, TRIPS: *“Members shall provide for the protection of independently created industrial designs that are new or original”*. Article 5^{quinquies} of the Paris Convention simply says: *“Industrial designs shall be protected in all the countries of the Union”*.

⁸³³ This synthetic description is given by the WIPO on its introductory webpage www.wipo.int/designs/en (last retrieved in January 2014).

⁸³⁴ See source quoted in note 833.

⁸³⁵ See source quoted in note 833 and DESSEMONTET [above n. 682], N 642 sq. and 657 sq. (examples from judicial practice).

⁸³⁶ Article 25 subs. 1, 2nd sentence, TRIPS: *“Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features”*.

⁸³⁷ Article 25 subs. 1, 3rd sentence, TRIPS: *“Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations”*.

⁸³⁸ See above p. 340.

⁸³⁹ See e.g. in the EU, the Council’s Directive 98/71 of 13th October 1998. For a brief comparative and prospective view (and notably French, US, Italian and Swiss laws), see DESSEMONTET (above note 682), N 645-647 (see also VIVANT/BRUGUIÈRE [above note 786], N 18 and 120 sq.). — Article 25 subs. 2 TRIPS explicitly foresees such possibility to cumulate both protections for textile designs: *“Each Member shall ensure that requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. Members shall be free to meet this obligation through industrial design law or through copyright law”*.

⁸⁴⁰ See the Hague Convention, in particular Geneva Act of 2nd July 1999 (article 4).

⁸⁴¹ Article 26 subs. 1 TRIPS: *“The owner of a protected industrial design shall have the right to prevent third parties not having the owner’s consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes”*.

⁸⁴² Article 26 subs. 2 TRIPS : *“Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected*

industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties". This criterion is nearly identical to the exceptions allowed by the TRIPS and by the Berne Convention with regard to copyright (see above p. 352 ad notes 786-788).

⁸⁴³ See above p. 344 (ad note 741) – for trademarks, such exception is explicitly foreseen in the TRIPS.

⁸⁴⁴ Article 26 subs. 3 TRIPS: "*The duration of protection available shall amount to at least 10 years*".

⁸⁴⁵ *International Convention for the Protection of New Varieties of Plants*, adopted in 1961 and revised in Geneva in 1972, 1978 and 1991, abbreviated *UPOV-Convention* (for *Union pour la protection des obtentions végétales*, from the original French denomination). As of January 2014, 71 countries are member to that convention.

⁸⁴⁶ Article 5 of the UPOV-Convention.

⁸⁴⁷ See article 7 of the UPOV-Convention.

⁸⁴⁸ See article 8 of the UPOV-Convention.

⁸⁴⁹ See article 9 of the UPOV-Convention.

⁸⁵⁰ See article 10 of the UPOV-Convention.

⁸⁵¹ See article 12 of the UPOV-Convention.

⁸⁵² Cf. article 14 subs. 1 of the UPOV-Convention.

⁸⁵³ See article 15 subs. 2 of the UPOV-Convention, with regard to farmers' rights on their own holdings. As set forth in this article, these exceptions shall remain "*within reasonable limits*" and are "*subject to the safeguarding of the legitimate interests of the breeder*" (a general criterion for limitations in intellectual property, as seen with copyright or industrial designs, see above p. 352 (ad notes 786-788) respectively p. 357 (ad note 842)).

⁸⁵⁴ Article 17 subs. 1 in fine of the UPOV-Convention.

⁸⁵⁵ Article 35 TRIPS makes applicable the substantial terms of the Treaty on Intellectual Property in Respect of Integrated Circuits adopted at Washington in 1989 (which has been *directly* ratified by only 3 countries) – hereinafter: "*the Washington Treaty*".

⁸⁵⁶ See article 3 subs. 2 lit. a of the Washington Treaty.

⁸⁵⁷ See article 6 subs. 1 lit. a of the Washington Treaty. See also article 36 TRIPS.

⁸⁵⁸ See article 6 subs. 2 lit. a of the Washington Treaty.

⁸⁵⁹ See article 6 subs. 2 lit. c of the Washington Treaty. This is similar to the treatment of a "parallel creation" in copyright law (above p. 355).

⁸⁶⁰ See article 38 subs. 1 and 2 TRIPS.

⁸⁶¹ Article 38 subs. 3 TRIPS.

⁸⁶² See e.g. Daehwan KOO, *Patent and Copyright protection of Computer Programs*, *Intellectual Property Quarterly*, 2002, p. 188-211; Daniel ARRIDGE, *Challenging Claims! Patenting Computer programs in Europe and the USA*, *Intellectual Property Quarterly*, 2001, p. 22-35. See also Timothy LEE, *Here's why economists hate software patents*, in *Washington Post* 31st July 2013.

⁸⁶³ For a brief overview, see DESSEMONTET (above note 682), N 195 sq. As such, article 52 subs. 2 lit. c of the European Patent Convention explicitly excludes software from patentability: *"The following in particular shall not be regarded as inventions within the meaning of paragraph 1: (a) discoveries, scientific theories and mathematical methods; (b) aesthetic creations; (c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers; (d) presentations of information"*. — As per the explanations ("Patenting Software") posted by the WIPO in relation with the European practice, N 4, § 2, *"methods for controlling an industrial process, processing of data representing physical entities (temperature, size, shape etc.) and the internal functions of the computer itself are considered to have a technical character. A computer system used in the field of finance may have a technical character if the process is based on technical considerations relating to how a computer works (for example, improvement of security), rather than just on the consideration as to how the financial system works"*. The Enlarged Board of Appeal of the European Patent Office analyzed its practice in an Opinion of 12th May 2010 (G 0003/08).

⁸⁶⁴ The summary made by the WIPO (loc. cit. in note 863, § 3) refers, as an example of patentability of software in US law, to the case where *"the Court of Appeals for the [US] Federal Circuit [...] found that a software invention (mathematical algorithm) to create a smooth display of numeric data on an oscilloscope was patentable subject matter, because the claimed invention as a whole was a practical application of an abstract idea providing a useful, concrete and tangible result"*. — A nuanced and cautious decision was rendered by the US Supreme Court on 28th June 2010 in the case *Bilski v. Kappos* (II [p. 12]: *"The Information Age empowers people with new capacities to perform statistical analyses and mathematical calculations with a speed and sophistication that enable the design of protocols for more efficient performance of a vast number of business tasks. If a high enough bar is not set when considering patent applications of this sort, patent examiners and courts could be flooded with claims that would put a chill on creative endeavor and dynamic change"* [see also p. 10]; in III, the Court points out that the *"machine-or-transformation test"*,

i.e. that the patentability depends on whether an invention “(1) is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing” [p. 3, see also p. 1] shall not be exclusive [p. 16, § 3, last sentence]).

⁸⁶⁵ The approach in Japan seems to have become lenient; see Kazuyuki MOTOHASHI, *Software Patent and its Impact on Software Innovation in Japan*, RIETI [The Research Institute of Economy, Trade and Industry] Discussion Paper Series 09-E-038.

⁸⁶⁶ This is provided for by article 4 of the *WIPO Copyright Treaty* adopted at Geneva in 1996 (to which 91 countries are member as of January 2014); see also article 7. In addition, article 10 TRIPS obliges the member of the WTO to treat computer programs as if they were literary works in the sense of the Berne Convention (see above p. 349 ad note 785).

⁸⁶⁷ Article 39 subs. 2 lit. a TRIPS.

⁸⁶⁸ Article 39 subs. 2 lit. c TRIPS.

⁸⁶⁹ Article 39 subs. 2 lit. b TRIPS.

⁸⁷⁰ The note ad article 39 TRIPS is currently numbered 10.

⁸⁷¹ *Ibidem*.

⁸⁷² The US approach consist however in treating trade secrets as a proprietary asset (the protection of which depends nevertheless on preventive measures taken by the owner) whereas the classical European approach strictly considered the protection as a result of rules on unfair competition and honest practices (see DESSEMONTET [above note 682], N 745, 762 sq.). This being said, the practical effects of the two approaches have been essentially identical. Article 39 TRIPS merges the two approaches without that substantial practical changes have to be adopted, but it is now clearer than secrets can be considered as intellectual property assets.

⁸⁷³ The WIPO recapitulates the arguments in a webpage “*Patents or Trade Secrets?*” (last retrived in January 2014). See also e.g. Howard EISENBERG, *Patents vs. Trade Secret* (2000); R. Mark HALLIGAN, *Trade Secrets v. Patents: The New Calculus* (Landslide 2010/6).

⁸⁷⁴ See p. 368.

⁸⁷⁵ As per 3rd introductory note to UDRP (see ad note 878 sq.), the “domain-name holder” is also referred to as “the registrant” or “the customer”.

⁸⁷⁶ Also referred to as “registration authority” (3rd introductory note to UDRP).

⁸⁷⁷ Article 4 lit. b UDRP (see ad note 878 sq.) describes the bad faith behaviors (“*Evidence of Registration and Use in Bad Faith*”) as follows: “[...] the domain name has been [registered] primarily for the purpose

of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of [the] documented out-of-pocket costs directly related to the domain name; or [...] in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name [...]; or [iii] primarily for the purpose of disrupting the business of a competitor; or [iv] to attract, for commercial gain, Internet users to [the registrant's] web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of [the registrant's] web site or location or of a product or service on [the registrant's] web site or location". — Legitimate interests are circumscribed in article 4 lit. c UDRP as (i) a use (or "demonstrable preparation" thereof) of "the domain name or [of] a name corresponding to the domain name in connection with a bona fide offering of goods or services" or as (ii) the fact that the registrant has "been commonly known by the domain name, even if [he has] acquired no trademark or service mark rights" or as (iii) the fact that he is "making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue".

⁸⁷⁸ As of January 2014, the listing is: .aero, .asia, .biz, .cat, .com, .info, .jobs, .coop, .mobi, .museum, .name, .net, .org, .pro, .tel and .travel. It is expected to be continuously extended as supplementary gTLDs will be created.

⁸⁷⁹ As of January 2014, not less than 69 ccTLDs (e.g.: .au, .br, .cd, .ch, .cy, .es, .fr, .ie, .ir, .ma, .mx, .nl, .pk, .pl, .qa, .ro, etc.) were subject to the UDRP.

⁸⁸⁰ The most complete presentation of the UDRP can probably be found in Philippe GILLIÉRON's, *La procédure de résolution en ligne des conflits relatifs aux noms de domaine* (2002). The rules were slightly amended in 2010.

⁸⁸¹ See article 3 UDRP.

⁸⁸² See 3rd introductory notes to UDRP (above note 875).

⁸⁸³ Article 9 Paris Convention: "A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark".

⁸⁸⁴ Articles 1 subs. 1 ("The protection of industrial property has as its object patents [...], trademarks, service marks, trade names [...] and the repression of unfair competition"), 9 and 10^{ter} of the Paris

Convention treat trade names as object of intellectual property in the same manner as trademarks.

⁸⁸⁵ Article 10^{bis} subs. 3 pt. 1 of the Paris Convention.

⁸⁸⁶ See above p. 347 ad note 765.

⁸⁸⁷ On the historical circumstances how unfair competition law was developed on an international level (in the amendments to the Paris Convention of 1900, 1911 and 1925; see above note 704), see Christopher WADLOW, *The International Law of Unfair Competition — The British Origins of Article 10^{bis} of the Paris Convention for the Protection of Industrial Property* (2002).

⁸⁸⁸ Article 10^{bis} subs. 2 of the Paris Convention; subs. 1 obliges the countries of the Paris Union to “*assure effective protection against unfair competition*”.

⁸⁸⁹ Article 10^{bis} subs. 3 pt. 2 of the Paris Convention prohibits: “*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*”.

⁸⁹⁰ Article 10^{bis} subs. 3 pt. 3 of the Paris Convention prohibits “*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*”

⁸⁹¹ This is also recalled in article 41 subs. 5 TRIPS (“*It is understood that this Part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general*”).

⁸⁹² As regards the number of member countries (153), see above note 831.

⁸⁹³ Article 41 to 61 TRIPS.

⁸⁹⁴ Article 44 subs. 1, 1st sentence, TRIPS: “*The judicial authorities shall have the authority to order a party to desist from an infringement, inter alia to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods*”.

⁸⁹⁵ Article 46, 1st sentence, TRIPS: “*In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed*”.

⁸⁹⁶ Article 46, 3rd sentence, TRIPS: *“In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account”*.

⁸⁹⁷ Article 46, 1st sentence, TRIPS: *“The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements”*.

⁸⁹⁸ Article 46, 3rd sentence, TRIPS (see above note 896).

⁸⁹⁹ Article 45 subs. 1 TRIPS: *“The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person’s intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity”* (the underlined words have the effect of making monetary compensation dependent on the successful evidence that the infringement was intentional or, at least, negligent).

⁹⁰⁰ Article 46 subs. 2 TRIPS: *“The judicial authorities shall also have the authority to order the infringer to pay the right holder expenses, which may include appropriate attorney’s fees. In appropriate cases, Members may authorize the judicial authorities to order recovery of profits and/or payment of pre-established damages even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity”* (as shown by the underlined elements, these remedies are available without any subjective fault of the defendant). — For more developments, see below p. 442 sq.

⁹⁰¹ Cf. Article 47 TRIPS (which specified: *“unless this would be out of proportion to the seriousness of the infringement”*).

⁹⁰² Article 50 TRIPS.

⁹⁰³ Article 48 subs. 1 TRIPS. See also article 50 subs. 7 TRIPS (quoted in note 916 below).

⁹⁰⁴ Cf. article 41 subs. 1 and 2 TRIPS.

⁹⁰⁵ Cf. article 41 subs. 3 TRIPS.

⁹⁰⁶ Cf. article 42, 2nd and 3rd sentences, TRIPS.

⁹⁰⁷ Article 42, 4th sentence, TRIPS.

⁹⁰⁸ Whereas this is not specified in the TRIPS, many procedural laws empower the judge to order *third parties* to produce documentary evidence into the trial (this judge’s power is close to his power of ordering a person to be heard as witness).

⁹⁰⁹ Article 43: *“The judicial authorities shall have the authority, where a party has presented reasonably available evidence sufficient to support its claims and has specified evidence relevant to substantiation of its claims which lies in the control of the opposing party, to order that this evidence be produced by the opposing party, subject in appropriate cases to conditions which ensure the protection of confidential information”.*

⁹¹⁰ Article 50 subs. 1 TRIPS: *“The judicial authorities shall have the authority to order prompt and effective provisional measures: (a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance; (b) to preserve relevant evidence in regard to the alleged infringement”.*

⁹¹¹ See e.g. Nicolas ROUILLER, *Обеспечительные меры в области интеллектуальной собственности в Швейцарии*, Journal of the Court of Intellectual Property of the Russian Federation, N° 2 (2013), p. 69.

⁹¹² Article 50 subs. 3 TRIPS: *“The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant’s right is being infringed or that such infringement is imminent [...]”.*

⁹¹³ Article 50 subs. 2 TRIPS: *“The judicial authorities shall have the authority to adopt provisional measures inaudita altera parte where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed”.*

⁹¹⁴ Article 50 subs. 4 TRIPS: *“Where provisional measures have been adopted inaudita altera parte, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed”.*

⁹¹⁵ Article 50 subs. 6 TRIPS: *“[...] provisional measures [...] shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where a Member’s law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer”.*

⁹¹⁶ See above p. 369 ad note 903; see also article 50 subs. 7 TRIPS: *“Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures”*.

⁹¹⁷ On these aspects, ROUILLER (above note 911), p. 73 ad notes 17-18; see also Ralph SCHLOSSER, *Les conditions d’octroi des mesures provisionnelles* (Sic! 2005), p. 352. Outside intellectual property, see below p. 551 and AMERICAN LAW INSTITUTE/UNIDROIT, *Uniform Law Review* 2004, p. 772 sq., quoted in note 1269). Outside intellectual property, article 13 subs. 1 *principio* of the Convention on the international interests in mobile equipment (quoted in note 1272) submit the right to provisional measures to the condition that *evidence* of a default has been brought.

⁹¹⁸ Article 50 subs. 3 TRIPS: *“The judicial authorities shall have the authority [...] to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse”*.

⁹¹⁹ Decisions of the Vaud Cantonal Civil Court of 11.11.2011 and 21.08.2013; see also ROUILLER (above note 911), p. 74, note 20.

⁹²⁰ Expression in note 14 to article 51 TRIPS.

⁹²¹ See article 52, 1st sentence, TRIPS.

⁹²² See article 52, 2nd sentence, TRIPS.

⁹²³ Cf. article 52 TRIPS.

⁹²⁴ Article 54 TRIPS.

⁹²⁵ Article 55, 2nd sentence, TRIPS.

⁹²⁶ Article 57 TRIPS.

⁹²⁷ Article 59 (in relation with 46) TRIPS.

⁹²⁸ By contrast, article 46 *in fine* TRIPS specifies: *“In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce”*.

⁹²⁹ Article 56 TRIPS.

⁹³⁰ Article 61, 1st sentence, TRIPS.

⁹³¹ Article 61, 2nd sentence, TRIPS.

⁹³² See, regarding the approach of British governments in matters of international unfair competition, WADLOW (above note 887), p. 7.

⁹³³ This is contemplated in article 61, 4th sentence, TRIPS. — In this regard also WADLOW (above note 887), p. 5 (regarding unfair competition).

⁹³⁴ See above p. 72.

⁹³⁵ Article 61, 3rd sentence, TRIPS.

⁹³⁶ See above p. 57 and 86 sq.

⁹³⁷ See p. 380.

⁹³⁸ Often, since it is not possible for the licensor to know in advance the cost of development of the new techniques, the contract simply foresees the *parameters* of such supplementary royalty.

⁹³⁹ Contractual clauses can also set forth an obligation of the licensor to *advance* costs for representation.

⁹⁴⁰ See in this regard DESSEMONTET (above note 682), N 305 ad note 637, with reference for Swiss law, notably, to judgments of the Zurich commercial court (*Blätter für Zürcherische Rechtsprechung* 1943, N° 74, p. 227) and of the Swiss (supreme) Federal Court (ATF/BGE 96 [1970] II 154, 157).

⁹⁴¹ This right of termination is *referred to* in article 5 lit. c. of the EU Regulation N° 772/2004 quoted below in note 947.

⁹⁴² See in particular article 101 (ex-81) subs. 1 and 2 of the Treaty on the Functioning of the EU: “1. [...] shall be prohibited [...] all agreements between undertakings [...] which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market, and in particular those which (a) directly or indirectly fix purchase or selling prices or any other trading conditions; (b) limit or control production, markets, technical development, or investment; (c) share markets or sources of supply; (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; (e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts. 2. Any agreements or decisions prohibited pursuant to this article shall be automatically void”.

⁹⁴³ See subs. 3 of article 101 (ex-81) of the Treaty on the Functioning of the EU: “The provisions of paragraph 1 may, however, be declared inapplicable in the case of any agreement or category of agreements between undertakings, [...] which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not (a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives; (b) afford such undertakings the possibility of

eliminating competition in respect of a substantial part of the products in question”.

⁹⁴⁴ One can also note the reflection of the Council contained in § 5 sq. of the Preamble of the Regulation N° 772/2004 (below note 947): “(5) *Technology transfer agreements concern the licensing of technology. Such agreements will usually improve economic efficiency and be pro-competitive as they can reduce duplication of research and development, strengthen the incentive for the initial research and development, spur incremental innovation, facilitate diffusion and generate product market competition. (6) The likelihood that such efficiency-enhancing and pro-competitive effects will outweigh any anti-competitive effects due to restrictions contained in technology transfer agreements depends on the degree of market power of the undertakings concerned and, therefore, on the extent to which those undertakings face competition from undertakings owning substitute technologies or undertakings producing substitute products”.*

⁹⁴⁵ The concerned clause can be validly agreed, and even implied, in contracts by which a patent is not licensed, but sold, or in a contract about the sale of a company (see DESSEMONTET [above note 682], N 308 lit. g *in fine*).

⁹⁴⁶ The Regulation does not apply if the agreements at stake do not have any effect of affecting trade between Member States as contemplated in article 101 (ex-81) subs. 1 of the Treaty on the Functioning of the EU (above note 942); see in particular § 12 of the preamble of the Regulation N° 772/2004 (below note 947).

⁹⁴⁷ Article 5 subs. 1 lit. c of the *EU Council’s Regulation N° 772/2004 of 27th April 2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements* prohibits the clauses that foresee “*any direct or indirect obligation on the licensee not to challenge the validity of intellectual property rights which the licensor holds in the common market, without prejudice to the possibility of providing for termination of the technology transfer agreement in the event that the licensee challenges the validity of one or more of the licensed intellectual property rights”.*

⁹⁴⁸ Judgment of the US Supreme Court of 16th June 1969, *Lear Inc. v. Adkins* (365 U.S. 653 [1969]).

⁹⁴⁹ Article 5 subs. 1 lit. a of the Regulation N° 772/2004 (above note 947).

⁹⁵⁰ Article 5 subs. 1 lit. b of the Regulation N° 772/2004 (above note 947).

⁹⁵¹ See article 4 subs. 2 lit. a of the Regulation N° 772/2004 (above note 947).

⁹⁵² This is set forth in article 4 subs. 2 lit. c of the Regulation N° 772/2004 (above note 947). The article nevertheless allows “*the possibility of prohibiting a member of [a selective distribution] system from operating out of an unauthorised place of establishment*”. — Article 4 subs. 2 lit. b targets clauses that prohibit the so-called *passive sales* by licensees.

⁹⁵³ Article 4 subs. 1 lit. b of the Regulation N° 772/2004 (above note 947).

⁹⁵⁴ Article 4 subs. 1 lit. c of the Regulation N° 772/2004 (above note 947).

⁹⁵⁵ Article 4 subs. 1 lit. d of the Regulation N° 772/2004 (above note 947); it reserves the case where “*such latter restriction is indispensable to prevent the disclosure of the licensed know-how to third parties*”.

⁹⁵⁶ See, only for patent and other technology transfers, OECD, *Main Science and Technology Indicators*, Volume 2013 Issue 1, p. 88 sq. (“*Technology balance of payments*”, tables 69 and 79). Royalties for licenses on trademarks and copyrights represent also enormous amounts.

⁹⁵⁷ The *Model Convention of the OECD* (“*with respect to taxes on income and on capital*”, in its version of 28th January 2003) foresees a total elimination of the source tax on royalties (article 12, subs. 1: “*Royalties arising in a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State*”).

⁹⁵⁸ This appraisal by tax authorities is based on comparisons with other situations, but it shall be done extremely cautiously; to act in compliance with reason and fairness, tax authorities shall *not rush and conclude only based on comparisons with standard practices*; they shall attentively take into account all specificities and advantages of the transfers and services actually provided by the licensor (these advantages may be particularly numerous and valuable in situations where the licensor is the majority shareholder of the licensee and therefore more interested in the licensee’s prosperity than an independent licensor would ordinary be; typically, a technical assistance can be much more generously provided by a shareholder-licensor than by an independent licensor; if really – and not fictitiously – provided, such advantages are objectively valuable and may legitimately justify a high rate of royalties).

⁹⁵⁹ Article 12, subs. 4 of the OECD Model Convention (above note 957): “*Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the*

amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention”.