PART TWO: INTELLECTUAL PROPERTY

Chapter 2: Definition and Taxonomy of Intellectual Property

Definition of Intellectual Property

2-1. In European Union legislation there is no formal definition of intellectual property. All the Member States, however, are members of the World Intellectual Property Organisation; and the European Union, though not a member itself, is represented at the Organisation's principal meetings. It is therefore reasonable to suppose that the Member States of the European Union and, with some reservations[1], the Institutions of the European Communities, accept the definition of intellectual property contained in the Convention establishing the World Intellectual Property Organisation.

2-2 According to this definition, intellectual property is taken to "include the rights relating to:

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

and all other rights resulting from intellectual endeavour in the industrial, scientific, literary or artistic fields".[2] Since this is an inclusive, and not an exhaustive or absolute, definition, there are some areas which may lie just inside or just outside the defined area. "Know-how", for example, could reasonably be described as the result of intellectual endeavour in the industrial field; but it is not yet a generally accepted category of intellectual property.[3]

2-3 Paraphrasing the definition in the Convention establishing the World Intellectual Property Organisation yields a definition corresponding closely to the traditional concept of intellectual property accepted in most industrialised nations. According to this definition, intellectual property comprises:

- patents and related rights,
- trade marks and related rights and
- copyright and neighbouring rights.

Both by tradition and under international conventions, the first two of these three categories are referred to as industrial property and the third as copyright.

Nature of Intellectual Property

2-4 Before considering the components of the three categories, the legal parentage of intellectual property rights calls for an brief discussion. Intellectual property rights are a

form of incorporeal or intangible right; and, as legally enforceable rights, they are regarded in some jurisdictions as a form of property themselves, which can be protected *mutatis mutandis* in ways normally associated with the protection of chattels and realty.[4] At first sight, this suggests that the term "intellectual property rights" is repetitive. But that in turn calls for an answer to the question, whether the product of intellectual effort can properly be called a form of property at all. In the narrow sense of something corporeal or incorporeal capable of being owned, intellectual property can reasonably be described as a category of property. By this standard, an owner of a patent has a property which is just as important or valuable as a piece of furniture or a plot of land.

2-5 Yet the property concept can be challenged. A well-known, but now largely outdated, challenge was presented by the ideology of the Eastern European countries, to whom the very concept of private property was repugnant; and a consequence of the challenge was that, instead of patent rights, the old Soviet Union and certain other countries had a system of inventor's certificates, under which the "right" to the invention vested in the state and the payment for the right was a form of more or less arbitrary reward to the inventor. A more sophisticated and less ideological challenge to the concept of intellectual property as such, rather than to property as a whole, suggests that intellectual property is too vague and the specific rights connected with it too ill-defined to be compared to real and personal property. Essentially, it is argued, intellectual property seeks to elevate an idea to the status of a possession, a quest which is defeated by considerations of identification, measurement and evaluation. An offshoot of this argument is that the whole structure of property law is too formal and rigid for the effective advancement of innovation and creativity.

2-6 If it were indeed the idea alone which intellectual property law sought to protect, the comparison to other forms of property would break down. But it is not. The idea or intellectual creation has to be identified or described in patent and trade mark law, or "fixed" in copyright law; it has to have some shape or form which can enable it to be protected at all by law; and it has to be distinguishable from other ideas, by being "novel" in patent law, "distinctive" in trade mark law and "original" in copyright law.[5] A mere idea cannot be protected by law. Many concepts which fail to gain recognition either from a body authorised to register the right being claimed or from a court hearing a dispute about the right being claimed, owe their failure to their being no more than an idea. Where the idea is a taken a step further than imaginative creation, and satisfies the practical tests for recognition specified by the law, the property analogy is less far-fetched and is in some ways a great legal convenience. Whether it is an economically sound analogy is another matter.

The property concept in European Union law

2-7 That the taxonomy of intellectual property is something more than an academic exercise is illustrated by the cases before the Court of Justice of the European Communities in which intellectual property rights have been considered in the light of the provision that "this Treaty [sc the Treaty establishing the European Community] shall in no way prejudice the rules in Member States governing the system of property

ownership".[6] Since the cases in question appeared on the face of it to seek to do precisely that, the Court had to devise a formula to ensure that the restriction of intellectual property rights, in the interests of the free movement of goods or the application of the rules on competition, was consistent with a provision ostensibly designed to protect property rights. Over a period of time the Court came up with two ways of meeting the problem.

2-8 In the earlier cases, the formula consisted of a distinction between the "existence" and the "exercise" of intellectual property rights. In an early patent case, the Court said squarely that "since the existence of a patent right at present depends entirely on domestic legislation, only the exercise of such a right could be subject to the rules of Community law ... "[7] The distinction applied equally to the rules on the free movement of goods and to the rules on competition. As the Court said in a subsequent trade mark case,

> while the existence of industrial and commercial property rights granted under the law of a Member State is not affected by Articles 85 and 86 of the Treaty, the exercise of such rights may come within the prohibitions contained in those provisions.[8]

By restricting the ways in which intellectual property rights might be exercised, and in particular by restricting the right to oppose imports from another Member State of products covered by a patent or trade mark protected in the importing state, the Court was at pains to stress that it was not attacking the existence of those rights. Since, in practice, the restriction represented in some cases a considerable diminution in the value of the intellectual property, the distinction between the exercise and the existence of the intellectual property right came to be regarded as an unsustainable sophistry. The formula was accordingly superseded, or at least supplemented, by another more convincing argument.

2-9 According to the second formula devised by the Court, the proper approach when dealing with intellectual property cases was to identify the "specific subject"[9] of the intellectual property right in question, to define it and to apply European Community rules to the right so defined. A cautious approach to this new concept is to be found in a quasi-copyright case, in which the Court said:

> while Article 36 [now Article 30] permits prohibitions or restrictions on the free movement of goods that are justified for reasons of industrial and commercial property protection, it permits exceptions from this freedom only to the extent that they are justified in order to safeguard rights that are the specific subject of such property.[10]

2-10 The approach was firmly restated in a later trade mark case, which marked a clear point of transition between the two formulae in the following extract from the judgment:

> While the Treaty does not affect the existence of rights recognised by the legislation of a Member State in matters of commercial and industrial property, yet the exercise of those rights may nevertheless, depending on the circumstances, be restricted by the prohibitions in the Treaty. Inasmuch as it provides an exception to one of the fundamental principles of the common market, Article 36 [now Article 30] in fact admits exceptions to the free movement of goods only to

> the extent to which such exceptions are justified for the purpose of safeguarding rights which constitute the specific subject of that property.[11]

The "specific subject" of intellectual property rights

2-11 In a series of cases, the Court identified the specific subject of patents, trade marks and copyright respectively. In relation to patents,

> ... the specific subject of the industrial property is the guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use the invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties, as well as the right to oppose infringements ...[12]

2-12 In relation to trade marks,

> ... the specific subject of the industrial property is the guarantee that the owner of the trade mark has the exclusive right to use that trade mark, for the purpose of putting products protected by the mark into circulation for the first time, and is therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that trade mark.[13]

2-13 When it came to copyright, the Court at first felt it unnecessary to define the specific subject of the right and then, finally deciding that it was necessary in a competition case, it did so in a surprisingly circumstantial fashion. More precisely, the Court of Justice quoted and apparently approved the opinion of the Court of First Instance, that

> ... in principle the protection of the specific subject of a copyright entitled the copyright-holder to reserve the exclusive right to reproduce the protected work. However, ... while it was plain that the exercise of the exclusive right to reproduce a protected work was not in itself an abuse, that did not apply when, in the light of the details of each individual case, it was apparent that that right was being exercised in such ways and circumstances as in fact to pursue an aim manifestly contrary to the objectives of Article 86 [now Article 82]. In that event, ... the copyright was no longer being exercised in a manner which corresponded to its essential function, which was to protect the moral rights in the work and ensure a reward for the creative effort, while respecting the aims of, in particular, Article 86 [now Article 82].[14]

Paraphrasing those parts of the judgment concerned with the specific subject of the right, it may be said that the specific subject of copyright was the copyright holder's exclusive right to reproduce the protected work and the essential function of the right to protect the moral rights in the work and ensure a reward for creative effort, subject to Community rules on the free movement of goods and services and the Community's rules on competition.

Definitions in international conventions

2-14 Like the provisions of the Treaties dealing directly or indirectly with intellectual property rights, the definition by the Court of Justice of the specific subject of each of the major intellectual property rights is designed to serve a purpose peculiar to the European Community and to the creation of a common market in particular. For more general definitions, it is useful to turn to those contained in the relevant international conventions.

2-15 For example, the Paris Convention for the Protection of Industrial Property[15], in setting up a Union to which all the Member States of the European Union belong, provides what is on the face of it an exhaustive definition, when it states that

> the protection of industrial property has as its object patents, utility models, industrial designs, trade marks, service marks, trade names, indications of source or appellations of origin and the repression of unfair competition.[16]

However, the Convention says that industrial property shall be understood in the broadest sense[17] and specifically provides that patents shall include the various kinds of industrial patents recognised by the laws of the countries of the Union.[18] The definition is broadly consistent with the definition in the Convention establishing the World Intellectual Property Organisation, except that the latter, instead of referring to patents and utility models, speaks of inventions in all fields of human endeavour and scientific discoveries.[19] This may have been a concession to countries which at the time had no patents as such, but nevertheless protected inventions and discoveries, not necessarily in favour of the inventor or discoverer.

2-16 Correspondingly, the Berne Convention for the Protection of Literary and Artistic Works[20] provides an indication of the broad scope of copyright protection. After stating that the subject of the Convention is the protection of the rights of authors in their literary and artistic works[21], the Convention goes on to give a long inclusive definition, beginning with "every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression".[22] Many parts of the definition allow for them to be treated as matters for national legislation: for example, works of applied art and industrial designs and models may be brought within the scope of the definition.[23] The term "copyright" is not used in the Convention: rights of authors are a concept of French origin with some differences from copyright in the English sense: these differences are less important than they were in the past.[24]

Other definitions of types of intellectual property

2-17 Three other sources of definitions of types of intellectual property or of concepts in the intellectual property field deserve to be mentioned here, though they are discussed more fully in later chapters. The first source is the secondary legislation of the European Union dealing with intellectual property matters.[25] The second is the national law of the Member States of the European Union, which may, in some circumstances, be recognised by the Court of Justice and the Commission as significant in the context of European Union law.[26] The third is the European Patent Convention.[27] Another possible source of

definitions is the agreement on trade related aspects of intellectual property rights under the aegis of the World Trade Organisation; but this lies outside the scope of the book.[28]

2-18 Given the generous scope of intellectual property, reflected in the foregoing paragraphs, it is worth rationalising the categories of rights, at least for the purposes of this book. Three clear categories exist:

- rights involving technology,
- rights involving commercial goodwill and
- rights involving literary and artistic works and performances.

In some respects, the three categories overlap[29]; but they provide a convenient framework within which the individual rights can be examined.

[1] The Commission of the European Communities has tended to favour a tautological description of the Division or Units dealing with Intellectual Property. In the early 1980s, it was Intellectual Property and Unfair Competition, even though the latter is included in the former. In the 1990s, the Commission's website began referring to Industrial and Intellectual Property, even though the former is included in the latter.
[2] Article 2(viii), Convention establishing the World Intellectual Property Organisation, 1967, as amended on September 28, 1979.
[3] It is, however, linked to patents for the purposes of technology licensing in the European Union: see Chapter 12.
[4] Under English law, for example, a right (such as a right to vote) may be regarded as a form of property.
[5] See Chapters 4, 5 and 6, respectively. On the question of "ideas" in the protection of computer programs, see Article 1(2), Council Directive EEC/250/91, reproduced in the Annex.
[6] Article 295, EC Treaty.
[7] Case 24/67, *Parke, Davis v Probel*.
[8] Case 40/70, *Sirena SrL v Eda GmbH*.
[9] In this book, the words "specific subject" are used, rather than "specific subject-matter" or "specific object", both of which may be found in some texts.
[10] Case 78/70, *Deutsche Grammaphon v Metro-SB-Grossmaerkte GmbH*.
[11] Case 192/73, *Van Zuylen Freres v Hag AG*.
[12] Case 15/74, *Centrapharm BV and se Peijper v Sterling Drug Inc*.
[13] Case 16/74, *Centrapharm BV v Winthrop BV*.
[14] Joined Cases C-241/91P and C-242/91P, *Radio Telefis Eireann and Independent Television Publications Ltd v Commission of the European Communities*; see Annex. Article 86, EC Treaty, is now Article 82.
[15] 1883, as revised.
[16] Article, 1(2), Paris Convention.
[17] Article, 1(3), Paris Convention.
[18] Article, 1(4), Paris Convention.
[19] See paragraphs 2-2 and 2-5 above.
[20] 1886, as revised.
[21] Article 1, Berne Convention.
[22] Article 2(1), Berne Convention.
[23] Article 2(7), Berne Convention.
[24] See Chapter 6 and, in particular, paragraphs 6-1 and 6-2.
[25] For example, the definition of a trade mark in Article 2, Council Directive EEC/104/89. See Chapter 5 and the text of the Directive in the Annex.
[26] For example, the Uniform Benelux Law on Design Protection, referred to by the Court of Justice in Case 144/81, *Keurkoop BV v Nancy Keane Gifts BV*; also the observations of the Commission in its Green Paper on the Protection of Utility Models: COM(95)370final.
[27] See Chapter 4 and, in particular, paragraph 4-5.
[28] For the relationship between the European Communities and the World Trade Organisation, see Opinion 1/94 of the Court of Justice. International aspects of Intellectual Property are being covered in a Supplement to this book at present in course of preparation.
[29] Particularly design rights and rights in software. See Chapter 6 and the Annex.