

INTELLECTUAL PROPERTY

WHAT IP IS ABOUT?

IP is a field of commercial law comprising legal provisions regarding exclusive rights, such as patents, trademarks, copyright, etc.

IP rights are:

- Intangible rights; the subject matter of the right is an intangible asset;
- Exclusive rights; the owner is entitled to prohibit third parties from commercially exploiting the subject matter of the right; so IP rights grant a legal monopoly.

Exclusive rights (and, hence, IP rights) are legal monopolies, that is, an exception to free competition. When the legislator grants an IP right, he establishes an exception to free competition. Therefore, there must be a consistent justification for providing from such an exception. Free competition is the rule and IP (exclusive) rights are the exceptions to the rule. Usually, the justification for the grant of IP (exclusive) rights is that they actually enhance competition through differentiation and that without them (i.e., without such IP rights) there aren't sufficient incentives for technical advancement, innovation, etc.

So, the reason for granting exclusive IP rights is that because they operate as incentives.

The number of IP rights is limited and is determined by the legislator. Subject to Constitutional restrictions, the legislator has the power to create new IP rights, or to abolish IP rights. Currently, the IP rights are:

- Patents; technical inventions
- Utility models; minor invention relating to 3D objects
- Trademarks; brand names and other identifications of products or services
- Non registered marks including company names; these are similar to trademarks, save that they are not registered in a certain registry

- Copyright; rights relating to artistic or literary works
- Special quasi copyright rights over software and data bases
- Designs; aesthetic features of products, like the surface design of clothing
- Supplementary Protection Certificates; special IP rights relating to pharmaceutical inventions
- Special IP Rights over Semiconductor Topography Designs
- Plant Varieties; special IP rights over plant hybrids
- Protected Geographical Indications and Protected Appellations of Origin; quasi IP rights over names of alcoholic or agricultural products and names of places where such products are produced; i.e. Champagne
- Trade secrets;

This list is long, but exhaustive.

Behind each IP right there is a specific legislative justification for providing such an exclusive right. This justification usually relates to either a financial incentive to the creators of innovative applications, or to an instrument for economic growth, or to moral ideas about the protection that creators of innovative ideas deserve and moral ideas against copying.

To the legislator, IP rights are tools to encourage and reinforce economic growth. So, in some cases free competition can be sacrificed to achieve innovation, economic growth, etc.

In regulating IP rights the legislator tries to strike a fair balance between exclusivity of IP rights and free competition. The sacrifice of free competition is neither complete, nor unconditional.

Bear in mind, however, that throughout the history of mankind, continuous development and innovation is based on copying and on relying on pre-existing achievements of others.

An in depth understanding of IP legislative provisions and a correct interpretation of such provisions requires a strong understanding of the economic justification behind the legislation. Such economic justification relates to economic growth and

enhancement of competition. Economic growth and enhancement of competition are better approached on the basis of a factual analysis of each case, than on the basis of principles, norms and economic models. As a result, the way that usually courts approach IP cases is on the basis of a factual analysis, rather than on the basis of strict legal norms. IP court jurisprudence greatly depends on the facts, rather than on norms. Therefore, court cases may sometimes seem inconsistent on first sight and an economic analysis based on facts is required to understand why each case was decided the way it was decided.

Business enterprises usually wish not to be exposed to free competition. Free competition entails great uncertainties and business enterprises as human beings do not like uncertainties. So, for a business enterprise, the legitimate way to avoid free competition is to develop IP rights, like patents, trademarks, etc.

Another major characteristic of all IP rights is that their boundaries are not clear; there are always many limitations. So, it is usually difficult to determine how much legal protection is afforded to IP rights in each particular case. In this respect, IP rights differ from other property rights, like for example property rights over land; the boundaries of property rights over land are sufficiently clear and any landowner is well aware of what he is entitled to. It is not always like this with respect to IP rights.

Many different IP rights may co-exist over a certain product and enterprises usually seek to create products that incorporate as many IP rights as possible. For example over a smartphone the following IP rights may exist:

- a trademark; like “iPhone”
- a company name; like “Apple”
- several patents relating to technical innovations inside the product
- special quasi copyright rights relating to software applications inside the product

- design rights relating to aesthetic features of the external appearance of the product

IP law is very much uniform all over the world. National legislations are very much similar in most countries. Moreover, there are international convention that contribute to the unification of IP law as well, such as the TRIPS Protocol (Trade Related Aspects of Intellectual Property Rights) which is attached to the WTO Agreement. The European Patent Convention and the Patent Cooperation Treaty are two major conventions unifying the law on patents. Within the EU the law on trademarks is greatly unified because of Directive 2015/2436 approximating the national laws of the member states on trademarks, as well as because of Regulation 2017/1001 which establishes the European Union Trademark (EUTM) which is a single and unitary trademark right applying, obtained centrally from the EU Intellectual Property Office (EUIPO) in Alicante Spain and which applies simultaneously in all EU member states. There are also many different EU Directives approximating copyright law.

An important legal feature of IP rights is that they follow the so called “territoriality” principle. With the exception of copyright, IP rights are territorial. This means that these rights apply only within the jurisdiction where they have been created. They have no effects outside this jurisdiction. A party who wishes to obtain IP rights in many different countries will need to follow multiple procedures in each jurisdiction. For example, Philip Morris is the owner of the Marlborough tobacco trademark in many countries. However, it is not one and the same trademark. There are many different Marlborough trademarks, one in each jurisdictions.

TRADEMARKS

Trademarks are identifications of products or services. They are signs that identify certain products and allow consumers to differentiate such products from other similar products. In legal terms it is generally accepted that trademarks are signs, which are distinctive of certain products or services, that is, signs which are capable of

distinguishing the products/services of one enterprise, from those of another. Trademarks are registered in certain public registries. Signs that are not registered in a trademark registry, but which are used in the course of trade as identifications of certain products/services are usually called “non-registered marks”, or “distinctive signs”.

From the legal point of view, the concept of “trademark” is closely associated with the concept of “distinctiveness”. A trademark must be distinctive. A sign which is not distinctive cannot become a trademark, that is, it is not acceptable for registration. A mark is distinctive, if it is capable of distinguishing the products/services of one enterprise, from those of another.

Trademarks enhance competition by encouraging product differentiation.

Trademarks allow consumers to select among similar competing products on the basis of product quality.

Types of marks

Trademarks may come in many different types such as: words, letters, abbreviations, single colours, or colour combinations appearing on products themselves or on their packaging, designs, figurative elements, or the shape of the product. Under certain circumstances trademark protection may be obtained for smells (of perfumes), taste (of foodstuffs), surface touch, sounds (i.e. the Tarzan scream), etc.

Some examples of trademarks:

- Mercedes, or B.M.W for cars
- The shape of the traditional Coca Cola bottle



- The design and the colours' combination of the Coca Cola curved line



- The shape of the Toblerone chocolate and packaging



- The surface design of the OREO cookie



Obtaining trademark rights

The basic prerequisites to obtain trademark rights are the following:

(a) The mark must be distinctive. This means that it must significantly depart from common standards. If it does so, it is usually capable of distinguishing the products/services of one enterprise, from those of another. Moreover, the mark must not be descriptive of the products/services to which it is affixed, it must not be widely used by other competitors in the course of trade, and it must not be deceptive.

Distinctiveness may be either inherent, or acquired through use (acquired distinctiveness). There is inherent distinctiveness when the mark enjoys a high level of originality, that is, it significantly depart from common standards. However, even a mark which is descriptive may acquire distinctiveness through use and advertisement. For example the mark Marlborough, which is a well know tobacco trademark, is actually the name of an equally famous and touristic place in England. However, it has acquired distinctiveness through long and intensive use in the course of trade and through continuous and intense advertisement. As a result, it has developed a second meaning

as identifying a certain brand of tobacco, in addition to identifying a specific geographical area (this is what is called in legal terminology “secondary, non-descriptive, meaning).

(b) The mark must not be confusingly similar with other earlier marks used in connection to identical or similar products/services. A mark that seeks to be registered as a trademark must not infringe earlier rights; if it does, owners of earlier rights may oppose to registration.

Likelihood of confusion is sufficient to prevent registration; it is not necessary to establish actual confusion.

In order to assess likelihood of confusion, we compare the marks themselves in terms of visual, aural and conceptual similarity; that is, whether the marks look alike, are pronounced in a similar way, or have the same or similar meaning. We also compare the respective goods/services in connection to which the marks are used. The goods/services are deemed to be similar, if they are based on the same substance (i.e. all foodstuffs based on milk are likely to be considered similar), or if they serve similar consumption needs (i.e., all foodstuffs can be regarded similar on this ground), or whether they are addressed to the same groups of consumers (i.e. on this ground clothing and footwear are regarded to be similar).

We also take into account whether the level of attention of consumers is only average or high in connection to the goods in question. In principle, consumers’ attention is only average, but it is deemed to be high in connection to pharmaceuticals and goods which are rather expensive, like jewelry, cars, etc.

On the basis of these considerations, we come up with a final conclusion by globally appreciating all these factors.

Needless to say that in practice this process may prove to be very controversial and difficult to apply in a consistent way. The level of legal certainty and predictability in such cases is rather low.

(c) The mark must not dilute the reputation (fame) of other earlier marks. Dilution is a very controversial and difficult to understand legal

concept. Dilution is not associated to confusion with the marks and products/services of another, but with the idea of exploiting the reputation of another and the idea of what is usually called “image transferring”. For example, suppose I use the advertising slogan “The Champagne of beers” to advertise a beer; in such a case, although there may be no confusion among champagne and beer, still, I am exploiting the reputation of the term “champagne” to make my beer easily and quickly recognizable by consumers. This is usually called “free riding” on someone else reputation/fame.

For example, the well-known trademark “Prada” which is registered in connection to luggage, bags, clothing, footwear, etc. was found to be diluted by the mark “The Rich Prada” in connection to retail services relating to clothing, footwear, cosmetics, eye-wear, etc.

Again, a likelihood of dilution is sufficient to prevent trademark registration. Moreover, legal certainty and predictability is again low.

(d) If the mark relates to the shape of the product, it must not be “functional”; it must not be a shape which is necessary to obtain a technical result. “Functionality” can be either technical, or aesthetic. In the latter case, the mark must not consist of a shape that gives substantial value to the product. The concept of aesthetic functionality is one of the more controversial and difficult to define.

(e) To obtain trademark rights, the mark must pass through a registration process. The mark is examined by a committee to test its distinctiveness and whether it is possibly functional. If the mark passes this test, then it is published to let other parties know that registration in the trademark registry is sought. Third parties are granted a time period which is usually three months to formally oppose to the registration on the grounds of earlier rights they possess, that is, because they hold earlier trademarks or other rights that are either confusingly similar to the mark in question, or which are likely to be diluted by the mark under consideration. Registration occurs only if the mark applied for registration successfully passes this test as well.

How do business enterprises use trademarks

In legal literature trademarks are said to have three basic functions:

(a) the origin function; trademark identify the business enterprise from which products originate.

(b) the quality consistency function; by seeing the trademark consumers can obtain an idea about the features, the characteristics and the quality of the respective products. For example, when I purchase a Mars chocolate bar, I expect it to have the same taste and flavor as the Mars bar I tasted yesterday.

(c) the advertising function; that is, trademarks are used as an advertising tool. Through advertising manufacturers (trademark owners) establish a form of communication with consumers. Through advertising manufacturers are able to establish a connection among their products with certain ideals, life styles, images, values, etc. Establishing such a connection may be particularly important for sales. For example, if I am a student and I wish to make a present to my girlfriend for her birthday, I will buy her a Swatch watch. If I am a 50 years old husband and I wish to make my wife a present for our 30 years anniversary I will not buy her a Swatch, but probably a Rolex. Another example is the Mercedes car manufacturer; when they decided to launch a new small city car addressed to the younger generation, they did not name Mercedes, but Smart. In addition, the more a mark is advertised the more sales it achieves. Sales are usually closely related to the volume of advertisement. This is because consumers tend to buy more often the products with which they are more familiar; the more a product is advertised, the more familiar consumers become with it. If you are launching a new product and you are not able to invest a lot of money to heavily advertise it, an alternative may possibly be to make your product look alike a well-known and established product; but this is actually an illegitimate practice of dilution. Finally, bear in mind that you cannot really advertise, unless your product has a name, i.e. a trademark.

Trademarks allow manufacturers to charge premium prices for their products. If a trademark owner has developed consumer loyalty over his trademark, by way of advertising and by way of retaining a high quality, he is usually able to charge higher prices. Consumers are willing to pay more for reliable trademarks to which they are loyal. In this way, trademark owners can also cope with competition.

Trademark owners can use their registered trademarks to prevent other parties from obtaining similar trademark, or trademarks that are likely to prove diluting. So, trademark owners can use legal processes available to them to exercise some control over new trademarks that are granted to their competitors.

Trademark owners can use registered trademarks to prevent competitors from trading in the market infringing products, that is, products with similar brand names. By way of a court judgment trademark owners can arrest infringing goods. Infringing goods are those that are confusingly similar with earlier trademarks, or which are likely to dilute earlier trademarks. Pirate and counterfeit goods is only one example of infringing goods.

Louboutin has obtained a trademark registration for its red coloured sole in high heel shoes. On the basis of this trademark registration he has almost succeeded in preventing YSL and other manufacturers to trade high heel shoes with red soles.

Adidas has obtained trademark registration for a mark consisting of three parallel stripes. On the basis of this trademark registration it has succeeded in some cases to prevent other manufacturers of athletic shoes and clothing to use parallel stripes in their products.

All these are examples where trademark owners are attempting to prevent themselves from direct competition.

Trademark owners can use trademarks to partition markets and charge different prices for the same products in each market. EU trademark law seem to favour this policy. Under EU trademark law a trademark owner is not allowed to prevent third parties from importing goods manufactured by the trademark owner from one EU member

state to another. Between the member states of the EU imports and exports cannot be prevented on the basis of trademark rights. However, this is not so in connection to imports from third countries into the EU. For example, a trademark owner can exercise trademark rights to prevent an import from the US, Canada or Mexico in any EU member state. In legal literature there is much criticism about this policy of EU trademark law, however, the Commission seems to be reluctant to change this policy.

Comparative advertising is a very efficient means of advertising and it is considered to be one of the more characteristic aspect of free competition. Comparative advertising is legitimate, if it is true and objective. However, under EU trademark law comparative advertising is considered to be illegitimate, if it results to dilution of famous trademarks. This is a controversial aspect of EU trademark law. The reason is that when you compare two products under two different trademarks, it is inevitable that the newly launched product will benefit from the association with a well-established and famous trademark. Just by standing next to a famous product, you make yourself easily recognizable. From this point of view EU trademark law may effectively protect famous trademarks against comparative advertising. It is interesting to compare the judgment of the English Courts in the Triton case (*Chanel v. Triton*, Reports of Patent, Design and Trade Mark Cases, Volume 110, Issue 2, 1 January 1993, Pages 32–44) which was decided under English law before the implementation of the EU Directive on comparative advertising and the judgment of the European Court of Justice in the case of *L' Oreal v. Bellure* (C-487/07, 18.06.09) which was decided under the law established under the EU Directive. The facts in the two cases are almost identical. In 1993 the English courts found comparative advertising with a famous brand legitimate, while in 2009 the ECJ found comparative advertising with a famous brand illegitimate under the EU Directive.

How a balance is achieved among trademark law and free competition

1. A mark is allowed for trademark registration if it is distinctive, and provided that it is not descriptive, not widely used in trade as a common place, not deceptive, nor functional.

However, in practice this rule is not consistently applied.

The law allows for registration marks that are in principle descriptive, but have developed “acquired distinctiveness”. Whether acquired distinctiveness is established is assessed on the basis of the evidence produced in each case and the criteria for acquired distinctiveness are not always consistently applied.

Moreover, trademark law allows the registration of marks which are “laudatory” and not merely and directly descriptive. For example marks like “Polycolor” for photocopying machines, or “Vitaminwater” for mineral water were found to be registrable as trademarks.

2. The law provides for limitation of trademark rights under certain circumstances. For example, in case of a composite mark, consisting of more than one elements, where some elements are distinctive and some other are not, the elements that are not distinctive cannot be enforced against third parties. For example, on this ground, the marks EASYAIR and AIRTOURS (both for transportation services) were found to be sufficiently dissimilar. The element AIR was an indistinctive one and the owner of the EASYAIR mark could not prevent third parties from using the term AIR in connection to transport services.

3. The law provides that in case of litigation trademark owners shall not be allowed to enforce their rights, unless they are able to prove that they have actually used their marks in the course of trade. So, a trademark owner cannot enforce rights on the basis of a trademark which has been registered in the trademark registry, but has not been used in practice.

4. The law provides that if a registered trademark has not been used in the course of trade within a period of five years as from the date of registration, third parties may apply for its cancellation.

5. Trademarks are registered for a period of ten years and can be renewed indefinitely for additional periods of ten years. However, if a registered trademark is not renewed, it is automatically cancelled.

6. In many jurisdictions the law provides that when a trademark owner applies to a court to enforce trademark rights against competitors, the court is not bound by the registration and can assess whether the mark was legitimately registered in the first place; that is, the court, before enforcing trademark rights against third parties, may assess whether the trademark was really a distinctive one, or whether it was descriptive, or functional, or whether there were earlier rights that should have prevented registration. So, a trademark registration does not grant conclusive and absolute rights.

7. In many jurisdictions, the law provides that a registered trademark cannot be enforced against a third party who proves to enjoy earlier rights. So, again, the registration does not grant absolute rights.

Still, trademark law seems to be very litigious; it seems to favour litigation. This seems to benefit larger companies that are more able to afford long and expensive litigation.

PATENTS

Patents are exclusive rights over technical inventions.

The technical invention may consist in:

(a) the creation of a new product; i.e. when a new chemical substance or a new drug is produced; or

(b) the creation of a new production method; the development of a new method for refining oil; or

(c) the development of a new type of use for a certain substance; usually when find out that a certain pharmaceutical healing a certain disease may heal another disease as well if used in a different dosage.

The following are NOT patentable:

- discoveries and scientific principles and mathematical methods,
- the ideas behind an invention; what is patentable is the application of one or more ideas in a certain way to solve a technical problem

- inventions that are contrary to public order and morality
- methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practiced on the human or animal body.

Bear in mind that it is a basic principle of IP law that ideas are not protected as such; what is protected is the specific applications of ideas. On this ground, ideas as such are not patentable; what is patentable is the particular application of ideas to solve a particular technical problem.

Patents rights are exclusive rights.

Patents are of particular interest to the pharmaceutical industry. All over the world, pharmaceuticals possibly file more patents than any other industry. Interestingly, in the past and until about the '90 some countries did not allow patents in connection to pharmaceuticals.

How a patent is obtained

There are both substantive and procedural prerequisites to obtain a patent:

Substantive requirements:

(a) Novelty; the invention must go a step further, i.e. it must not be part of the state of the art; the state of the art comprises everything in the public domain, that is everything we already know;

(b) Inventive step; the invention must propose something which is not obvious to a person who is skilled in the art concerned, that is, it must not be something that reasonably and naturally derives from what we already know;

(c) industrial application; the invention is patentable if it is capable of being applied in any type of industry including agriculture;

(d) technical solution; the invention is patentable if it provides a solution to a technical problem.

Procedural requirement:

(a) Disclosure; disclosure is achieved by way of filing a sufficiently detailed description of the invention in a publicly accessible registry. From the moment of this filing, everyone else in to world may study the

invention and develop an improvement. The description must be sufficiently detailed and clear to allow third parties to understand how the invention works and what it is about. In many cases the patent owners submit insufficient and unclear descriptions, so as not to allow third parties to develop further improvements. However, an insufficient description may result either to rejection of the application to obtain a patent, or to invalidation of a registered patent at a later stage.

(b) Payment of annual maintenance fees. Protection is granted to patents for a period of 20 years. However, to maintain protection you have to pay annual fees. Usually the first and the second years of protection are free of any fees, but the fee for the 20th year of protection may be as high as 1,000 € or 1,500 € depending on the jurisdiction.

Patent rights are obtained and maintained in each jurisdiction separately. This means that an application and disclosure must be made in each jurisdiction and annual maintenance fees must also be paid in each jurisdiction separately. Disclosing information in each jurisdiction entails translation fees as the description must be translated into the local language.

Obtaining patent rights involves tremendous costs for translation and maintenance fees in a broad range of countries and is almost impossible to the vast majority of enterprises.

If you file and disclose a patent in only one country, then your invention becomes part of the public domain for the rest of the world. This is because disclosure in only one country makes the invention publicly accessible from all the other countries. Your patent will be protected only in the country where you have filed it, but in all other countries your competitors will be absolutely free to use your invention. Therefore, if you really wish to obtain patent rights in a broad range of countries you need to make multiple simultaneous filings. This is technically possible, but it entails great costs.

If you do not have sufficient financial resources to file and maintain a patent in a broad range of countries what you can do is either to use your invention as a trade secret, as long as a secret can

be practically maintained, or to cooperate with another business enterprise with sufficient financial resources to file and exploit the patent jointly.

If someone is infringing your patent, most probably he will be infringing it in many different countries. You will need to take legal action and carry on litigation in each and every jurisdiction separately, which again entails great costs.

Since 2007 the EU is making attempts to achieve compromise over a convention that will make it possibly to obtain a single, unitary patent right over the 28 member states by way of a single central filing. If this system comes into existence, it will be a disruptive development. The system also provides for courts with pan European jurisdiction over patent cases.

How a balance is achieved among patent law and freedom of competition

Patent rights are granted only if very strict prerequisites are in place like “novelty” and “inventive step”. However, it is true that in practice these criteria are sometimes applied in a very relaxed way. For example, in most countries a cooking recipe is considered to be patentable.

Patent exclusive rights last only for 20 years. Thereafter, anyone is allowed to use the patent.

Patent exclusive rights are obtained at the expense of disclosing the invention. So, you let the other know how did you achieve to develop it and you let them to try and develop further improvements. If such an improvement is sufficiently substantive, it may be a new, separate patent. A new patent will result if the improvement entails novelty and inventive step.

Patent exclusive rights are maintained at the expense of annual fees. So you have to pay for the exclusivity. In connection to pharmaceutical patents, the law provides that under certain circumstances the patent owner may be obliged to grant an obligatory license to a third party for a royalty fee to be determined by a court.

Indeed, the owner of a pharmaceutical patent may be obliged to grant such a license if he is not actually using the patent to produce the pharmaceutical product in question although there is sufficient demand.

The registration of a patent does not grant conclusive or absolute rights. When a patent owner applies to a court to enforce the patent against a third party, the court is allowed to challenge the validity of the patent, that is, to assess whether the patent was properly granted in the first place. This means that in case of litigation, the court will assess “novelty” and “inventive step” again and may invalidate the patent.

Obtaining, maintaining and defending patent rights entails huge expenses. As a result, patent rights are largely reserved in practice only in favour of very large companies.

Unlike trademark law and copyright law, patent law is not harmonized in the EU. There are no Directives approximating the law of the member states on patents.

There are two major international conventions on patents, the European Patent Convention (EPC) and the Patent Cooperation Treaty (PCT). However, these conventions establish a system for central filing and central grant of patents in multiple countries. Still, the result from the grant of a patent under these systems is not a unitary patent right applying in more countries, but a bundle of national patents which are governed by local law. So, under the EPC and the PCT you can file centrally an application to obtain a patent in more countries, but if the application is accepted and the patent is granted, what you get is a number of separate national patents for the countries you have requested. Each patent is governed by local law.

Unlike trademarks, patent rights may in certain circumstances enable the owner of the patent to prevent imports of goods incorporating the patent from third countries outside the EU, or even from other EU member states. So, if a patent is not protected let us say in Germany, but it is protected in France, it is not legitimate to import goods

incorporating the patent from Germany (where the patent is not protected) into France (where the patent is protected). Such an import would infringe patent rights in France. In such cases patent rights prevail over free movement of goods.

COPYRIGHT

Copyright law provides for exclusive IP rights over artistic and literary works. In practice, copyright exist over a broad range of works including literature, music, painting and visual arts in general, sculpture, films, photographs, as well the so called “performance rights” of performers, like actors, singers, etc.

It is worth noting that software enjoys legal protection in a way that is highly similar to copyright protection (quasi copyright protection).

Copyright lasts as long as the author is alive as well as for a period of 70 years after the author’s death. The duration is very long.

There are no particular formalities to obtain copyright protection. In most countries, with the exception of the USA, no filing is required and there is no registry for copyright works. The rights arise automatically when a work is created. Of course, this may raise practical difficulties as to evidence whether a certain person actually created a certain work and when exactly such creation took place. On the other hand, obtaining copyright protection is inexpensive and automatic.

Unlike other IP rights, copyright does not follow the territoriality principle. For example, when an author in Canada is creating a new literature work, he obtains immediately and automatically copyright protection throughout the world.

The basic prerequisite to obtain copyright protection is to create a work that enjoys a level of originality; this requirement is not strict, that is, the level of originality required is not particularly high. It is sufficient that the work does not clearly fall within what we would call “public domain”, or “common knowledge”.

Again, protection is not granted over ideas, or concepts, but only over specific and concrete works that have a particular form. It is the form which is the subject matter of protection, not the idea or the concept. For example, Shakespeare has written *Romeo & Juliet*, which is a novel about a young boy and a young girl who fell in love with each other but their families opposed to their marriage. Many other authors have written similar novels on the basis of the same concept. However, this does not establish copyright infringement. Actually, in a case like this copyright infringement is established only if there is an exact copying of phrases.

There are some basic exceptions to copyright protection. These basically include reproduction for private use, use for the purpose of teaching, as well as certain exception in favour of libraries. Moreover, judicial documents, like court judgments, and other public documents are not covered by copyright protection.

Some types of copyright works are very important to the overall economic development. Free and easy access to such works is sometimes essential for reasons of general and social welfare. An issue which is very much debated is whether we should establish a system of free access to such works based on certain rewards. Such a system looks like a system of compulsory license over copyright works on the basis of a fixed royalty.

Commercial exploitation of copyright works usually comes in two forms. On the one hand there is the right of reproduction. The owner of the copyright may reproduce, distribute and sell multiple copies of the work. On the other hand there is the right for public performance or public broadcasting. When the owner of the copyright prints multiple copies, it is possible to import copies from one EU member state to another, under the free movement of goods regime. However, when the right of public performance is exercised, a third party is not allowed to retransmit in other places or other countries what the author performs or broadcasts in one place.

IP RIGHTS AND ABUSE OF DOMINANT POSITION UNDER COMPETITION

LAW

(a) Refusal to license IP rights

With the exception of compulsory license for pharmaceutical patents, IP law does not provide for other types of compulsory licenses of IP rights. However, under competition law, refusal to license an IP right may establish an abuse of dominant position.

The following competition law cases from the EU Commission and the CJEU describe this issue:

RENAULT and VOLVO/VEENG: In the cases of RENAULT and VOLVO/VEENG (cases relating to design rights over cars spare parts) the CJEU held that refusal to license an IP right cannot in itself constitute an abuse of dominant position, because preventing third parties from using the IP right is fundamental of its essence. However, an abuse of dominance could be established if at the same time the dominant firm refused to supply spare parts to independent repairers, charged excessive prices, or ceased production of spare parts.

MAGILL: In the past, in the UK TV channels enjoyed a special IP right granting exclusivity over the listings regarding their daily and weekly tv programme. Hence, each TV channel was the only one allowed to publish a tv guide for its own programme only. This prevented independent publishers who wished to publish complete tv guides including the daily and weekly tv programmes of all channels. Access to protected IP rights over the listings of tv programme was considered to be essential to downstream competitors who wished to produce tv guides.

What was decisive in this case was the following:

- Indispensability: Access to IP was *indispensable*
- New Product: Refusal to license prevented the appearance of a *new product* (a comprehensive tv guide),
- Demand: There was potential *demand* for such new product
- Elimination of competition: all competition would be eliminated

- Objective justification for the refusal: there was not any

The case received much criticism and created an anxiety that PI rights would cease to be exclusive any more. Possibly the outcome of this case very much depended in that in countries other than the UK there was nothing like a special IP rights over tv listings; this was unique of the English legal system.

IMS HEALTH: IMS had developed a system that made it possible to collect information regarding sales data of pharmaceuticals in many different countries. This system used certain structures that were protected under copyright law. A third party who wished to compete with IMS requested it to provide him a license to use the structure that was under copyright protection. He argued that access to structure of a system was considered essential to horizontal competitors wishing to develop similar systems, because the structure in question had become a market standard. The CJEU repeated the 5 elements formulation of Magill and elaborated further on the “new product” concept.

The “*new product*” element is fulfilled where refusal to license prevents the development of a secondary market to the detriment of consumers. Hence, refusal is abusive only if the third party requesting a license does not intend to limit itself to duplicating the goods offered by the IP owner, but *intends to develop new goods not offered* by the owner. *There is no right to license simply to do what the IP owner is already doing.* This is crucial for striking a fair balance among IPRs and competition.

MICROSOFT: This judgment is a dramatic change as to the “new product” element. MICROSOFT was found to commit an abuse for refusing to license to its competitors the right to use interoperability information regarding Windows. The General Court of the EU repeated the 5 elements formulation of Magill and IMS and elaborated further on the “new product” concept, but in a way materially different than in Magill and IMS. According to the GCEU, in order to establish the “new product” element it is not necessary to refer to any *specific or particular new product*; it suffices that there is a restriction on *technical*

development in general to the detriment of consumers. According to the GC the “new product” requirement should be interpreted in view of Art. 102(2)b TFEU, which refers to “...*limiting... technical development...*”. The GCEU noted that refusal to supply competitors with Windows interoperability information prevented them from developing operating systems distinguishable from Windows and that consumers were increasingly locked into Windows.

(b) Illegitimate registration of IP rights

Under EU competition law, an abuse of dominant position may be established when a dominant firm obtains IP rights in an illegitimate way. In the case of ASTRA ZENECA the Commission and the GCEU found that it is an abuse of dominant position to use fraudulent statements to obtain, or maintain patent rights in connection to pharmaceuticals, where this is part of a plan to eliminate competition. In more general terms, a dominant firm may commit an abuse, if it uses regulatory procedures in a way that prevent, or make it more difficult for competitors to enter the market. Proof of intent is not required to establish the abuse, but if intent is proved establishing the abuse becomes easier. In the Astra Zeneca case this firm had committed misrepresentations regarding certain dates before patent offices and misuse of regulatory procedures regarding marketing authorizations for pharmaceuticals by changing the form of drugs from capsule to tablet in order to prevent the entry of generic drugs in the market and also to prevent parallel imports. The effect was to technically prolong the protection period of patents.

ANNEXES

Examples of court cases on indistinctive marks

- The figurative and position mark of K-Swiss, consisting of “five parallel stripes” appearing on athletic shoes was refused registration for lack of distinctiveness, as being of a merely decorative nature.

- Adidas’ much disputed figurative mark consisting of “three black parallel stripes before a white background” was canceled by the EUIPO Boards of Appeal for lack of (inherent, or acquired) distinctiveness. Interestingly, the decision noted that it was unclear whether the mark actually used in the market by Adidas was always “three parallel black stripes before a white background”, or “two white (or other light colour) stripes before a black (or other dark coloured) background”.

- Louis Vuitton’s fabric design consisting of a “chessboard with light and dark brown squares” was refused registration for lack of inherent distinctiveness, as being a decoration only, while the owner failed to establish acquired distinctiveness “throughout” the EU, that is in all member states;

- Coca Cola’s shape mark for its new plastic coca cola bottle was refused registration on the grounds of lack of distinctiveness. The shape of the bottle was very similar to the classic coca cola bottle, but lacked the vertical fluting of the classic bottle. Although Coca Cola argued that the shape of its new bottle was an evolution of its classic bottle, its argument was not upheld by the Court;

- Rubik’s cube and Lego cubes were found to be functional and not capable of being registered as trademarks;

- A mark consisting of bunny-shaped chocolate with gold wrapping and a red ribbon was found to be devoid of any distinctiveness and a common place for the market concerned;

- A registration consisting of the shape of “knife handles with dents” (which was represented as a surface with a pattern of black dots) was declared invalid, on the ground that such a shape was merely of a functional nature. The CJEU which reviewed the case confirmed the decision for its invalidation and clarified that a mark may be functional, even if it has some ornamental or fanciful elements, if such elements do not play an important role, and if all other essential characteristics of the mark are dictated by the technical solution to which that mark gives effect;

- A registration of a figurative mark representing a transdermal patch, used for the administration of a medication through the skin, was found to be functional and, hence, invalid. The GCEU rejected the argument that the beige colour of the mark could render it distinctive and held that the beige colour is widely used in transdermal patches because of the colour of the skin. The judgment has a detailed analysis of how technical functionality is assessed;

- The Voss shape mark for its “transparent cylinder bottle with non-transparent cap” was found to be non-distinctive and the respective registration was cancelled;

- A mark consisting of a representation of the “yellow colour, including a pattern of random white dots” was refused registration for lack of distinctiveness. The GCEU found that the white dots pattern was negligible and would be perceived by consumers as decoration only; so the dominant element of the mark in question was the yellow colour alone;

- A mark consisting of a colour combination (a blue and a silver stripe) filed by Red Bull in connection to energy drinks was invalidated by the GCEU, because it lacked precision. The GCEU found that the mere juxtaposition of or the mere reference to two colours in any conceivable form, does not fulfil the requirement of a representation of the mark in a precise way;

- A mark consisting of the green colour in a graduated form from dark green to light green (i.e., five graduated shades of green) filed in connection to wind turbines was refused registration for lack of distinctiveness. The GCEU found that the graduated green color would not be perceived by customers as an indication of origin; instead, it would be perceived as a reference to the ecological friendly nature of wind turbines and it would make it easier for wind turbines to consort with the environment where they are placed;

- Word marks like “Biomild” for foodstuffs like yogurt and “Doublemint” for chewing gum were found to be descriptive (“biological and mild” / “double mint”) and were refused registration. Combinations of descriptive terms in a single new word cannot escape the absolute ground of descriptiveness, unless there is a perceivable difference among the combination and its parts;

- The following word marks have been refused registration for lack of distinctiveness: “Eco” (denoting “ecological”), “Medi” (denoting “medical”), “Universal” (denoting “goods fit for universal use”);

- The mark “Revolution” for financial consulting services in class 36 was found to lack distinctiveness and was refused registration;

- The mark «Restore” for surgical and medical instruments was found to be descriptive;

- The slogan “Innovation For The Real World” for automotive and medical products in classes 7, 9, 10 and 12 was refused registration due to lack of distinctiveness;

- The slogan “Built To Resist”, applied for paper goods, leather, clothing and footwear was found to be descriptive;

- The slogans “So What Do I Do With My Money” and “Investing For a New World”, applied for financial and investment services, were found to be laudatory and promotional and devoid of any distinctiveness;

- The marks “MMF – Multi Market Fund” and “NAI – Der Natur-Aktien-Index” were refused registration as being descriptive and non-distinctive. The addition of an abbreviation before a descriptive phrase does not render the whole mark distinctive;

- The mark “Café Nero” for coffee products and cafeteria services was refused registration on the ground that in Italian, “café nero” meant “black coffee”, that is “coffee without sugar, or milk”. So long as a EUTM is destined to apply to all member states, lack of distinctiveness, or descriptiveness in only one member state may be fatal;

- The mark “Deluxe” for several goods and services in classes 9, 35, 37, 39, 40, 41, 42, 45 was refused registration as merely laudatory, descriptive and non-distinctive; the CJEU affirmed this decision.

- The mark “Real” for foodstuffs in classes 29, 30 and 31 was refused registration as a descriptive term; the GCEU held that “Real” was meaning “not artificial or simulated, genuine” and that it was therefore descriptive in connection to foodstuffs.

Examples of court cases on likelihood of confusion and dilution

(a) Cases where likelihood of confusion was established

- The marks “Kompressor” and “Compressor Technology & device”, both for household appliances in classes 7 and 11, were found to be confusingly similar, although their common element “compressor” was a descriptive term. The argument of the court was that, even when the common elements are descriptive, likelihood of confusion may still exist, if the two marks are highly similar to one another. The Court suggested that the fact that the earlier trademark greatly consists of descriptive or non-distinctive elements must be the subject-matter of separate cancellation proceedings, but cannot be taken into account in the context of opposition proceedings. Similarly, the CJEU reaffirmed a judgment of the GCEU that the marks “Solidfloor, the professional’s choice” and “Solid Floor and device”, both for building and flooring materials in class 19, were confusingly similar. In another case, the marks “Micro & device” and “Micro in coloured letters”, both

in class 9 for photographic equipment, were confusingly similar;¹ in this case, the Court also reasoned that in opposition proceedings an earlier national mark must be considered to have at least a minimum of distinctiveness. The same argument, that is, that in opposition proceedings an earlier national mark must be deemed to be distinctive, even to a low degree, was followed by the GCEU in case T-10/09 (11.12.2014) where the marks “F1” (word mark) and “F1” (figurative), owned by Formula One Licensing BV, were found to be confusingly similar to the mark “F1-Live & device” print and on line media products in classes 16, 38 and 41. In case T-178/16, 06.04.2017 the GCEU found that the mark “Policolor & device” for paints, varnishes, lacquers and similar goods in class 2 is confusingly similar to the mark “Proficolor & device”, for the same goods. The fact that the common element “color” was a merely descriptive term, and that each mark was accompanied by a different figurative device was not sufficient to prevent likelihood of confusion. It is worth noting, however, that many of the above cases are decided under the Regulation 207/2009/EC, which is now amended by Regulation 2017/1001. Article 14(1)b of the new Regulation refers to limitation of trademark rights in much broader terms than the previous Regulation. This article provides that the protection afforded to registered trademarks does not cover any indistinctive elements that are included in such registrations. On the other hand, though, Article 14(1)b applied only to civil proceedings before the courts, and does not cover opposition or invalidity proceedings before the Office.

- A figurative and position mark consisting of “two parallel stripes” appearing on athletic shoes was found to be confusingly similar with Adidas earlier “three parallel stripes” mark, although the stripes had a different orientation in each case;

- A figurative mark consisting of an animal (a member of the cat family) jumping to the right was found to be confusingly similar with an earlier mark consisting of a member of the cat family jumping to the left. The fact that the animals were facing towards different directions was insufficient to render them dissimilar. Both marks were used in connection to clothing in class 25. The GCEU rejected, on the evidence, the argument that the image of a jumping cat is widely used in connection to clothing and that therefore has a weak distinctive character that precludes likelihood of confusion;

- The marks “Smith” and “Anna Smith”, both for clothing and leather products in classes 18 and 25, were found to be confusingly similar, although the common element “Smith” was a common surname;

- In case T-450/13 (12.11.2015) the GCEU found that two marks consisting of the labels of vodka bottles, which both shared a representation of a bison animal and a vertical diagonal line (although with a different orientation in each mark) were confusingly similar, because the other word elements appearing on the respective labels were rather descriptive;

- The marks “Aquaperfect” and “Waterperfect”, both in class 7, were found to be confusingly similar due to their conceptual similarity, as “aqua” means “water” in latin and is considered to be a latin vocabulary term that European consumers clearly understand. In another similar case, likelihood of confusion was established between the marks “Vitaminwater” and “Vitaminaqua” in classes 30 and 32;

- The mark “Colombiano House & device” for restaurant and food services in class 43 was refused registration, because of an earlier protected geographical indication “Café de Colombia”;

- The mark “Beyond Retro” for clothing in class 25 was found to be confusingly similar to the mark “Beyond Vintage” for clothing and accessories in classes 18 and 25; however, there was not likelihood of confusion as to watches and jewelry in class 14 for

¹ GCEU, T-149/12, 16.01.2014.

which “Beyond Vintage” was also applied for, as these goods were considered to be sufficiently dissimilar to clothing in class 25;

- The marks “Pentasa” and “Octasa”, both for pharmaceuticals in class 5 were found to be sufficiently similar, although they differ as to their respective first part;

- The marks “Ginraw” and “Raw”, both for household and kitchen utensils and containers, glassware and other goods in class 21, were found to be confusingly similar, as the terms “gin” was likely to be associated to the alcoholic beverage and was hence rather descriptive of the respective goods.

(b) Cases where likelihood of confusion was not established

- The marks “Easy Air-tours” and “Airtours”, both for transport services in class 39, were not found to be confusingly similar, because their common components were descriptive terms. Similarly, the following pairs of marks were not found to be confusingly similar, because the common elements they shared were merely descriptive: “Magnext” and “Magnet 4”, both for toys in class 28; “Capital Markets & device” and “Carbon Capital Markets”, both for financial and similar services in class 36; “Premium & device” and “Premium & device” both for foodstuffs in class 30;

- The figurative mark “Stick Mini MINI Fratelli Beretta & device”, for foodstuffs in class 29 was found to be dissimilar to the word mark “Mini Wini” for similar goods in the same class, as the element “Mini MINI” was considered not to have an independent distinctive role within the combined mark “Stick Mini MINI Fratelli Beretta & device”;

- “Real estate services” were found to be dissimilar to “financial and banking services”, although “real estate appraisal services” were found to be similar to “financial services”. In another case, “retail services” were found to be dissimilar to “distribution services”; “Watches and jewelry” in class 14 were found to be dissimilar to “Clothing” in class 25, although they are usually traded through the same channels. “Compotes” were found to be dissimilar to “dairy products”. “Restaurant and bar services” were found to be similar to “foods and beverages”.

(c) Dilution cases

- The well-known mark of Calvin Klein “CK” was found not to be diluted by the mark “CK Creaciones Kenya” (both for clothing and leather goods in classes 18 and 25), because the two marks were so dissimilar (although CK was incorporated as such in the later mark), that a “link” between them could not possibly be established. In a similar case, the marks “Kinder” (for food products in class 30) and “Ti Mi Kinder Joghurt” (for yogurt based products in class 29) were so dissimilar that consumers could not possibly establish a link between the two, although “Kinder” was incorporated as such in the later mark; In these cases, the CJEU reasoned that, in assessing the level of similarity of the respective marks, the reputation of the earlier mark shall not be taken into account and that such reputation will be considered only at a later stage, in order to assess the likelihood that consumers might make a “link” between the two marks; but this later stage will not follow at all, unless sufficient similarity is not established in the first place.

- The well-known mark “Prada” which is registered in classes 18 (luggage, bags, etc.) and 25 (clothing, footwear, etc.) was found to be diluted by the mark “The Rich Prada” in connection to retail services relating to clothing, footwear, cosmetics, eye wear, jewellery, etc. in class 35, entertainment services, cultural activities and organizing events in class 41, food and drink services, accommodation and hospitality services in class 43 and hygienic and beauty care services in class 44. However, dilution was not established in connection to other goods and services which were found to be sufficiently dissimilar, such as foodstuffs in class 30, beer and non-alcoholic beverages in class 32, advertising, business management and office functions in class 35, insurance and financial services in class 36, construction services in class 37, education, training and sporting in class 41, conference

and exhibition services in class 43, medical services in class 44 and concierge and babysitting services in class 45;

- Dilution was not established between the mark “Grazia” for consulting services in class 35 and financial services in class 36 on the one hand, and an identical mark “Grazia” for cosmetics, audio visual matter, printed publications, leather goods, clothing and broadcasting in classes 3, 9, 16, 18, 25 and 38. The respective goods/services were so dissimilar that consumers could not possibly establish any “link” between the two marks;

- The well-known word mark “Zytel” of Du Pont, which was registered for plastics in classes 1 and 7 was found not to be diluted by a later mark “Zytel & device” for various goods and services in classes 9, 12 and 37. The reasoning of the Court was that Du Pont mark was addressed to professionals only and, on this ground, it highly improbable that the later mark could possibly gain unfair advantage, or that professional could possibly make a “link” between the two marks;

- The well-known “Volvo” mark was found not to be diluted by the mark “Lovol” in classes 7 and 12, because the two marks were sufficiently dissimilar, although they both shared the letters “v”, “o” and “l”, as well as the syllable “vol”;

- The mark “Vina Sol” (meaning vineyard of the sun in Spanish) was found not to be diluted by the mark “Sotto il Sole” (meaning under the sun in Italian). Although the respective goods were identical, and although the earlier mark enjoyed reputation, however, likelihood of dilution was not established, because the notion of the “sun” was widely used by many other wine producers and was therefore of merely low distinctiveness;

- The mark “MacCoffee” for food and beverages in classes 29, 30, 32 was found to dilute the marks “MacDonald’s”, “McNuggets”, “McFlurry”, “McChicken”, etc.;

- The mark “Pret A Dinner”, for food and restaurant services, was found to dilute the reputation of the earlier mark “Pret a Manger” and “Pret” for similar goods and services;

- The mark “Spa Wisdom” applied for by the Body Shop company in connection to cosmetics in class 3, was found to dilute the reputation of the earlier mark “Spa” registered for mineral water and non-alcoholic beverages in class 32. The Court reasoned that, although the term “spa” was broadly used in connection to health and wellness services based on hydrotherapy, however, such use was not common in connection to cosmetics. As a result, the term “spa” was not descriptive in connection to cosmetic;

- The Adidas figurative mark consisting of three parallel oblique stripes was found to be diluted by a trademark consisting of two parallel oblique stripes filed by Shoe Branding, although the stripes were oriented towards a different direction in each case.