

PROPERTY January 15, 2013

The Interplay between IP and Property
A European Perspective
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WIPO
WORLD INTELLECTUAL PROPERTY ORGANIZATION

WORLD TRADE ORGANIZATION

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What is IP ?

Who shall own IP ?

How shall IP be enforced ?

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What is IP ?

What can we learn from international law ?

Paris Convention
 for the Protection of Industrial Property (1967)

- Art. 1: « (2) The protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition »

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What is IP ?

WIPO Convention (1967)

- Art. 2 (viii): « “intellectual property” shall include the rights relating to:
 - literary, artistic and scientific works,
 - [...]
 - inventions in all fields of human endeavor,
 - scientific discoveries,
 - industrial designs,
 - trademarks, service marks, and commercial names and designations,
 - protection against unfair competition, and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields »

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What is IP ?

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS - 1995)

- Preamble:
« Recognizing that intellectual property rights are private rights;
Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives; [...] » (=> « social and economic welfare » of IP, art. 8)

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What is IP ?

Charter of Fundamental Rights of the European Union (2000)

- Article 17 Right to property
« 1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. [...].
2. Intellectual property shall be protected »

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What is IP ?

- Explanations relating to the charter of Fundamental Rights of the European Union:
« Protection of intellectual property, one aspect of the right of property, is explicitly mentioned in paragraph 2 because of its growing importance and Community secondary legislation.
[...] The guarantees laid down in paragraph 1 shall apply as appropriate to intellectual property. »

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What is IP ?

But...

- « These explanations have been prepared at the instigation of the Praesidium. They have no legal value and are simply intended to clarify the provisions of the Charter »

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What is IP ?

What IP rights shall be protected ?

- Protocol (No 1) to the Convention for the Protection of Human Rights and Fundamental Freedoms
- Art. 1 Right to Property
« Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law »

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What is IP ?

What about *applications* for (future) industrial property rights?



- Anheuser-Busch Inc. v. Portugal, Judgment of the ECHR (Grand Chamber) of January 11, 2007

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What is IP ?

- « The applicant company therefore owned a set of proprietary rights – linked to its application for the registration of a trade mark – that were recognised under Portuguese law, even though they could be revoked under certain conditions. This suffices to make Article 1 of Protocol No. 1 applicable in the instant case [...] » (§ 78)

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What is IP ?

- « the Court takes due note of the bundle of financial rights and interests that arise upon an application for the registration of a trade mark. It agrees with the Chamber that such applications may give rise to a variety of legal transactions, such as a sale or licence agreement for consideration, and possess – or are capable of possessing – a substantial financial value » (§ 76)

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What is IP ?

Is right on confidential information IP ?

- *Property* right in information ?
- International law: art. 39 TRIPS (« undisclosed information »)
Art. 39 para. 1:
« In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information [...] »

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What is IP ?

Protection of confidential information in Europe

- No uniform solution
- On-going consultation process of the European Commission on the need to harmonize the protection
- Case law: UK case Force India Formula One Team Ltd v 1 Malaysia Racing Team SDN BHD & Ors [2012] EWHC 616 (Ch) (21 March 2012)

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What is IP ?

- « Although confidential information is not property, intellectual property lawyers treat breach of confidence as a branch of intellectual property law. This is partly for the practical reason that, commercially, confidential information is often dealt with as if it were intellectual property [...]. It is also partly for the doctrinal reason that in commercial contexts breach of confidence is a form of unfair competition, and in that sense akin to infringement of an intellectual property right » (§ 377)

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What is IP ?

- « Even if confidential information is not strictly intellectual property, however, the close analogy between the two suggests that principles developed in the context of intellectual property law may have application in the field of breach of confidence » (§ 378)

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What is IP ?

- « It is accepted that a claim for misuse of technical trade secrets such as the present is a claim to enforce an intellectual property right » [under the « IP Enforcement Directive » 2004/48/EC]
Lord Justice Jacob, Vestergaard Frandsen SA (MVf3 APS) & Ors v Bestnet Europe Ltd & Ors [2011] EWCA Civ 424 (20 April 2011)

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What is IP ?

Concept of intellectual property in European IP regulations

- Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark

Recital (11): « A Community trade mark is to be regarded as an object of property [...]. »

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What is IP ?

Community trade marks as objects of property (Section IV: art. 16-24 Regulation 207/2009)

- Transfer (art. 17), Rights in rem (art. 18), Trademarks in insolvency (art. 19), Licensing (art. 22)
N.B. Art. 24: The application for a Community trade mark as an object of property:
« Articles 16 to 23 shall apply to applications for Community trade marks » (// ECHR)

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What is IP ?

Same approach in EU patent law

- Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection
- Chapter III: A European Patent with Unitary Effect as an Object of Property

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What is IP ?

Outcome

- *Broad* constitutional protection of IP as property but still grey zones
- Pragmatic case by case approach:
« Whether confidential information truly counts as intellectual property depends on the context » (Force India Formula One Team Ltd, § 378)

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What is IP ?

Who shall own IP ?

How shall IP be enforced ?

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Who shall own IP ?

- Allocation of IP ownership is complex
- Constitutional principles are important

=> Decision of the ECJ of February 9, 2012, *Martin*

Luksan v Petrus van der Let (C-277/10)

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Who shall own IP ?

Who owns the copyrights in a cinematographic work: the director or the producer?

- « the principal director of a cinematographic work must be regarded as having lawfully acquired, under European Union law, the right to own the intellectual property in that work »
- « [...] the fact that national legislation denies him the exploitation rights at issue would be tantamount to depriving him of his lawfully acquired intellectual property right » (= > art. 17(2) Charter of Fundamental Rights)

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Who shall own IP ?

Outcome

- Constitutional principles can help define who shall own IP

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What is IP ?

Who shall own IP ?

How shall IP be enforced ?

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How shall IP be enforced ?

- Property regime => strong remedies
- IP enforcement in a contractual setting:
 - (1) Can the IP owner have intellectual property remedies against:
 - licensees ?
 - sublicensees ?
 - (2) Can third parties (i.e. non-IP owners) have IP remedies against infringers ?

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How shall IP be enforced ?

- Can the IP owner benefit from IP-remedies against:

- licensees ?

- sublicensees ?

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How shall IP be enforced ?

IP remedies against licensees

- Does any breach of contract committed by the licensee lead to IP infringement ?
- *Harmony Consulting Ltd. c. G.A. Foss Transport Ltd.*, 2011 FC 540 (2011): « [...] copyright infringement does not arise out of a breach of contract'; [...] copyright is violated only if the defendant has performed, or authorized, an act that only the owner can do within the confines of the *Copyright Act* »

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How shall IP be enforced ?

- Art. 8(2) EU Trademark Directive (2008/95):
« The proprietor of a trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to:
(a) its duration;
(b) the form covered by the registration in which the trade mark may be used;
(c) the scope of the goods or services for which the licence is granted;
(d) the territory in which the trade mark may be affixed;
(e) the quality of the goods manufactured or of the services provided by the licensee »

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How shall IP be enforced ?

- Goal of Art. 8(2) Directive (2008/95):
Define the (five) cases in which trademark infringement remedies shall be available against a licensee
- N.B. List of Art. 8(2) is exhaustive (para. 49 of the ECJ decision of April 23, 2009 in Case C-59/08 Copad SA v Christian Dior couture SA)

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How shall IP be enforced ?

Issue

- Is Art. 8(2) EU Trademark Directive (2008/95) good law ?
 - Does Art. 8(2) reflect the culture of IP law ?
- => IP remedies only in case of IP infringement

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How shall IP be enforced ?

- Art. 8(2) EU Trademark Directive (2008/95):
« The proprietor of a trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to:
(a) its duration »;
- What if the ex-licensee continues to use the trademark after the term of the license agreement in the hypothesis where the trademark is no protected anymore after such term ?

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How shall IP be enforced ?

Consequences

- The legal regime (Art. 8(2) EU Trademark Directive) is **not neutral**:
=> It affects the culture of trademark/IP law => grants a privileged status to trademark owners against licensees
=> Expands property-based remedies against licensees

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How shall IP be enforced ?

A look beyond Europe

Distinction between condition and covenant

- Whether breach of license is actionable as [IP] infringement or breach of contract turns on whether provision breached is *condition* of the license, or mere *covenant* (Graham v. James, 144 F.3d 229, 236-237 (2d Cir. 1998); Jacobsen v. Katzer (535 F.3d 1373, 1382, Fed. Cir. 2008))

How shall IP be enforced ?

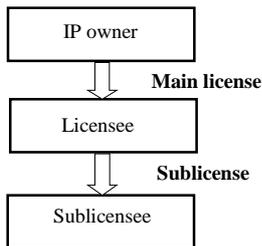
- Can the IP owner benefit from IP remedies against:

- licensees ?

- sublicensees ?

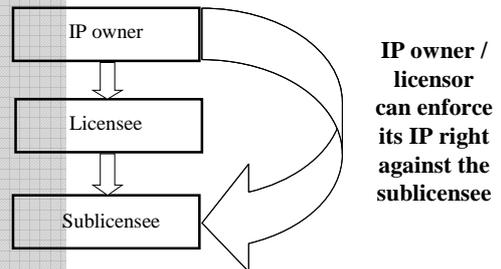
How shall IP be enforced ?

IP remedies against sublicensees



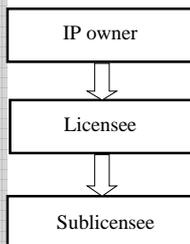
How shall IP be enforced ?

Can the sublicensee keep the sublicense if the main license terminates ?



How shall IP be enforced ?

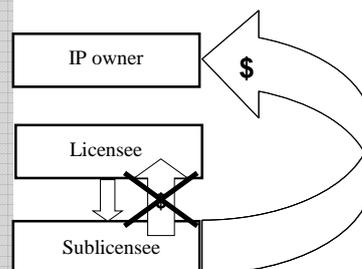
But ...



Decisions of the BGH of July 19, 2012 « Take 5 » / « M2Trade »

How shall IP be enforced ?

What about the royalties ?



How shall IP be enforced ?

Consequences

- Weaker protection of the IP owner (licensor)
=> no property-based remedies against sublicensees
- Creation of a *quasi*-property regime for sublicensees who are protected against a third party (i.e. the IP owner)

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How shall IP be enforced ?

IP remedies

- Can the IP owner benefit from intellectual property remedies against:
 - licensees
 - sublicensees
- **Can third parties (i.e. not the IP owner) have IP remedies against infringers ?**

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How shall IP be enforced ?

- IP Enforcement Directive (2004/48):
 - « Member States shall recognise as persons entitled to seek application of the measures, procedures and remedies referred to in this chapter: [...]
 - b) all other persons authorised to use those rights, in particular licensees, in so far as permitted by and in accordance with the provisions of the applicable law »

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How shall IP be enforced ?

Standing to sue of licensees

- Article 22(3) CTM Regulation (207/2009):
 - « Without prejudice to the provisions of the licensing contract, the licensee may bring proceedings for infringement of a Community trade mark only if its proprietor consents thereto. [...] »

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How shall IP be enforced ?

Outcome

- Non-IP owners (e.g. licensees) can have IP remedies against infringers

=> Creation of a quasi-property regime

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Perspectives

- A lot of attention on IP as an object of property (*what ? / who ?*)
- Not enough on IP as an object of contracts (*how to enforce in a contractual setting ?*)

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Perspectives

Interactions between IP and contract

- Contracts can create quasi-property rights (standing to sue of licensees)
- IP remedies can be available against contracting parties (licensees)

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Perspectives

Need to adopt

- Balanced solutions
- Global solutions
- Transdisciplinary solutions

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Perspectives

Balanced solutions

- Many stakeholders in the IP ecosystem: no focus on IP owners

Licensees

IP owners

Sublicensees

Third parties

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Perspectives

Global and transdisciplinary solutions

- IP transactions are global and raise transdisciplinary legal issues
- Example: protection of (local) IP licensees in case of bankruptcy of the (foreign) IP owner / licensor in an international license agreement

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Perspectives

- Real-life case law:
In re: Qimonda AG, Case No. 09-14766-SSM, United States Bankruptcy Court, E.D. of Virginia (October 28, 2011)
- Application of US bankruptcy law (and not German law) for the protection of US patent licensees

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Perspectives

Situation today: (relatively) bad news

- « More of a mess than commonly thought »
- Too complex for the global circulation of IP assets



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Perspectives

Good news

- Great opportunity for international scientific exchange and cooperation between academia and other stakeholders

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Thank you for your attention

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