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OPINION

One Small Step or One Giant Leap Towards Access to Medicines for All?

Gemma O' Farrell*

 AIDS; Bilateral trade agreements; Compulsory licensing; Developing countries; Generic medicines; International trade; Patents

Introduction

On November 30, 2007 Peter Mandelson, the European Union's Trade Commissioner, announced that the European Union has formally accepted the World Trade Organization (WTO)-approved protocol of December 2005, amending the TRIPS Agreement. The amendment makes permanent an August 2003 temporary waiver of the Doha Agreement that drugs produced under compulsory licence be predominantly for the supply of the domestic market. However, in order for the decision to have legal effect, two-thirds of the WTO's 151 Members are required to ratify the agreement. European Union acceptance only brings the number to 41.¹ With so many obstacles in place, is universal access to medicines by 2010 a realistic goal?

TRIPS

The Ministerial Declaration on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Public Health in Doha in November 2001 represents a political and legal landmark in WTO relations.² Essentially the Declaration involved the rules of TRIPS which govern the proprietary interests in ideas, processes and products and how the protective measures encompassed in these rights may be penetrated in the event of a "national emergency". The Doha Declaration of November 14, 2001 reaffirmed the flexibilities available within TRIPS, and asserted that the Agreement should be interpreted in a manner that protects and promotes access to medicines and public health. Doha led to the agreements of August 2003 and December 2005, which represent landmarks in the fight for availability of generic medicines in developing countries. This piece considers the applicability of the December 2005 agreement and how recent US free trade agreements (FTAs) are now compromising its potential.

Generic medicines

Despite continual conflict between academic argument and pharmaceutical companies the statistics on HIV/AIDS cannot be ignored. Currently 33.2 million people worldwide are living with HIV/AIDS. More than 31.34 million live in developing countries, of whom 22.5 million live in sub-Saharan Africa.³ Some academic commentators attribute the problem to the apathetic views of most Western countries.⁴ While HIV/AIDS crosses national and class boundaries, it is not an epidemic of epic proportions here in Europe as it is in Africa. The public may well be aware of this problem but few are affected by it on a daily basis, and so the issue becomes sidelined. The lacklustre response from the developed world means that developing countries must address their needs themselves, without patents and the threat of litigation presenting obstacles. The availability of generic drugs is the only manner in which developing countries can begin to tackle this growing problem.

Pharmaceutical Research and Manufacturers of America (PhRMA) argue that adequate patent protection should be afforded to encourage investment in research and development (R & D), and that a failure to give adequate patent protection results in a disincentive to invest in this important area. While the author agrees that inventiveness should be rewarded,

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¹ David Cronin, "EU Acceptance Of TRIPS Health Amendment Adds 28 Members", *Intellectual Property Watch* (December 1, 2007), available at <http://www.ip-watch.org/weblog/index.php?p=856> [Accessed March 27, 2008].

² Doha is remarkable as developing countries showed themselves as a force to be reckoned with maintaining a strong stance throughout negotiations, forming an impressive coalition and representing a formidable block opposition to the US and EU.

³ www.unaids.org, Geneva: The Joint United Nations Programme on HIV/AIDS (UNAIDS), "2007 AIDS epidemic update" (November 19, 2007), available at <http://www.unaids.org/en/KnowledgeCentre/HIVData/EpiUpdate/EpiUpdArchive/2007/> [Accessed March 27, 2008].

⁴ A. Attaran and L. Gillespie-White, "Do Patents for Antiretroviral Drugs Constrain Access to AIDS Treatment in Africa?" (2001) 286 (15) *Journal of the American Medical Association* 1886.

she submits many policy arguments advocating the development of the generic pharmaceutical industry. One such argument is that R & D may take many years, and this is reflected in the price of on-patent drugs. A number of fundamental issues arise in justifying on-patent drugs for immediate crises as long-term R & D is redundant when people are dying.⁵ For those diseases which are not immediately threatening, few in developing countries can afford to pay for the on-patent drug. The crude reality is that for many illnesses affecting developing countries, there is no R & D by pharmaceutical companies. Companies will not invest in such drugs when patients cannot pay for them. The flexibilities developed and interpreted in TRIPS therefore represent an effective solution in promoting access to essential medicines.

Doha Agreements 2003, 2005

The Doha Declaration in 2001 catalysed a number of subsequent agreements on the provisions of TRIPS and their potential to fulfil the agenda of access to medicines for all. Essentially a number of “flexibilities” are contained within the agreement, Arts 8.2, 31(k) and 40 allowing Member States protection against anti-competitive practices, while Art.30 allows the use of patents without permission in limited circumstances, facilitating immediate market access upon the expiration of a patent.⁶

The Doha Declaration arose as an interpretative tool in the analysis of Art.31(f) of TRIPS, which states that compulsory licensing shall be “predominantly for the supply of the domestic market”. Fundamentally, the majority of developing countries do not have the available resources to develop on-patent pharmaceuticals locally. The reinterpretation of Art.31(f) thus represents a means of ensuring access to essential medicines in developing countries. On August 30, 2003, a temporary waiver was issued allowing for the issuance of compulsory licences. Countries without the requisite manufacturing capability were permitted to import drugs from countries with local manufacturing capacity. This was based on the caveat that exporting countries would not use the Declaration “to pursue industrial or commercial policy objectives”. Least developed countries or those countries capable of proving an absence of manufacturing capability could avail of the provision.

The implementation of para.6 of the Doha Declaration represents a means for developing countries to address their public health problems. As well as the flexibility presented in para.6, a number of other options exist: compulsory licensing, the use of parallel importation and the development of generic medicines to combat HIV/AIDS, malaria and tuberculosis. In July 2007, Rwanda informed the WTO that it was availing of para.6 to import cheaper generics made under compulsory licensing elsewhere, and became the first country to avail of this provision.

Potential problems

A number of potential problems arise in attempts to implement para.6. In addition to economic and political challenges, there are also substantial administrative burdens, which Professor Brook Baker regarded as “cumbersome” and a “procedural labyrinth”. First, in the case of compulsory licences, both importing and exporting countries must issue licences. The compulsory licence issued by the exporting country is based on a “single-supply basis”, hence this process must be repeated for each request. Secondly, a developing country must prove insufficient or no local manufacturing capacity in order to qualify. Finally, notice must be given to the WTO of the intention to use particular products, the quantities of such products and the particular country’s lack of adequate manufacturing capacity. Although the administrative requirements on a drug-by-drug, country-by-country basis are not insurmountable, they do represent a further obstacle to acquiring good quality generic pharmaceuticals.

A further problem is that parallel importation can give rise to defective and second-rate products arriving on the market. Under the agreement, para.4 lays down requirements for those countries importing

⁵ F.M. Abbott, “The Doha Declaration on the TRIPS Agreement and Public Health: Lighting a dark corner” (2002) 5(2) *Journal of International Economic Law* 469.

⁶ A provision also exists with Art.31 allowing the granting of compulsory licences if they believe it necessary in the public interest. Parallel importing through Arts 6 and 8.1 allows pharmaceuticals manufactured in another country to be imported into the state without the permission of the patent holder.

the goods to take “reasonable steps” in preventing the re-exportation of the goods, in particular labelling and marking of the product—which incurs an additional expense inevitably borne by the importing country. Countries exporting drugs under this provision will also need to satisfy strict administrative requirements. Correa⁷ has argued that administrative requirements specifying that low-priced medicines cannot be produced because “meaningful economies of scale have not been reached” results in a failure “to promote access to medicines for all”.

Amir Attaran and Lee Gillespie-White⁸ argue that patents themselves are not a barrier in the access to antiretroviral drugs in Africa. They state that poverty, lack of international funding and limited donor spending represent more significant barriers. Essentially they concluded that few patents existed in South Africa at the time and that “geographic patent coverage [did] not appear to correlate with antiretroviral treatment access”.⁹ Attaran and Gillespie-White blame the lack of international aid for maintaining the status quo. Non-governmental organisations disagree with the contentions of Attaran and Gillespie-White and argue that the most fundamental patents have been strategically patented by pharmaceuticals, and those which are unpatented remain so as they would not aid in community development.¹⁰ However, if the majority of patients are using a particular “in use” antiretroviral drug, then the fact that other antiretroviral drugs may exist off-patent is of little practical use. The developing world makes up 80 per cent of the world’s population yet accounts for only 20 per cent of its uptake of pharmaceutical goods. Helena Vines Fiestas, author of a recent Oxfam report, confirms that, “[h]igh levels of Intellectual Property protection have not resulted in new cures for diseases that affect poor people” and further cites a UN estimate that nearly two million people in developing countries are denied access to essential medicines.¹¹

Patents invariably pose a great obstacle for those seeking treatment as patented drugs are outside their price bracket. Attaran has addressed in his paper “How Do Patents And Economic Policies Affect Access To Essential Medicines In Developing Countries?”¹² the fact that in 65 low and middle income countries patenting for products is very low, at only 1.4. These results highlight the policy arguments regarding the corporate structure and access to essential medicines. Furthermore, the problem is that while there may not be many patents in these countries, it is those patented drugs which are the most administrable and most available regarding income in such nations. In comparison, the off-patent drugs are more expensive and difficult to administer and are thus not desirable to suffering patients.

Cohen *et al.*¹³ in a recent paper examined the current state of affairs in Ghana. Through his compilation of information we learn that in real terms the treatment of HIV/AIDS would require someone working on a minimum wage five days to cover the cost of treatment. This represents an example of a fortunate patient, yet many patients are unemployed and thus unable to afford this treatment. The availability of generic drugs is thus a viable solution.

A further question which arises is why so few countries have aligned themselves with the waiver in Art.31(f). While protective measures for developing countries are present in the TRIPS Agreement, a fear exists that governments may be wary of using such measures for fear of political ramifications.

In April 2007 the Thai Government announced it would issue compulsory licences to manufacture low-cost versions of the HIV drug Efavirenz, second-line ARV Kaletra, which is manufactured by Abbott, and the cardiovascular drug Plavix. Abbott has now withdrawn all its future products from the Thai market. Following the Thai example, Brazil in July 2007 issued a compulsory licence and will now import a cheaper, generic Indian-made version of the patented Efavirenz drug. In the face of threats from drug companies, such moves are an exemplary beacon if universal access is to be obtained.

Data exclusivity and free trade agreements

The EU position on data exclusivity is compliant with Art.39.3 of TRIPS. Essentially the first person to manufacture a product must submit evidence

7 C.M. Correa, “Implications of the Doha Declaration on the TRIPS Agreement and Public Health”, Health Economics and Drugs EDM Series (2002), 12, WHO/EDM/PAR/2002.3.

8 Attaran and Gillespie-White, “Do Patents for Antiretroviral Drugs Constrain Access to AIDS Treatment in Africa?” (2001) 286 (15) *Journal of the American Medical Association* 1886.

9 Attaran and Gillespie-White, “Do Patents for Antiretroviral Drugs Constrain Access to AIDS Treatment in Africa?” (2001) 286 (15) *Journal of the American Medical Association* 1886.

10 On analysis certain flaws become evident in their study—it fails to take into account income levels, the rates of infection and the usage of the drug in question. A fundamental issue arises in that if the majority of on-patent pharmaceuticals exist in countries with the highest levels of HIV/AIDS then these patents represent a barrier to the treatment of victims.

11 Oxfam Ireland, Dublin: Oxfam International, “Pharmaceutical industry is undermining its own future as millions of poor people denied access to medicines” (November 27, 2007), available at http://www.oxfamireland.org/news/releases/2007/11_27.shtml [Accessed March 26, 2008].

12 A. Attaran, “How do Patents and Economic Policies Affect Access to Essential Medicines in Developing Countries?” (2004) 23 *Health Aff.* 155.

13 Cohen *et al.*, “TRIPS, the Doha Declaration and increasing access to medicines: policy options for Ghana”, *Globalization and Health* (December 9, 2005), available at <http://www.globalizationandhealth.com/content/1/1/17> [Accessed March 26, 2008].

as to its safety and effectiveness. A subsequent generic manufacturer who wishes to bring the same drug to the market does not need to repeat the experiments once they show that the drug is of the same quality as the original drug. This allows the drug to come on the market quickly and at low cost owing to the absence of an accumulation of clinical trials data.

While Art.39.3 allows for the protection of undisclosed clinical test data from “unfair commercial use”, no period of data exclusivity is specified and the act does not specify that the original applicant have a period of data exclusivity. However, recent US bilateral and multilateral agreements are resulting in onerous TRIPS-plus requirements. The US FTAs effectively prevent generic manufacturers from using the original data to establish the safety and effectiveness of the drug. The FTAs refer to “HIV AIDS, tuberculosis, malaria and other epidemics” and reflect the wording in Doha.¹⁴ Generic manufacturers must either wait a further five years allowing technically five additional monopoly years for the patent holder or engage in tests of their own which are cripplingly expensive. This represents a formidable obstacle to compulsory licences and allows the rightholder to prevent a state from using such information for a period of 5 to 10 years.

The provisions of the US FTAs effectively prohibit actions that are permitted under TRIPS and undermine the Doha Declaration. Both the United States and the European Union are aiming for a de facto right for clinical trial data relating to new pharmaceutical products.¹⁵ By bestowing exclusive rights on clinical trial results the flexibilities of TRIPS become compromised. The use of original test data in clinical trials saves generic drug manufacturers considerable time and enables them to introduce the generic drug at a low price. The process of obtaining trial data would incur an additional expense on the drug. Essentially if the regulatory authority is unable to register a generic drug until the patent has expired the compulsory licence is effectively redundant. It is prudent to note that if developing countries oppose these clauses seeking de facto rights for data, they may not gain favourable trade concessions from the European Union and United States. Professor Mercurio notes that, “many developing countries do not hesitate to trade off IPRs in exchange for market access”.¹⁶ He also adds that this is, in fact, the choice of developing nations and not the trading nation as one might expect.

Perhaps there is some merit in the argument for data exclusivity rights. Arguably the information generated by the original investor involves considerable time and skill, is a substantial investment and is therefore one which should be protected. The volume of data required in the approval of a new drug is immense and exhaustive information is required before a drug will be given approval. Regulatory approval can take 8 to 12 years to complete and can involve €800 million. From 5,000 potential molecules only one will become a marketable pharmaceutical. Invariably generic companies do not wish to engage in this costly R & D as this involves a large amount of time and money.¹⁷

However, from the perspective of developing countries a restriction on the use of data represents a significant hurdle in the use of compulsory licences; yet, as Professor Mercurio notes, developing countries continue to negotiate FTAs as bilateral agreements with trading nations can provide concrete gains.¹⁸ For developing countries the provisions of bilateral and regional trade agreements significantly delay the registration of a generic drug even if a compulsory licence has been issued. Thus, if access to medicines is to succeed, WTO Members must ensure that the restriction on data does not apply to compulsory licences. The United States argues that this is their interpretation of Art.39.3, but essentially it results in an onerous TRIPS-plus standard on developing countries which have not achieved a level of development like that of the United States.¹⁹

A number of problems exist with regard to the US position.²⁰ While the United States has argued that side letters to the FTA contain waivers in the event of national emergencies, these carry little legal weight. Their legal status is not clear. The side letters effectively contradict the FTAs and are effectively subordinate to such. The reference to particular diseases intimates that certain public health issues may not be covered. Disconcerting is the reference to “necessity”, a term rigidly defined in international law

14 www.ustr.gov: Office of the United States Trade Representative, Washington DC (September 14, 2004), available at http://www.ustr.gov/Document_Library/Fact_Sheets/2004/US-Bahrain_FTA_Fact_Sheet_on_Access_to_Medicines.html [Accessed March 26, 2008].

15 The US has sought to use bilateral agreements with its FTA partners as a means of enhancing IP rights. These TRIPS-plus provisions appearing in the FTAs of the US mirror US domestic law.

16 B. Mercurio, “TRIPS-Plus Provisions in FTAs: Recent Trends” in Lorand Bartels and Federico Ortino (eds), *Regional Trade Agreements and the WTO Legal System* (Oxford University Press, 2006), p.221.

17 C.M. Correa, “Protecting Test Data for Pharmaceutical and Agrochemical Products under Free Trade Agreements” in P. Roffe, G. Tansey and D. Vivas-Eugui (eds), *Negotiating Health: Intellectual Property and Access to Medicines* (London: Earthscan, 2006), pp.81–96. Mercurio, “TRIPS-Plus Provisions in FTAs” in *Regional Trade Agreements and the WTO Legal System* (2006), p.222.

18 Similarly Russia has consented to onerous FTAs focusing on the enforcement of intellectual property rights in order to join the WTO. In doing so Russia has succumbed to US demands and the intellectual property standards surpass the WTO Agreement on TRIPS. Particularly onerous are provisions regarding compulsory licences for essential medicines; these are another example of the US persistence on the matter.

19 Another factor weighing against universal access is that the international TRIPS framework has finally been implemented in India, resulting in even more difficulty in sourcing post-1995 medicines. Owing to the “mail box” system in operation in India the number of on-patent drugs is set to increase.

20 Not content with FTAs the US responded to the Thai TRIPS-compliant licence by placing it on the Special 301 Priority Watch-List, available at http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_Special_301_Review/asset_upload_file230_11122.pdf?ht= [Accessed March 26, 2008].

such that a country should take only those steps “necessary”. Necessity indicates the least obtrusive option or where there is no alternative. Inevitably such speculative legal standing is deterring for generic companies.

Bold moves towards universal access?

A number of factors may prevent universal access to medicines. PhRMA has erroneously argued that Brazil and Thailand are too rich to issue compulsory licences. There is also a danger that weaker, more vulnerable countries may not follow the lead of Brazil and Thailand particularly when pharmaceutical giants like Abbott are threatening to withdraw life-saving medicines from those countries that dare issue compulsory licences.²⁰

However, solace can be found in the synergy between the Clinton Foundation HIV/AIDS Initiative’s work with generic companies and UNITAID’s funds and expertise combined with the WHO pre-qualification service. The Clinton Foundation has been greatly aided by UNITAID’s purchasing power sourced from a new airline tax initiative which has resulted in a straightforward acquisition of second-line medicines.²¹ National drug regulatory authorities can permit fast-track registration of medicines as a result of a pre-qualification service with the WHO while UNITAID are proposing collective management of intellectual property rights through patent pools encompassing patents and registration of data rights. Furthermore, an intergovernmental working group has also been set up by the WHO to deal with public health and innovation and will present their findings in 2008.

An additional positive step is a response to complaints by Democrats in the United States. A template was suggested in May 2007. It is proposed that generic drugs will come to market quicker through trade agreements with trading partners. The approach suggests protecting pharmaceutical test data in partner countries for as long as it is protected in the United States, but no longer—thus allowing generics to come to market in both countries simultaneously. A public health exemption is also suggested to temper data exclusivity obligations. Further proposals aim to approve generics with no pre-requirement of non-violation of a patent. Finally and perhaps most significantly is a proposal for side letters on public health to have a formal legal basis within the FTA structure.

Conclusion

If the problem of access to medicines is to be tackled effectively, compulsory licences must be excluded from the remit of data exclusivity. The burdens of bilateral agreements serve as additional weight that undermines the TRIPS Agreement and the potential of the Doha Declaration. International aid, combined with an increase in local technical expertise provided through developed nations, is necessary for developing countries to understand the flexibilities of TRIPS and how it can use these to tackle access to essential medicines. The words of Professor Frederick Abbott ring true:

“The political will of governments as well as the private sector is essential to determining whether or not matters are effectively addressed. . . If the government and its private sector are not committed, very little may be possible.”²²

²¹ www.clintonfoundation.org, New York: William J. Clinton Foundation, “Clinton Foundation and UNITAID Announce Price Reductions on 16 AIDS Medicines for 66 Developing Countries” (May 8, 2007), available at <http://www.clintonfoundation.org/050807-nr-cf-hs-ai-pr-clinton-foundation-and-unitaid-announce-price-reductions-on-16-aids-medicines-for-66-developing-countries.htm> [Accessed March 26, 2008].

²² Tove Iren S. Gerhardsen, “Way Sought to Boost Developing Country Production of Essential Medicines”, *Intellectual Property Watch* (October 26, 2006), available from <http://www.ip-watch.org/weblog/index.php?p=433> [Accessed March 26, 2008].

The Integration of the Office for Harmonization in the Internal Market into the Madrid System: A First Field Report

JÖRG WEBERNDÖRFER*

^{LT} Community trade marks; EC law; International trade marks; Office for Harmonization in the Internal Market

Introduction

The accession of the European Union to the Madrid Protocol on October 1, 2004 linked the Madrid and the Community trade mark (CTM) systems. The following report sets out the procedural parameters before the Office for Harmonization in the Internal Market (OHIM) and the acceptance of the new application strategies which this link created.

Procedural parameters

The link between these two trade mark systems entails two different routes for acquiring trade mark protection: it is possible, on the one hand, to extend the protection of a CTM (application) as a basic mark to other Member States of the Madrid Protocol and, on the other hand, to designate the European Union in the international registration (IR) of a national trade mark (application).¹ In the first case the OHIM acts as office of origin, in the second case as designated office.

The OHIM as office of origin

In the case of extending the protection of a CTM (application) to other Member States of the Madrid Protocol the most important procedural rules are as follows.

The international application must be filed directly at the OHIM (Art.141(1) of Regulation 40/94 (the CTMR)).² An electronic application is impossible for

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1 The article only covers these two procedures. Further and more detailed information can be found on the website of the OHIM, <http://oami.europa.eu>.

2 Regulation 40/94 on the Community trade mark [1994] OJ L11/1.

the moment.³ The applicant must use either the WIPO form MM2 or the OHIM form EM2, which takes into account the particularities of this application route.⁴ The OHIM then sends a confirmation letter indicating the day of receipt. If the applicant is uncertain about the registrability of his CTM application as the basic mark, he can stipulate that the application shall be deemed to have been received at the OHIM on the date of registration of the CTM (Art.141(2) of the CTMR).⁵

Together with the international application, a transmittal fee of €300 must be paid directly to OHIM. The application shall be deemed not to have been filed until this fee has been paid, according to Art.142(5) of the CTMR. This does not present any problem in the case of a current account at the OHIM with a credit balance.⁶ In the case of payment by bank transfer, the OHIM accommodates its users by considering the day of receipt as unchanged if the payment is received within 10 days.⁷ All the other fees must be paid directly to the World Intellectual Property Organization (WIPO) (Art.145 of the CTMR). Any such payments made to the OHIM will be returned. The fee calculation sheet⁸ is a necessary element of the international application, the presence and correctness of which is examined by the WIPO, and not by the OHIM.

The applicant must be national of a country of the European Union or must have a real and effective industrial or commercial establishment or domicile within the European Union.⁹ The OHIM examines this requirement in view of the indications made in the application form. Only specific doubts trigger further investigations.

The international application can be filed in any of the official languages of the European Union. If this language is however not a language of the Madrid Protocol (English, French or Spanish), the applicant must indicate one of these languages as the language of the international application (Art.142(2) of the CTMR). Additionally, he must provide a translation of the list of goods and services in the chosen language or authorise the OHIM to include the translation of the basic mark or to arrange for such a translation.¹⁰

3 This is, however, possible for CTM applications.

4 The forms MM4 or EM4 must be used for subsequent designations.

5 In section 5 of the form. This option contains significant risks in the case of priority claims, as the registration might only take place after the priority deadline. The practical sense of this rule is doubtful, as the applicant can also await the registration of the basic mark.

6 As to the admissible methods of payment, see Art.5 of the Fees Regulation.

7 Only afterwards the OHIM informs the applicant that his application is deemed not to be filed as long as the fee is not paid, hereby setting a deadline of one month.

8 Annex to the form MM2 and to the English, French and Spanish version of the form EM2 (in the other language versions, it must be added in the language of the international application).

9 Madrid Protocol Art.2(1)(ii). Everybody can however file "direct" CTM applications: see CTMR Art.5.

10 Regulation 2868/95 implementing Regulation 40/94 on the Community trade mark (CTMR) r.102(4) [1995] OJ L303/1. The form EM2 contains in this regard a special section 0.3. If no translation has been established yet during the application proceedings of the basic mark, the OHIM immediately provides a translation through the Translation Center of the EU in Luxembourg (CTMR Art.117), with which the OHIM has a special agreement for such cases.

The OHIM forwards electronically the application to the WIPO. All the correspondence between the OHIM and WIPO is made in electronic form (r.125 of Regulation 2868/95 (the CTMIR)), which avoids the doubling of working processes to a significant extent. Contrary to the working procedure before other offices of origin that only transmit the application forms, the OHIM therefore faces the problem of mistakes with the data key-in. The applicant can only recognise such mistakes, and also any mistake as regards the translation of the list of goods and services, after the receipt of the registration certificate. The applicant should send a request for correction to the OHIM in such cases.

This transmission of the international application to the WIPO is done within two months from receipt. The service standards of the OHIM¹¹ even stipulate in this regard a time limit of two weeks for 80 per cent of the international applications. Beforehand, however, the OHIM verifies the content and completeness of the application, and thereby in particular the existence of the basic mark, the correspondence of the owner,¹² the sign, the goods and services (between the basic mark and the application) and the possible need for the appointment of a representative.¹³ The OHIM does not encounter any problem in this regard in about 60 per cent of the applications. In this case, the OHIM in general forwards the application to the WIPO on the very day of receipt of the application.

In the case of an encountered deficiency (or uncertainty), the OHIM first tries to solve this problem over the phone in order to avoid unnecessary delays, taking into account the deadline of two months for transmission of the application to the WIPO. Should this not immediately remedy the irregularity, a deficiency letter is sent, setting a deadline of one month for correction. The OHIM refuses to forward the application to the WIPO if the irregularity is not remedied within the deadline given.¹⁴

Upon receipt of the application, the WIPO verifies the application requirements, which are certain formalities and a correct classification. If these requirements are met, the WIPO registers the trade mark in the International Register, publishes it in the *International Gazette*, submits a registration certificate to its holder and informs the designated offices.

If the application requirements are not met, either the applicant or the OHIM must remedy the irregularity, depending on the kind of defect: in general, the WIPO notifies the irregularity to the applicant and only informs

the OHIM of this notification. However, in cases of irregularity of the list of goods and services, the WIPO notifies the irregularity to the OHIM and informs the applicant of this notification.¹⁵ It should be noted that the OHIM always accepts the classification of the WIPO and therefore never sends any counter-proposal when receiving such a notification. Thus it is up to the applicant to react. He can submit a counter-proposal to the OHIM, which will forward it to the WIPO without further comments. A reaction to the application is particularly important in cases where the diverging classification by the WIPO entails an additional classification fee, as a default of payment of this fee would lead to the loss of the application as such.

The OHIM as designated office

In the case of extending the protection of a national trade mark (application) as a basic mark to the whole European Union via the acquisition of a CTM, the following procedural principles apply.

The applicant must file the application for an international registration with designation of the European Union at the office of origin (i.e. office of the basic mark), hereby making use of the WIPO forms MM2 or MM3.¹⁶ The office of origin forwards the form to the WIPO, which, upon verification of the application requirements, inter alia registers the trade mark in the International Register and informs the OHIM about the designation of the European Union of this IR mark.

The individual fee for the designation of the European Union amounts to SFR 2,229 (up to three classes) + SFR 461 for any additional class. If the protection is refused, the OHIM makes a refund in the amount of a registration fee before the OHIM (€850 + €150 for any additional class).¹⁷ Thus ignoring the fees for the acquisition of the basic mark and the basic fee to be paid to the WIPO (which would possibly anyway have to be paid), this route for acquiring trade mark protection within the whole territory of the European Union is even substantially cheaper than the route of a "direct" CTM application.¹⁸

The formality examination of the OHIM is limited to two points¹⁹: the international application of the IR mark must have indicated one of the five languages of the OHIM (English, French, German, Italian and Spanish) as the second language of the proceedings.²⁰ In the case of a collective mark, the regulation governing use of the mark must have been submitted (r.121 of the

11 They are made public at <http://oami.europa.eu/de/userscorner/time.htm> [Accessed March 26, 2008].

12 A strict identity is required. Licensees or affiliated companies do not meet this requirement.

13 If priority is claimed, the OHIM only examines whether the indications are provided under point 6 of the form, but not the validity of the claim; priority documents are unnecessary and should not be attached. If the United States is designated, the applicant must attach the form MM18 for declaring the intention of use; the OHIM does however not object in the case that this form is missing or incomplete, as this omission does not have any effect on the other designations. The attachment of the form MM17 for claiming seniority has no effect when using a CTM as a basic mark; the OHIM ignores the attachment of the form and does not forward it to the WIPO.

14 This does however not exclude the later submission of an identical international application.

15 For details, see r.11 *et seq.* of the Common Regulations.

16 The form MM4 must be used for subsequent designations.

17 See CTMR Arts 149(4) and 151(4).

18 The fee of SFR 2,229 (about €1,407 according to the exchange rate at the end of February 2008) is clearly below the overall fees (application and registration) of a "direct" CTM application, which amount to €1,600 (electronic application), or €1,750. The cost advantage continues in the case of a renewal of the mark, which costs as regards IR marks SFR 1,845 (about €1,164) and as regards "direct" CTMs €1,350 (electronic renewal), or €1,500.

19 The reason is that the office of origin and the WIPO have already carried out the formality examination.

20 In the forms MM2, MM3 or MM4. The indication is important for possible inter partes proceedings before the OHIM (opposition, cancellation).

CTMIR). The OHIM tries to remedy a deficiency over the phone in order not to jeopardise the deadline of 18 months for notification of a provisional refusal of protection based on absolute grounds for refusal or on an opposition. If this does not prove to be successful, the OHIM sends a deficiency letter setting a deadline of two months for correction. If the two-month deadline is not observed, the OHIM sends a provisional refusal letter to the WIPO, which forwards it to the holder of the IR mark, hereby setting another two-month deadline for submitting observations to the OHIM. If the holder does not react, the OHIM renders a decision refusing the protection, hereby setting a further deadline of two months for filing an appeal. Such procedural delays are particularly problematic, since the 18-month deadline continues to run during this time.

The seniority of one or several earlier trade marks can be claimed in the international application at the office of origin, with WIPO form MM17, or after the second republication directly at the OHIM.²¹ The OHIM examines this claim separately and in the same way as it is done with “direct” CTM applications. No document in support of the seniority claim should be submitted, unless the OHIM so explicitly requests.²²

If a second language of proceedings is indicated, the IR mark will automatically be republished in part M1 of the CTM Bulletin.²³ This republication is in general made within a few days after the notification by the WIPO of the designation of the European Union. In some rare cases, however, the republication might be delayed up to six months.²⁴ The republication only includes an indication of the classes, but not the list of goods and services. Thus, the OHIM saves the translation costs incurred with “direct” CTM applications, which become more and more significant with the enlargements of the European Union.

The OHIM has a period of 18 months to notify to the WIPO a provisional refusal of protection based on absolute grounds for refusal or on an opposition. The OHIM in general does not make full use of this period, but submits the notification within less than 12 months.²⁵ This is in line with the service standards of the OHIM, which stipulate a finalised registration for 80 per cent of the non-opposed IR marks within 13 months after notification from the WIPO.²⁶

21 For details, see CTMR Arts 34 and 148 and CTMIR rr.8 and 108 *et seq.*

22 Decision EX-05-5 of the President of the OHIM of June 1, 2005 (and his decision EX-03-5 of January 20, 2003 as to the kinds of documents to be submitted).

23 It indicates for the first time the second language. The non-existence of the regulation governing use of a collective mark does not, however, delay the publication. The search reports are drawn up immediately after the first republication; national search reports are however in general optional as from March 10, 2008 (Arts 39 and 2(3) of Regulation 422/2004 of the Council, [2004] OJ OHIM 622).

24 Not only in the case of the missing indication of a second language, but also in the case of IT “bugs”. This puts the OHIM at risk as regards the observance of the 18-month deadlines for informing the WIPO about provisional refusals of protection.

25 After the lapse of one month following the end of the opposition period (i.e. nine months after the first republication), the OHIM assumes that no opposition has been filed within the deadline.

26 The term “registration” is imprecise, as the (international) registration has already taken place. What is meant is the

examination on absolute grounds for refusal takes place immediately after the first republication. The same examination process and standards are applied as with “direct” CTM applications.²⁷ If an absolute ground for refusal is given, the OHIM sends a notification of provisional refusal to the WIPO within six months of the first republication.²⁸ The service standards of OHIM shorten this deadline further and stipulate a finalisation of the examination for 80 per cent of the applications within eight weeks.²⁹ The WIPO then forwards this notification to the holder of the IR mark, or to his representative. All the following correspondence is directly made between the OHIM and the holder of the IR mark or his representative.³⁰ The OHIM afterwards informs WIPO about the final outcome of the procedure. If none of the absolute grounds for refusal is given, the OHIM sends to the WIPO a first statement of grant of protection. The WIPO forwards it to the holder of the IR mark or his representative, publishes it in the *International Gazette* and records it in the International Register. These acts are of informatory nature only and do not have any immediate legal effects. Thus, the OHIM can still change its opinion in view of observations of third parties in accordance with Arts 41 and 112(5) of the CTMR and, in the case of serious doubts about the protectability of the IR mark, notify to the WIPO a provisional refusal of protection based on an absolute ground for refusal. Third parties can file such observations to the OHIM until the initiation of the preparation of the statement of grant of protection, respectively until the conclusion of the opposition proceedings.

Independent from the finding of the examination on absolute grounds for refusal, third parties may further file an opposition against the protection of an IR mark at the OHIM within a period of three months. This period starts six months after the date of the first republication.³¹ An opposition is not treated as duly entered until the opposition fee has been paid (Art.151(2) of the CTMR). Oppositions that have already been filed beforehand are deemed to have been filed on the first day of the opposition period. Upon the filing of an opposition, the OHIM issues a receipt to the opponent and informs the holder of the IR mark or his representative about it. The OHIM first only examines the admissibility of the opposition. If

finalisation of the examination proceedings, i.e. the sending of the second statement of grant of protection and the initiation of the second republication.

27 CTMR Art.149(1). For details, see CTMIR rr.112 and 113. As the WIPO is the competent authority for the classification, the OHIM does not re-examine its finding. However, the OHIM informs the WIPO over the phone about obvious mistakes as regards content or orthography. For the case of the possibly necessary appointment of a representative, see below.

28 Thus the applicant receives within a short period a result of the examination on absolute grounds.

29 This does not, however, change the length of the whole proceedings, as the opposition deadline anyway only begins six months after the first republication (Art.151(2) of the CTMR).

30 If the holder of the IR mark does not succeed in dispelling the objection, the OHIM renders a final decision on the refusal of protection. This decision can be appealed. As soon as the decision has become final, the final notification is sent to the WIPO.

31 For details, see CTMIR rr.114 and 115.

the opposition is admissible, the OHIM sends to the WIPO a notification of provisional refusal based on an opposition. A separate notification is hereby made for each admissible opposition. The WIPO forwards this notification to the holder of the IR mark or his representative. This does not, however, replace the notification of the opposition with the corresponding deadlines by the OHIM, which is submitted separately in accordance with r.18 of the CTMIR. The opposition proceedings are then stayed, if the OHIM had already sent a provisional refusal of protection based on absolute grounds for refusal.³² Otherwise, the OHIM carries out the opposition proceedings in the same way as with “direct” CTM applications and informs the WIPO about the final outcome of the proceedings.

If neither an absolute ground for refusal has been considered as given nor has an admissible opposition been filed, the OHIM sends a second (and final) statement of grant of protection to the WIPO.³³ A second republication of the IR mark is made, this time in part M3 of the CTM Bulletin. As from the date of this republication, and not only with the lapse of the deadline of 18 months for sending a provisional refusal of protection, the IR mark enjoys the same protection as a “directly” filed CTM (Art.146(3) of the CTMR). This day is also the starting date for the grace period of five years for putting the mark into use (Art.155 of the CTMR).

If the OHIM refuses the protection of the IR mark within the European Union, the holder of the IR mark has in general the possibility to “convert” the designation into national trade mark applications or into designations of Member States of the Madrid Protocol (so-called “opting back”).³⁴ It is further possible to “transform” the international registration into a “directly” filed CTM (in the case of a “central attack”³⁵ against the basic mark)³⁶ or to “replace” an existing CTM through an international registration.³⁷

Particular problems in practice

The above-described proceedings proved to be well thought out and functional in practice. They triggered very few legal questions, and only the following legal problems regarding the representation and the evidence of notifications by the WIPO are of general importance.

Representation

In accordance with the generally applicable Art.88(2) of the CTMR, natural or legal persons not having either

their domicile or their principal place of business or a real and effective industrial or commercial establishment in the Community must be represented before the OHIM.

In the case of an international application (OHIM as office of origin), the above situation is, taking into account Art.2(1)(ii) of the Madrid Protocol, only possible in cases where the applicant is a national of a country of the European Union without having a domicile there. The OHIM corresponds in such cases automatically with a representative who might already have been appointed for the application proceedings of the CTM which is used as the basic mark.

In the case of a designation of the European Union (OHIM as office of designation), it is in general recommended to appoint a representative before the OHIM.³⁸ A non-appointment does not have any effect, if the OHIM accepts the designation without having the need to get into correspondence with the holder of the IR mark. A correspondence is, however, in particular necessary in cases where problems appear during the formality examination (second language, regulation governing use of a collective mark), seniority is claimed, an absolute grounds for refusal considered as given or an admissible opposition filed.³⁹ A representative must then be appointed before the OHIM in accordance with Art.89 of the CTMR. The objection letter of the OHIM explicitly informs the holder of the IR mark about this requirement. In the past, the OHIM generally considered the appointment of a representative before the WIPO to be irrelevant and in such cases correspondence was sent directly to the holder of the IR mark. However, after some confusion and critical reactions from users, the OHIM has now changed its practice in some aspects.⁴⁰ If the holder of the IR mark fails to appoint a representative within the given period of two months, the OHIM refuses the protection of the IR mark.⁴¹ It is in this regard irrelevant whether the holder of the IR mark has the intention to react to the objection letter of the OHIM. However, the failure to appoint a representative can still be remedied

38 As the application form of WIPO does not contain a special field for an appointment of a representative before the OHIM, a separate letter of appointment must be submitted to the OHIM.
39 An exception applies to search reports according to CTMR Art.150. If no representative is indicated, they are sent directly to the holder of the IR mark, even if his seat is outside the European Union.

40 Search reports and surveillance letters will now be notified directly to WIPO representatives irrespective of the location of the representative or of the IR holder. The Office will only send these reports and letters directly to the IR holder when it does not hold sufficient contact information concerning a WIPO representative. As a general rule, opposition receipts will always be sent to WIPO representatives. With regard to notifications of oppositions, a distinction must be made between professional representatives within the European Union and those outside the European Union. For further details in this regard, see the communication of the OHIM concerning this change of OHIM practice as regards professional representation for CTM applications made under the Madrid Protocol by designating the European Community in an international registration. This communication was expected in March 2008 and will be put on the website of the OHIM.

41 See CTMIR r.112(1) and (4), or CTMIR r.114(4) and (5).

32 If this leads to a final refusal, the OHIM ceases the opposition proceedings and refunds the opposition fee, see CTMIR r.114.

33 If there has been a provisional refusal on absolute grounds, the OHIM does not send a statement of grant of protection on relative grounds to the WIPO.

34 These are all the Member States of the EU, with the exception of Malta. As regards the proceedings, see CTMR Art.154(1)(a) and (b) and CTMIR rr.122 and 123.

35 If the basic mark (partially) ceases to have effect upon enactment of proceedings within five years following the date of its international registration, the international registration is cancelled in the same scope: see Madrid Protocol Art.6 and r.22 of the Common Regulation.

36 See CTMR Art.156 and CTMIR r.124.

37 See CTMR Art.152.

at the appeal stage by lodging the appeal through a representative.⁴²

Evidence of notifications by WIPO

In two, in the meantime final, decisions, the Boards of Appeal of the OHIM had to deal with the defence claim of a holder of the IR mark, asserting that he has not received the notification of the provisional refusal from the WIPO.

The Fourth Board of Appeal considered in the *Green Plus* decision⁴³ this claim as irrelevant for the OHIM. The Board took note that the OHIM, when issuing the provisional refusal to the WIPO, had followed the procedure as prescribed in the relevant provisions. The Board then concluded that the OHIM would not be responsible for the international procedure under the Madrid Protocol, as far as actions or omissions by the WIPO are concerned. It would therefore not be for the Office, and thus also not for the Board, to verify whether the WIPO has transmitted the provisional refusal or not. According to this finding, the right to be heard of the holder of the IR mark would only be preserved by the fact that the provisional refusal of the OHIM contained a statement of reasons and an invitation to submit observations, regardless of whether or not it had been transmitted to him.

The decision of the First Board in *Bizlink*⁴⁴ is not in line with this finding of the Fourth Board. The First Board first referred in this decision to the right to be heard and then concluded that no obligations could be incumbent on the holder of the IR mark if he had never received any invitation to submit his observations. As the holder of the IR mark contested the receipt and the WIPO declared that, in that case, the notification had apparently not been successful, it could not be taken for granted that the holder of the IR mark had the possibility of exercising his right of defence. Thus the contested decision on the refusal of the IR mark was held to be tainted with a procedural deficiency which renders it illegal.

Statistics

The OHIM as office of origin

The share of overall CTM applications is as follows:

2005:	2.9%
2006:	3.3%
2007:	3.9%

The increasing use of the possibility of filing an international application at the OHIM surprises in view of the higher risk of a “central attack” against a CTM as the basic mark.⁴⁵ It is even more remarkable that

42 *Green Plus* (R 521/2006-4), October 23, 2006, at [29]; *X-ray Tutor* (R 978/2006-4), March 5, 2007, at [11]; *Bizlink* (R 1109/2006-1), April 25, 2007, at [20].

43 *Green Plus* (R 521/2006-4), October 23, 2006, at [26].

44 *Bizlink* (R 1109/2006-1), April 25, 2007, at [17] *et seq.*

45 The unitary principle of the CTM has the consequence that the existence of an absolute or relative ground for refusal in one Member State of the EU leads to the refusal of the CTM (application) as such.

this risk is further increased by the fact that 70 per cent of these basic marks were still not registered at the time of filing the international application.⁴⁶ A possible reason for this phenomenon could be the intention of the applicants to save fees, hereby comparing this route with the alternative of filing instead a national application in a country of the European Union and using it as the basic mark. However, it should be remembered that the additional costs for acquiring a national trade mark is at least partially compensated by the later cost advantages of the individual fee for designating the European Union, in comparison with the route of a “direct” CTM application.⁴⁷ More convincing appears therefore the explanation that a “stricter” classification and/or examination practice in some of the national offices of the European Union is the true reason behind this application strategy.

The OHIM as designated office

The share of overall CTM applications is as follows:

2005:	9.4%
2006:	13.6%
2007:	14.2%

The percentage of use of the possibility to acquire a CTM by designating the European Union in an international application does not completely meet the expectations of the OHIM, which had expected a rate of 20 per cent of the overall CTM applications.⁴⁸ The nearly unchanged figures of 2006 and 2007 are difficult to explain. It can only be suggested that the potential users are (still) not fully aware of the procedural smoothness and the cost advantages of this application strategy.⁴⁹

Summary

The integration of the OHIM into the Madrid System has proved to be a success:

- The OHIM has never faced any problem to meet the two-month (OHIM as office of origin), or 18-month deadline (OHIM as office of designation) towards the WIPO. In the latter case, the holder of the IR mark in general receives the provisional result of the examination on absolute grounds for refusal and the information about the receipt of an opposition in even less than 12 months.⁵⁰

46 Neither the possibility of conversion can limit this risk, as national applications based on a conversion are considered as an “aliud” to the CTM application.

47 See fn.18 above.

48 Von Mühlendahl [2005] G.R.U.R. 113, 118.

49 Remarkable is further the low percentage of oppositions filed against the protection of an IR mark at the OHIM (about 8% compared to about 20% against “direct” CTM applications). A reason could be that they are to a lesser extent detected in private trade mark searches, as the specific goods and services are not indicated in the first republication. This explanation does not, however, convince, as such searches are in general linked to the indication of classes and, furthermore, the lists with the specific goods and services are included in CTM-online (OHIM), and Romarin or Madrid Express (WIPO).

50 The choice of the EU of having a deadline of 18 months for notifying a provisional refusal of protection does therefore not have a negative effect for the users in practice.

- The relevant legal provisions are well drafted. Only few problems have arisen since this link has been put into practice. The smooth functionality of the link is proven by the fact that the Boards of Appeal of the OHIM only had to decide on questions in this regard in a handful of cases.
- The users make use of both possibilities of this new link, and this to a significant extent. The possibility of filing an international application at the OHIM is increasingly used, in spite of the risk of a “central attack” against a CTM as the basic mark. The percentage of use of the possibility to designate the

European Union has not, however, completely met the expectations so far. It seems to be necessary to raise the awareness of the potential users in this regard. Already a clear awareness of the cost advantages of a designation of the European Union, when compared to the overall fees of a “direct” CTM application, should lead to a wider use of this application strategy in the future, in particular in cases where a national trade mark (application) outside the European Union could be used as the basic mark.

You Can Click but You Can't Hide: Copyright Pirates and Crime – The “Drink or Die” Prosecutions

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LT Australia; Copyright offences; Extradition; Internet; Prosecutions; United States

Introduction

Before the next international blockbuster appears on cinema screens, internet pirates, like Drink or Die, will have already downloaded and distributed thousands of illegal copies of the movie, and other copyright works over the internet. Internet pirates believe they will not be caught, as the technology enables them to establish and disestablish sites quicker than law enforcement and copyright owners can detect and prosecute. These illegal activities result in losses for the copyright owners of legitimate sales. The internet has given pirates speed and international mobility leading to a public perception that the internet is a free domain, where detection and prosecution are legally and economically impossible.¹ This led to demands for criminal sanctions in copyright law to control piracy, which is now propagated by countries such as the United States in the World Trade Organization, Trade-related Aspects of Intellectual Property Agreement (TRIPS)²

1 Economists such as Cameron state that the deterrent effect of infringement proceedings are generally meaningless as the probability of being prosecuted are low; see Samuel Cameron, “Digital media and the economics of crime” (2002) 22(3) *Economic Affairs* 15.

2 Agreement on Trade-related Aspects of Intellectual Property Rights, Annex 1C of the Marrakesh Agreement Establishing the World Trade Organisation, concluded on April 15, 1994, and commencing on January 1, 1995; s.5, Criminal Procedures, Art.61, provides:

“Member states shall provide criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale.”

and bilateral trade agreements. The criminalisation of copyright by Braithwaite and Drahos is a further example of information feudalism, by information-rich countries, controlling intangible property outside their territorial boundaries.³

The recent prosecution of the Drink or Die internet piracy organisation⁴ demonstrates the United States’ commitment to information feudalism to control pirated, intangible property, both inside and outside its physical boundaries. These prosecutions confirm that it is no longer legally or economically impossible to prosecute internet pirates, but a necessary mechanism to control piracy in the digital age. The use of criminal actions to control internet piracy can best be described by the mantra of the Motion Picture Association of America, “you can click but you can’t hide”.⁵

The piracy problem

Copyright piracy is not new, however; the rapid advances in technology since the 1960s have increased copyright industry losses exponentially. The first copy of a work in the form of a movie, song or computer program is expensive to produce but nearly costless for succeeding copies.⁶ Technological advancements have made this argument a reality with the total cost of burning a movie to a DVD infinitesimal compared to the average movie production cost of US \$80 million to 90 million.⁷ The Motion Picture Association of America (MPAA) estimated piracy cost its members US \$6.1 billion globally in 2005,⁸ with internet piracy accounting for US \$2.3 million of this figure,⁹ and the music and software industries report similar piracy losses.¹⁰

3 John Braithwaite and Peter Drahos, *Information Feudalism: Who owns the knowledge economy?* (London: Earthscan Publications Ltd, 2002); and also generally John Braithwaite and Peter Drahos, *Global business regulation* (Cambridge; Melbourne: Cambridge University Press, 2000).

4 The American decisions are reported in summary at the following website: <http://www.cybercrime.gov/ipcases.html> [Accessed March 26, 2008], while the prosecutions in the UK have only been reported in newspaper articles: see, for example, BBC News, May 6, 2005, available at <http://news.bbc.co.uk/1/hi/technology/4518771.stm> [Accessed March 26, 2008] as they were guilty pleas. The Australian prosecution relates to an extradition proceeding, *United States v Griffiths* [2004] F.C.A. 879 and on appeal to the Full Federal Court at [2005] F.C.A.F.C. 34 (March 10, 2005).

5 See the Motion Picture Association of America website at <http://www.mpa.org/piracy-whoAre.asp> [Accessed March 26, 2008].

6 Carl Shapiro and Hal R. Varian, *Information Rules: A Strategic Guide to the Network Economy* (Boston, Mass.: Harvard Business School Press, 1998).

7 See the Motion Picture Association of America website at <http://www.mpa.org/piracy-whoAre.asp> [Accessed March 26, 2008] for general statements regarding the costs of movie production and the costs of the major successful movies.

8 See Motion Picture Association of America Anti-piracy Fact Sheet Asia-Pacific Region at <http://www.mpa.org>. The statistics raised by MPAA and other copyright organisations have been given to US Congress to support changes to the legislation see: H.R. Rep No.105-339, 105th Con. 1st Sess; 4 (1997) and also in other decisions such as *Sony Music Entertainment v Global Arts Prods* 45 F. Supp 2d 1345, 1348 (S. D. Fla 1999) where estimates of record piracy amount to \$5 billion per year.

9 See LEK, “The Cost of Piracy”, Report to MPA 2005 at <http://www.mpa.org>.

10 See Recording Industry Association of America website <http://www.riaa.com>, the Software and Information Industry

The internet with its lack of geographical boundaries has made distribution of pirated copies an international issue, as the click of a mouse can distribute a pirated copy throughout the world, and any individual with a laptop and internet access can become a pirate.¹¹ Estimates have been made that within 10 minutes of the release of a pirated movie or software it is copied to dozens of central web distribution centres and within six hours to 10,000 publicly available internet sites.¹² Internet pirates establish and disestablish in foreign and local jurisdictions faster than copyright owners can locate and trace the source of pirated copies. Pirates using the internet view their activities as victimless. Beth Scott, European manager for the Business Software Alliance, commenting on the English prosecutions said:

“We would never rejoice in anyone going to prison but we do not accept their [the pirates'] defence that this was a victimless crime—their actions clearly contributed to a major piracy problem that impacts jobs, the economy and the businesses and consumers who benefit from innovation.”¹³

In an attempt to control piracy, copyright industries have used legal websites for downloading legitimate copies¹⁴ and technological protection measures, such as CSS encryption programs, and have lobbied for stronger copyright protection and increased criminal and civil sanctions against pirates.

Brief history of the rise of criminal remedies in copyright law

Although the public may not have been aware of the existence of criminal remedies for copyright infringement, they have existed in legislative form since the early 1700s.¹⁵ Criminal law supports the protection of property, both physical and personal. In principle as copyright is a personal property right established by statute,¹⁶ there is a logical argument that criminal remedies should support personal intangible property in the same manner as the laws of theft support personal physical property. The Australian and US jurisdictions have enacted criminal laws to prosecute pirates.

Association at <http://www.siaa.net/piracy/PR2005.pdf> [Accessed March 26, 2008] and Entertainment Software Association at <http://www.thesa.com> [Accessed March 26, 2008], for statements of figures lost to piracy in the music and software industries. And see also Davies, *Piracy of Phonograms*, 2nd edn (Oxford: ESC Publishing, 1986) for historical issues.

11 Motion Picture Association of America defines a pirate as, “anyone who sells, acquires copies or distributes copyrighted materials without permission”: at <http://www.mpa.org/piracy-who-are.asp> [Accessed March 26, 2008].

12 Jennifer Lee, “Pirates of the web”, *New York Times*, July 11, 2002, p.4, available at <http://www.nytimes.com>.

13 “Internet Piracy trio sent to Jail”, BBC News, Friday May 6, 2005, available at <http://news.bbc.co.uk/2/hi/technology/4518771.stm> [Accessed March 26, 2008].

14 Sites such as *movies.com* and *movielink.com* and music sites such as *rip.com* and iTunes are some of the legitimate authorised sites for access to copyright material.

15 For an informative coverage of this history see W. Kelcey, “The Offence Provisions of the Copyright Act 1968—Do they protect or punish?” (1995) 6 A.I.P.J. 229, 232.

16 Copyright Act 1968 (Cth) s.196(1).

Australia

The criminal provisions of the Australian Copyright Act (Cth) 1968 have had a chequered history.¹⁷ In Australia, the criminal offence provisions were included with the adoption of the Copyright Act 1911 (United Kingdom), under the Copyright Act 1912–1966, but were not resorted to during the term of that Act. This led members of the Spicer Committee in the 1960s to question the wisdom of including criminal remedies in the Copyright Act 1968 (Cth), but the committee said:

“We realize, however, that they may be desirable in the case of an offender who is a man of little means. Also, it might be said that infringement of copyright somewhat resembles stealing, which is, of course, the concern of the criminal law.”¹⁸

The criminal provisions in the Copyright Act 1912 also included a number of summary offences granting rights for a warrant for the search and seizure of infringing copies on the order of a justice of the peace,¹⁹ preventing performances of works in public places without the registered owner's permission²⁰ and penalties for performing a copyright work without the consent of the registered owner.²¹ The Spicer Committee recommended the abolition of these summary offences, as these provisions had not been resorted to in the years preceding the committee's report and it believed the more appropriate remedy was for an infringement action, with speedy relief provided through interlocutory proceedings.²²

These debates reflect a view that copyright as a private economic right was the purview of the civil courts rather than the criminal courts. Nevertheless, the Spicer Committee accepted the inclusion of s.21 of the Copyright Act 1956 (United Kingdom), which provided for criminal sanctions where infringement occurred with the combination of knowledge of infringement and a commercial quantity produced. This provision became s.132 of the Copyright Act 1968. The use of criminal provisions even with the introduction of the new legislation was not substantial and this lack of use has been described by one commentator as follows:

“The truth is that, until relatively recently, copyright owners have not been sufficiently organised to press for the imposition of criminal liability on infringers, and that the police and other public officials have usually been

17 See Kelcey, “The Offence Provisions of the Copyright Act 1968” (1995) 6 A.I.P.J. 229, 232 for a detailed debate of the inclusion and exclusion of criminal remedies in Australian copyright law.

18 *Report of the Committee Appointed by the Attorney General of the Commonwealth Consider What Alterations are Desirable in Copyright Law of the Commonwealth* (Canberra: A.J. Arthur, Commonwealth Govt. Printer, 1960), para.330, pp.62–63 (also known as the Spicer Committee Report of the Copyright Law Review Committee).

19 Copyright Act 1912 (Cth) s.16.

20 Copyright Act 1912 (Cth) s.17.

21 Copyright Act 1912 (Cth) s.15.

22 See Spicer Committee Report of the Copyright Law Review Committee. (1960), paras 454–462, pp.84–85. It is of great interest as 46 years later the Copyright Amendment Act 2006 reintroduced summary offences in Sch.1 as amendments to s.132. The introduction of these new criminal provisions shows that the debate about criminal remedies has come full circle.

distracted from taking action by other, apparently more serious crimes.²³

Prior to the digital revolution, copyright infringement was not considered a serious crime, because the means for copying and distributing pirated material was expensive, and the quality reproduced was inferior. These inferior items generally would not significantly reduce legitimate sales. However, the technological revolution provided easy duplication of copyright works by individuals in the form of CD/DVD burners, iPods, computers and the internet. Cheap perfect copying led to an increased organisation of copyright owners against piracy and meant that the criminal remedies changed. The knowledge requirement changed from subjective to include constructive knowledge with the addition of the words "ought to know" and additional rights in relation to piracy of audio-visual material in 1986.²⁴

Section 132 criminalised the making, dealing²⁵ and distributing²⁶ of articles commercially, which the person knew or ought reasonably to know were infringing copies of a copyright work. In addition the performance,²⁷ possession of an infringing copy for the purpose of selling, distributing exhibiting to the public²⁸ and causing a sound recording, or cinematograph film to be heard or seen in a place of public entertainment if it was an infringement of copyright²⁹ were criminal offences. Section 132 did not lead to a flood of prosecutions, but this criminal provision enabled an application for extradition of a pirate to the United States as the double criminality requirement was satisfied.³⁰

Section 132 of the Copyright Act 1968 (Cth) remained until repealed by the Copyright Amendment Act 2006, which substituted new provisions, ss.132AA to 132AU. These new provisions establish a three-tiered regime for criminal copyright for commercial purposes, being indictable offences,³¹ summary offences³² and

strict liability offences. This approach provides different levels of prosecution depending on the relevant fault element to conform to Commonwealth criminal law policy and the Criminal Code (Cth) 1995. The previous fault requirement of "ought to know" was removed as the words were ambiguous in assessing fault in a criminal case. This ambiguity meant that knowledge could be interpreted either as a fault or a lack of fault requirement. The new provisions differentiate the offences to reflect the moral culpability of the relevant conduct by the level of fault required. Indictable offences require intention for the fault element in s.5.2 of the Schedule to the Criminal Code Act 1995 and a default of recklessness for the physical element of copyright infringement³³; while summary offences require the level of negligence defined in s.5.5 of the Schedule to the Criminal Code Act 1995³⁴; and strict liability offences require no proof of intention.

The penalties imposed under the previous s.132 had summary offences with penalties of five years' imprisonment which is out of line with the Crimes Act (Cth) 1914 s.4G which provides that Commonwealth offences with an imprisonment term in excess of 12 months are to be indictable offences unless specifically stated. The new summary offences now carry a penalty fine of 120 penalty units³⁵ or two years' imprisonment³⁶ while an indictable offence is punishable by a fine of 550 penalty units or imprisonment for a maximum of five years. The summary offence penalty of two years is higher than the American equivalent imprisonment given for a misdemeanour by §2319(b)(3)³⁷ of one year. The indictable offence penalty now mirrors the five-year imprisonment penalty legislated for the equivalent felony provision in the United States.³⁸ Such conformity

23 S. Ricketson and C. Creswell, *The law of intellectual property: copyright, designs & confidential information*, 2nd rev. edn (Sydney: LBC Information Services, 1999), para.13.290.

24 Copyright Amendment Act 1986 (Cth).

25 Copyright Act 1968 (Cth) s.132(1).

26 Copyright Act 1968 (Cth) s.132(2).

27 Copyright Act 1968 (Cth) s.132(5).

28 Copyright Act 1968 (Cth) s.132(2A).

29 Copyright Act 1968 (Cth) s.132(5AA).

30 *United States v Griffiths* [2004] F.C.A. 879; and on appeal [2005] F.C.A.F.C. 34 (March 10, 2005). The double criminality test is the requirement for extradition that the crime be both a crime in the requesting jurisdiction and in the extraditing jurisdiction. If the offence is only a criminal offence in one of these jurisdictions then extradition will not be granted.

31 Copyright Amendment Act 2006 s.132 AC(1): commercial scale infringement prejudicing copyright owner; s.132AD(1): making an infringing copy commercially; s.132AE(1): selling or hiring out infringing copy; s.132AF(1)-(2): offering infringing copy the sale or hire; s.132AG(1)-(2): exhibiting infringing copy in public commercially; s.132AH(1): importing infringing copy commercially; s.132AI(1)-(2): distributing infringing copy; s.132AJ(1): possessing infringing copy for commerce; s.132AL(1)-(2): making or possessing device the making an infringing copy; s.132AN(1): causing work to be performed publicly; s.132AO(1): causing recording or film to be heard or seen in public. In addition there are indictable offences dealing with technological protection measures and rights management information in s.132AQ-132AS, which are not relevant to this article.

32 These summary offences include: s.132AC(3): commercial scale infringement prejudicing copyright owner; s.132AD(3):

making an infringing copy commercially; s.132AE(3): selling or hiring out infringing copy; s.132AF(4)-(5): offering infringing copy the sale or hire; s.132AG(4)-(5): exhibiting infringing copy in public commercially; s.132AH(3): importing infringing copy commercially; s.132AI (4)-(5): distributing infringing copy; s.132AJ(3): possessing infringing copy for commerce; s.132AL(4)-(5): making or possessing device the making an infringing copy; s.132AM(1): advertising supplier of infringing copy; s.132AN(3): causing work to be performed publicly; s.132AO(3): causing recording or film to be heard or seen in public.

33 Criminal Code (Cth) 1995 s.5.4: recklessness; the default requirements relating to the element of intention regarding the copyright circumstance are set by s.5.6, for that physical element.

34 Criminal Code (Cth) 1995 s.5.5: negligence; generally falling short of the standard of care that a reasonable person would exercise in the circumstances.

35 A penalty unit for the purposes of Commonwealth law is defined by s.4AA of the Crimes Act 1914 as being \$110 for one unit. This makes 120 penalty units equal to \$13,200 for a summary offence and \$60,500 for an indictable offence. A corporation can be fined five times the amount of the maximum fine, being \$66,000 for a summary offence and \$302,500 for an indictable offence, by s.4B(3) of the Crimes Act 1914.

36 Crimes Act 1914 s.4G specifically states that:

"... [O]ffences against a law of the Commonwealth punishable by imprisonment for a period exceeding 12 months are indictable offences, unless the contrary intention appears." The imprisonment term for summary offences in the Copyright Act (Cth) 1968 contains a contrary intention stating that despite s.4G of the Crimes Act 1914 the imprisonment terms is a period of two years as stated in the section.

37 18 USC.

38 18 USC §2319(b)(1).

recognises the international nature of the problem and the seriousness of copyright piracy.

The strict liability offences, revived in a new format, are concepts removed by the Spicer Committee for lack of use,³⁹ but which may prove to be an appropriate measure for the control of conduct at general markets and other smaller-scale trading venues where infringing copies are readily available. These provisions have caused debate, as the offences are a step beyond what was required by TRIPS and the US Free Trade Agreement, resulting in a more draconian law than was required through Australia's international obligations. These criticisms led to removal of some strict liability and indictable offences before enactment.⁴⁰ The strict liability offences which potentially could criminalise everyday commercial activities of legitimate business, for example the possession of the recording equipment, or the possession of a device used for copying a work, were removed.⁴¹ Ultimately a balance was struck with the retention of the summary and indictable equivalent of these offences where intention was provable. It remains to be seen how effective these new provisions will be, but the indictable and summary offence divide is a similar structure to that adopted in America.

United States

The United States first made wilful infringement of copyright for profit a crime in 1897.⁴² This provision remained in the subsequent updates of the Copyright Act of 1909, and the revisions in the Copyright Act of 1976. The 1976 amendments broadened the "for profit" provision to include "for commercial advantage or private financial gain".⁴³ This for-profit requirement was further amended by the No Electronic Theft Act 1997 as a result of the *United States v LaMacchia*⁴⁴

39 Spicer Committee Report of the Copyright Law Review Committee (1960).

40 Further changes were required and two subsequent Explanatory Memorandums were issued before the enactment of the new criminal provisions occurred; see http://www.austlii.edu.au/au/legis/cth/bill_em/cab2006223/memo_1.html and http://www.austlii.edu.au/au/legis/cth/bill_em/cab2006223/memo_2.html (accessed April 15, 2008) for the two Supplementary Explanatory memorandums, resulting from the Senate Standing Committee on Legal and Constitutional Affairs tabled on November 13, 2006.

41 The memorandum removed s.132AL(8), (9), (10): possessing a device to be used for the copying of a work or subject matter; s.132AN (5) and (6): causing literary dramatic or musical works to be performed in public at a place of public entertainment; s.248PA(5) and (6): direct recording of a performance; s.248PE(6): possession of recording equipment to be used for formatting an unauthorised recording of a performance; s.248QB(6) and (7): possession of a plate or recording equipment. The reasoning behind these is there can be lots of legitimate uses for equipment by businesses in the modern age that do not infringe copyright and the more appropriate constraint in these areas was where the level of fault was sufficient to bring an indictable or summary offence. The second memorandum removed s.132 AI (7), (8), (9): distribution of infringing copies and s.132AO(5)(a)(1): causing a sound recording to be heard in public.

42 Act of January 6, 1897, c.4, 29 Stat.481-82.

43 17 USC §506(a) was added and subsequent amendments in 1982 made copyright infringement was raised to felony status and added to 18 USC §2319 providing the penalties for infringement.

44 *United States v LaMacchia* 871 F. Supp 535 (D. Mass.1994).

decision to enable prosecutions where the act of the infringer causes detriment to the copyright owner without the infringer benefiting personally from their conduct resulting in the criminal offence in §506 of the Copyright Act.⁴⁵ This section made it a criminal infringement when a person wilfully infringed copyright for a commercial advantage or private financial gain.

The punishment for this offence has been structured in a two-tiered system of misdemeanours and felony offences.⁴⁶ The offences are divided on the number and retail value of the goods copied and distributed in a specified time period of 180 days. A misdemeanour occurs and is punishable by up to one year's imprisonment or a fine, if one or more copies of a work are distributed and the value of the works is more than \$1,000 but less than \$2,500.⁴⁷ The higher felony charge arises when the retail value of at least 10 infringing items is over \$2,500. This provision does not make every copyright infringement a criminal action and the financial threshold was aimed at precluding from felony prosecution "children making copies for friends" and other relatively low value infringements.⁴⁸ Even with the use of a financial threshold to prosecution either as a misdemeanour or felony, an amendment to §506(a)(2) enables the prosecution to occur regardless of the profit motive. Section 506(a)(2) means if the value of the copyright material exceeds \$1,000 then the profit motive is no longer an absolute requirement to prosecution. This provision casts a wide net capturing both for-profit piracy infringements and not-for-profit activities like the Drink or Die piracy ring that saw their activity as a challenge putting their decryption skills against the copyright owner's protection skills. The American legislation does not have criminal provisions providing for strict liability offences as seen in the Australian legislation.

Control against over-zealous prosecution of all downloaders is through the requirement that the action be done "wilfully". However, wilfulness is not defined in the legislation and the legislative history shows that the legislature intended the courts to be the arbiters of its meaning.⁴⁹ Wilfulness has therefore had a range of meanings from one supported by the Second and Ninth Circuits that it was "only an intent to copy, not to infringe",⁵⁰ to the view of the Seventh Circuit "that willfulness is 'a voluntary, intentional violation of

45 17 USC §506.

46 Copyright Felony Act 1992 18 USC §2319(1)(b); a summary of the legislative history of the Copyright Felony Act 1992 can be found at <http://www.cybercrime.gov/CFALeghist.htm> (accessed April 15, 2008).

47 18 USC §2319(b)(3).

48 See H.R Rep No.997, 102d Cong., 2d Sess. 4 (1992) at 6, reprinted in 1992 U.S.C.C.A.N. 3569, 3572.

49 See H.R Rep No.997, 102d Cong., 2d Sess. 4 (1992) at 6, reprinted in 1992 U.S.C.C. A.N. 3569, 3572.

50 *United States v Backer* 134 F. 2d 533 (2nd Cir. 1943) as case dealing with the infringement of copyright in a male and female figurines: *United States v Taxe* 380 F. Supp 1010 (C.D. Cal 1974), aff'd 540 F. 2d 961 (9th Cir 1976).

a known legal duty".⁵¹ In *United States v Rose*⁵² an act is done wilfully if done voluntarily and purposefully and with specific intent to do that which the law forbids, in other words an act done with bad purpose either to disobey or disregard the law. Ultimately the prosecution needs to prove the infringer knew that their acts were a copyright infringement or there was a high likelihood of infringement which can be done using direct⁵³ and circumstantial evidence.⁵⁴ Courts have accepted that willingness occurs when the item displays a copyright warning and the infringer copies it regardless of the warning.⁵⁵

Copyright owners and industry associations such as the MPAA lobbied the US Government about the commercial effects of piracy on their industries and have petitioned for increased protection and penalties for copyright crimes over the past 30 years. The lobbying resulted in international changes to criminal provisions by the inclusion of criminal procedures related to intellectual property into TRIPS, for trade mark counterfeiting and copyright piracy on a commercial scale.⁵⁶ These provisions have subsequently been enacted by Member States into their national legislation to ensure compliance.⁵⁷ In Australia, the TRIPS Agreement was reiterated in the Australia–United States Free Trade Agreement.⁵⁸ In particular Art.17.11.26(a) defines wilful copyright piracy, on a commercial scale, as including:

51 *United States v Moran* 757 F. Supp. 1046, 1049 (D. Neb. 1991). In the *Moran* case the defendant was a small video store owner who purchased copies of movies and made one copy of the movie to let for hire, keeping the original, in case the copy was damaged during rental. Mr Moran at trial stated that he thought what he had done was proper. The Court accepted his honest and good faith belief and held there was no wilfulness in Mr Moran's actions. See also *United States v Cross* 816 F. 2d 297, 303 (7th Cir.1987) holding that the defendant must have engaged in the infringing conduct with knowledge that his or her activity was prohibited by law.

52 *United States v Rose* 149 U.S.P.Q. 820 (S.D.N.Y. 1966).

53 *Dean v Burrows* 732 F. Supp. 816, 825–826 (E.D. Tenn. 1989) the infringer fraudulently obtained an authorised copy of the ceramic sculpture of a pig and removed the notice, then copied and sold the works produced.

54 *United States v Hernandez* 952 F. 2d 110, 114 (9th Cir.1991) where the defendant had control over the tapes, had a key to the storage unit where the infringing tapes were kept, had shown others how to use the tape duplicating machine and had transported tapes to the storage site from the production site.

55 *United States v Manzer* 69 F. 3d 222, 227 (8th Cir.1995). In this case Mr Manzer modified satellite television boxes and chips that displayed copyright warnings, by using software that also displayed the chips copyright warnings.

56 In fact Art.60, De Minimis Imports, states that members may exclude from the application of the above provisions small quantities of goods of a non-commercial nature contained in travellers' personal luggage or sent in small consignments.

57 See for example the Copyright Act 1968 through the Copyright (World Trade Organization Amendments) Act 1994, although criminal provisions existed in both the US and the Australian legislation prior to the implementation of the TRIPS Agreement.

58 See Australia–United States Free Trade Agreement, which entered into force January 1, 2005 at <http://www.dfat.gov.au/trade/negotiations/us.html> (accessed October 10, 2007), and in particular Art.17.11.28 that states:

"Each party shall provide for criminal procedures and penalties for the knowing transport, transfer, or other disposition of, in the course of trade, or the making of obtaining control of, with intent to so transport, transfer, or otherwise dispose of, in the course of trade, to another for anything of value. Relating to

"(i) significant willful infringements of copyright, that have no direct or indirect motivation of financial gain; and
(ii) Willful infringements for the purpose of commercial advantage or financial gain."

The use of this definition in the trade agreements shows the importance placed by the United States on protecting their intellectual property outside its confines.

Resulting changes to legislation and a willingness to attack the problem at its source rather than at a consumer level led to the prosecution of the Drink or Die piracy group. Actions were brought in America and Britain,⁵⁹ with extradition proceedings in Australia, forcibly demonstrating Drahos and Braithwaite's belief that nation states' commitment to protecting their intangible assets beyond their geographic boundaries is a prerogative of government in the new millennium. The prosecutions outside the United States notify pirates that residing in a foreign jurisdiction does not grant immunity from prosecution.

The Drink or Die group

The Drink or Die group (DoD) was a highly structured software cracking and trading network devoted to the unauthorised reproduction of copyright software and movies. It is best known for their cracking and release of the Microsoft Windows 95 program two weeks before its commercial release.⁶⁰ The organisation, founded in 1993 in Russia, had by 1995 become a global arrangement with two main leaders, John Sankus in the United States and Hew Griffiths in Australia.⁶¹ The DoD members decrypted and removed technological protection measures embedded in software or movies, before distributing the decrypted versions, through secure internet "drop sites", accessed by DoD members. This was a well-organised operation which used the highest levels of security to prevent detection. A leader would announce the release of a new decrypted software code by emailing members. The monthly summaries of DoD activities indicated that in a 12-month period 275 software programs worth more than one million US dollars had been cracked and released.⁶²

US Customs investigators in an undercover operation, named Operation Buccaneer,⁶³ traced the activities of DoD over a period of three years, before prosecuting and dismantling the ring in December 2001. The prosecutions focused on the crackers and leadership of DoD with charges of copyright infringement

the application of counterfeit phonographic records computer programs and the like music and films."

59 Copyright, Designs and Patents Act 1988 s.107(1), with penalties in s.114A and 114B and s.197: illicit production of sound recordings.

60 See Web Guide: Encyclopaedia at http://www.ebroadcast.com.au/lookup/encyclopedia/dr/Drink_or_Die.html [Accessed March 26, 2008].

61 See Wikipedia at http://en.wikipedia.org/wiki/Drink_Or_Die [Accessed March 26, 2008].

62 *United States v Griffiths* [2004] F.C.A. 879 at [43].

63 See material at the United States Customs Cyber Smuggling Centre at: <http://www.cybercrime.gov/ob/OBMain.htm> [Accessed March 26, 2008]. Other operations with names such as Operation Bandwidth, Fastlane and Pirates with Attitude are also listed at this website.

and conspiracy to infringe copyright under the US Copyright Act 17 USC §506(a)(1) and the Copyright Felony Act (Amendment) 18 USC §2319(b)(1). These prosecutions led to 16 people pleading guilty in the United States, and six were jailed for terms of three to four years for first offences without any previous convictions.⁶⁴ Raids were conducted in Norway, Sweden and Finland⁶⁵ and prosecutions were filed in Britain⁶⁶ as well as the extradition proceedings in Australia. *United States v Griffiths*⁶⁷ is the Australian continuation of the DoD prosecutions requesting the extradition of an Australian citizen to the United States.

The Australian prosecution—United States v Griffiths

This extradition case arose from a Grand Jury indictment dated March 12, 2003, charging Hew Griffiths on two counts: one count of conspiracy to infringe copyright and the second count of distribution of at least 10 infringing copyrighted works.⁶⁸ Griffiths, as a leader of the DoD organisation, together with John Sankus, David Grimes and others, were charged as co-conspirators who, it was alleged, aided and abetted the commission of copyright infringement and agreed to reproduce and distribute at least 10 infringing copies of one or more copyright works, with a total value of more

than \$2,500 for the purposes of private financial gain.⁶⁹ These charges did not allege that Griffiths received any personal gain but rather that the reward came from access to pirated software, games, music and movies made available to members of the organisation from their secure “drop sites”. Even though the charges state a relatively low financial level of US \$2,500 an estimate given in evidence stated that DoD activities had resulted in the distribution of pirated software valued at US \$50 million during the investigation.⁷⁰

In June 2003 the United States requested extradition under s.19 of the Extradition Act 1988 (Cth). On March 25, 2004, the magistrate determined⁷¹ that Mr Griffiths was not eligible for surrender to the United States, on the following basis:

1. the charges involved internet fraud involving “modern technical matters concerning computers and the internet”;
2. Griffiths had never been to America so was not a fugitive fleeing and hiding from the extradition country;
3. Griffiths’s physical acts occurred in New South Wales not in the United States; and
4. copyright infringement and conspiracy to commit it were not the usual kind of extradition offences which come before the court, and no case with even broad similarity to the circumstances of the present case had been found.⁷²

These findings meant that the double criminality test⁷³ required for extradition had not been satisfied, as a literal interpretation of s.21(1) of the Extradition Act (Cth) meant that there was no equivalent conduct in the United States as all conduct occurred in Australia.⁷⁴

The magistrate’s decision was brought before Jacobson J. on review.⁷⁵ Jacobson J. examined the supporting documentation particularly the affidavit of Mr Wiecherling, Assistant US Attorney for the Eastern District of Virginia, which set out in detail the DoD investigations, the charges, relevant statutory sections, and summary of the relevant offences under US law. This affidavit stated the elements to be shown: first, copyright existed for the work; secondly that the defendant infringed the copyright by reproduction or distribution of copies of the work; thirdly that the defendant infringed the copyright wilfully; and finally that the defendant reproduced or distributed during a 180-day period at least 10 copies of one or more works which had a total value of US \$2,500 or more.⁷⁶ A second affidavit by Special Agent Gabel of the US Bureau of Customs and Immigration detailed Mr Griffiths’s conduct and involvement with DoD, including details of telephone conversations, emails and lists of all software released and distributed by Drink or Die from November 2000 until December 2001. His Honour dismissed Griffiths’s counsel’s allegation that the material was too vague and general to

64 See <http://www.cybercrime.gov/ipcases.html> [Accessed March 26, 2008] for lists of prosecutions. See also Lee, “Pirates of the web”, *New York Times*, July 11, 2002, p.4 at www.nytimes.com/2002/07/11/technology/11pirates.html [Accessed March 26, 2008], where the jail terms surprised the Drink or Die members, as they had not profited from the copying of the software and movies they released. All the media articles about the arrest of members of the Drink or Die group show the individual conspirators as law-abiding upstanding members of their communities with no previous criminal record. See also the list of the individuals prosecuted at Wikipedia at http://en.wikipedia.org/wiki/Drink_Or_Die [Accessed March 26, 2008], which gives the prosecuted individuals’ names, occupations and ages at the time of prosecution and their sentences. These were not teen hackers but rather individuals in responsible positions; for example Barry Erickson, aged 35, was a systems administrator for MIT Economics Department, David Grimes, aged 25, was a computer engineer at Check Point Software; Richard Berry, aged 34, was the vice-president and chief technology officer at Steampipe.com.

65 See Wikipedia at http://en.wikipedia.org/wiki/Drink_Or_Die [Accessed March 26, 2008]. The actions in Norway, Finland and Sweden are reported by the US Department of Justice, Computer Crime and Intellectual Property Section, as simultaneous raids on alleged defendants: see <http://www.cybercrime.gov/ob/OBinvest.htm> [Accessed March 26, 2008], but the resulting prosecutions in these jurisdictions have not been reported in any media or court decisions at the time of writing this article.

66 The prosecutions in Britain were instituted by the National Hi-tech Crime Unit arrests of eight members residing in Britain. The sentences of four of these individuals charged with conspiracy to defraud were reported by BBC News at <http://news.bbc.co.uk/1/hi/technology/4518771.stm> [Accessed March 8, 2007] with the following results: Alex Bell jailed for two and a half years; Steven Dowd jailed for two years; while of their co-conspirators Mark Vent was jailed for 18 months and Andrew Eardley received an 18-month suspended sentence. These decisions were guilty pleas and no reported judgments have been made publicly available.

67 *United States v Griffiths* [2004] F.C.A. 879. The action in Australia commenced with extradition proceedings reported as *United States v Griffiths* [2004] F.C.A. 879; and on appeal [2005] F.C.A.F.C. 34 (March 10, 2005).

68 *United States v Griffiths* [2004] F.C.A. 879 at [1].

69 *United States v Griffiths* [2004] F.C.A. 879 at [37].

70 *United States v Griffiths* [2004] F.C.A. 879 at [54].

71 Extradition Act 1988 (Cth) s.19(10).

72 *United States v Griffiths* [2004] F.C.A. 879 at [22]–[25].

73 Extradition Act 1988 (Cth) s.19(2)(c).

74 *United States v Griffiths* [2004] F.C.A. 879 at [29] and [30].

75 Extradition Act 1988 (Cth) s.21(1).

76 *United States v Griffiths* [2004] F.C.A. 879 at [68].

be a statement setting out the required conduct for the purposes of s.19(3)(c)(ii) of the Extradition Act, and proceeded to consider the law of conspiracy in New South Wales and the territorial nature of a criminal conspiracy.

Under Commonwealth law, a conspiracy arises under s.11.5(2) of the Criminal Code Act 1995(Cth) when a person has entered into an agreement with one or more people with the intent to commit an offence pursuant to that agreement and an overt act pursuant to that agreement occurs. This conspiratorial behaviour captures the conduct the moment the agreement to commit the crime occurs and continues as long as two or more parties intend to carry out its object.⁷⁷ The multi-territorial nature of a conspiracy means a court in one country has the jurisdiction to try a matter regardless of where the conspiracy was formed.⁷⁸ The trans-jurisdictional nature of commerce is now accomplished with such speed and facility that jurisdictional boundaries are irrelevant in the commission of a criminal offence. Gaudron, Gummow and Hayne JJ. in *Lipohar v The Queen*⁷⁹ held that even if a conspiracy is formed outside Australia to do an unlawful act in Australia, this is sufficient under Australian common law to support a charge of conspiracy. Similarly the offence of aiding and abetting under s.11.2 of the Criminal Code Act 1995 (Cth) meet the same criteria as the offences charged in the United States.

When examining the double criminality test of s.19(2)(c) of the Extradition Act, His Honour cited with approval Deane J.'s consideration of the test in *Riley v Commonwealth of Australia*⁸⁰ that the rule was essentially a safety mechanism under which the state is not required to surrender a person to be punished for conduct that would not be punishable by its own standards. The criminal offences of copyright infringement under s.132(2) of the Copyright Act 1968 (Cth) make it an offence for a person to distribute for the purpose of trade or for any other purpose an infringing copy of a copyright work which prejudicially affects the owner of the copyright, and the person knows or ought to know it is an infringing copy of the work. Section 132(6) requires the criminal infringement occur within Australia. This second territorial requirement resulted in misdirection by the magistrate on the nature and location of the offending conduct. The magistrate held that Griffiths's conduct had occurred in Australia and not in the United States, leading to conceptual difficulties in applying the "notional conduct" requirement for the double criminality test of s.19(2)(c) to apply. In the magistrate's view this meant that the Australian law did

not provide punishment for the same offences as charged under the American legislation. Jacobs J. stated that the affidavit evidence showed Griffiths had accessed and downloaded material in Australia from the DoD drop sites and uploaded material to those sites. This meant the activity had occurred in America and the "notional conduct" had also occurred in Australia to satisfy the double criminality test for extradition. The provisions of s.132 of the Copyright Act (Cth) satisfied this double criminality requirement.⁸¹

Jacobs J. held that the magistrate had misdirected himself on a number of issues; first, internet fraud was a new phenomenon that did not of itself prevent extradition as the applicable legal interpretation of communication methods was older than the internet itself.⁸² Secondly, the magistrate's need for the defendant to be a fugitive fleeing from the United States was irrelevant to extradition,⁸³ and conspiratorial behaviour was not restricted by geographical boundaries. Thirdly, as a conspiracy is a continuing offence, even if it is formed outside the jurisdiction, it will capture overt acts carried out by a co-conspirator inside other jurisdictions. Griffiths's acts had occurred in Australia as part of a conspiracy commenced in the United States.⁸⁴ Fourthly, copyright was an unusual kind of extradition offence, but it was not unheard of, as the United States had sought extradition of a person from England charged with conspiracy to secure unauthorised access to the American Express computer system to commit fraud.⁸⁵ These misconceptions arose from the magistrate's belief that Mr Griffiths's acts occurred in Australia when in fact as part of the conspiracy they occurred in America. Ultimately His Honour formed the view there was sufficient material in the affidavits of Wiechering and Gabel to support the charges and the double criminality requirement.

Griffiths appealed this decision to the Full Federal Court, arguing that His Honour erred in concluding that the material before the magistrate constituted a sufficient statement of conduct to prove the offences and that the alleged conduct did not constitute an offence under Australian law as the American copyright laws imposed an additional element of "willful conduct"⁸⁶

77 *Director of Public Prosecutions v Doot* [1973] A.C. 807 by the House of Lords as approved by the High Court in *Lipohar v The Queen* (1999–2000) 200 C.L.R. 485.

78 Lord Griffith of the Privy Council in *Liangsirprasert v United States* [1991] 1 A.C. 225 at 252, said:

"Accordingly a conspiracy entered into in Thailand with the intention of committing the criminal offence of trafficking in drugs in Hong Kong is justiciable in Hong Kong even if no overt act pursuant to the conspiracy has yet occurred in Hong Kong."

79 *Lipohar v The Queen* (1999–2000) 200 C.L.R. 485.

80 *Riley v Commonwealth of Australia* (1985) 159 C.L.R. 1 at 17 cited with approval in *United States v Griffiths* [2004] F.C.A. 879 at [101].

81 Copyright Act 1968 s.132 has been repealed by Copyright Amendment Act 2006 s.6, which establishes a new criminal copyright remedy regime under s.132AA–AU.

82 The court cited *Dow Jones & Co Inc v Gutnick* (2002) 210 C.L.R. 575 with approval for this proposition.

83 See *United States v Griffiths* [2004] F.C.A. 879 at [119], where His Honour cites the case of *Schoenmakers v Director of Public Prosecutions* (1991) 108 F.L.R. 457 where an individual was extradited to the US from Australia when the individual returned to Australia from Holland where the offences occurred.

84 See *United States v Griffiths* [2004] F.C.A. 879 at [117]–[120].

85 See *United States v Griffiths* [2004] F.C.A. 879 at [120], citing *R. v Bow Street Metropolitan Stipendiary Magistrate Ex p. United States* [2000] 2 A.C. 216.

86 17 USC §506: Criminal offences:

"(a) Criminal Infringement.—Any person who infringes a copyright willfully either—

(1) for purposes of commercial advantage or private financial gain, or
(2) by the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted

not stated in the Australian legislation, preventing the application of the "double criminality test".

Whitlam, Finn, and Conti JJ. unanimously dismissed the appeal,⁸⁷ finding there was sufficient evidence in the supporting affidavits to support the statement of a copyright conspiracy. The supporting affidavits listed the times and dates of Griffiths's personal uploading of approximately 32 pirated games to the DoD site "Fatal Errors" in Dulles Virginia, which properly meant that Griffiths' conduct was taking place in the United States even though he was physically in the state of New South Wales.⁸⁸

Griffiths also appealed on the basis that the trial judge had erred in equating the requirement in s.132(2)(b) that the distribution be to an extent that "affects prejudicially the rights of the owner of the copyright" to the American requirement in §506(a):

"... commercial advantage or private financial gain in respect of an article with a total value of more than \$1000.00 during a 180 day period."⁸⁹

This issue was dismissed by the Full Court as wilful conduct is central to the infringement of copyright criminal charges both in Australia and the United States. The supporting affidavits of Wienchering and Gabel were not silent on the issues of prejudice to the copyright owners.⁹⁰ In particular the affidavit of Ms Gabel indicated that the DoD reports showed 275 computer programs released by DoD had a value in excess of \$1,000,000 and the 1,899 individual titles downloaded by one member, "Paris Angel", had a value in excess of \$2,500, which supported the inference that the cracked software, of itself, would be sufficient to prejudicially affect the owner without proof of actual advantage or benefit to the defendant. On this basis the Court established that prejudicial impact on the copyright owners was similar in both jurisdictions.⁹¹ The American approach used in Wiechering's affidavit was to assess the value of the items by a reference to their market value, being the retail value or price of the copyright owner's products; whereas Jacobs J. approved an unjust enrichment type assessment of the benefit by treating the infringer's acquisition of an article of value as being at the expense of the copyright owner rather than examining the value of the item itself.⁹² This approach examined the intrinsic worth of the original computer program or movie, produced by the owner for a commercial advantage, and stated that it was sufficient to infer that the owner had been prejudiced by the pirate obtaining the copyright work, regardless of the individual value of the programs and items released.

works, which have a total retail value of more than \$1,000, shall be punished as provided under section 2319 of title 18, United States Code. For purposes of this subsection, evidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish willful infringement."

87 *Griffiths v United States* [2005] F.C.A.F.C. 34, March 10, 2005.

88 *Griffiths v United States* [2005] F.C.A.F.C. 34 at [96].

89 Copyright Act 17 USC.

90 *Griffiths v United States* [2005] F.C.A.F.C. 34 at [103].

91 *Griffiths v United States* [2005] F.C.A.F.C. 34 at [105]–[108].

92 *Griffiths v United States* [2005] F.C.A.F.C. 34 at [109].

The Full Court in obiter statements accepted Jacobson J.'s approach to the issue of value and held that there was sufficient evidence in the supporting material to dismiss this ground of appeal. It ordered Griffiths was eligible for surrender to the United States for copyright conspiracy.⁹³

Comparison

Even though *United States v Griffiths* is one of the first references to s.132(2)(b) of the Copyright Act (Cth) discussing the prejudicial effect on the copyright owner, the Court's analysis of the issue is still of importance to the new criminal provisions ss.132AA–132AU introduced when repealing s.132 by the Copyright Amendment Act 2006. The analysis and the consideration of "prejudice to the copyright owner" and "value concept" remain in the new provisions, and the Court's consideration of this issue from the perspective of both Jacobson J. and the Full Court provides useful reference material for future courts. It also allows assessments to be made reflecting the impact on the copyright owner of not just the monetary or retail value of the work. They support the view of Peterson J. that "if it is worth copying it is worth protecting",⁹⁴ regardless of the issue of value.

The TRIPS Agreement and the US Trade Agreement do not themselves dictate the form of the criminal remedies; rather these agreements require the provision of criminal sanctions for copyright and trade mark infringement on a commercial scale. The repealed s.132 and the new provisions s.132AA–132AQ satisfy these international requirements both in form and in spirit. The provision of indictable and summary offences mirrors the American approach of indictable (felony) and summary (misdemeanour), but Australia now includes a third tier, strict liability offences. These strict liability offences are commenced by serving a notice under Pt 6A reg.23P of the Copyright Regulations.⁹⁵ They take a speeding ticket/parking offence approach to copyright infringement with the intention that they will enable the police to provide services and deal with on-the-spot copyright and trade mark infringements where prosecutions for indictable and summary offences would not be appropriate. The strict liability offences would, it is presumed, be of use in raids on pirated goods in street markets, enabling the confiscation of the items and the issue of an on-the-spot fine to the seller. The provision of the strict liability offences means that Australia is now providing a higher level of criminal protection required by TRIPS.

93 Mr Griffiths at the time of writing has spent three years in an Australian jail awaiting extradition to the US. Articles appear from time to time about his position: see Richard Ackland, "Another one sacrificed in the name of alliance", *Sydney Morning Herald* [first edition], February 16, 2007, p.11. Mr Griffiths was extradited to the US and pleaded guilty to the charges in Washington: see http://presszoom.com/story_129980.htm [Accessed March 26, 2008]. Mr Griffiths was sentenced on June 22, 2007 to 51 months in jail: see <http://www.usdoj.gov/criminal/cybercrime/griffithsSent.htm> [Accessed March 26, 2008].

94 *University of London Press v University of London Tutorial Press* [1916] 2 Ch. 601 at 610.

95 In the form required under Sch.11C.

The action against DoD was against the major distributors of the pirated products. The American use of the monetary boundaries and time periods together with the wilfulness provisions means that the offences have a broader application. The American criminal offences go beyond the issues of deriving commercial advantage from the copyright infringement to include activities of individuals who have downloaded material from the web for personal use. The scope of the definition and the offence provisions to criminalise activity that occurs outside the general trade context means that persons downloading copyright works from the internet may find themselves liable to prosecution even though their activities are not at or even near the level of DoD criminal activity and only used for personal use. In addition the word "significant" is not defined in either of these agreements and can only be viewed in light of the *de minimis* rule of Art.60 of the TRIPS Agreement that conduct which does not have a detrimental effect on the copyright work or its commercial sales will not be considered. The ordinary meaning of "significant"⁹⁶ means that the conduct to be caught by this provision would be "a likely important effect; or a noticeably or measurably large amount or result" on the copyright work.

This would logically mean the infringement has a substantial prejudicial impact on the owner of the copyright. An individual can download large amounts of material from the internet, which as individual songs, etc., do not prejudicially affect the rights of the artist as the loss of the royalty paid for one song or even one album would not substantially affect the copyright owner, but downloading large number of songs from various artists would prejudice the ownership rights of the record companies. Ultimately the artist is prejudicially affected; the more individuals download pirated songs means loss of royalties, and also loss of sales to recording companies. Where the downloading is then used to make commercial copies for sale or distribution it is right that such persons be caught, but if it is a student using it for personal use should they be prosecuted? The Australian legislation distinguishes between commercial uses and use for private and domestic purposes in that s.132AA states that profit does not include any advantage, benefit or gain received by a person from the person's private or domestic use of any copyright material. This definition focuses on commercial use rather than personal use. Such provisions have not been included in the American legislation, which has led to the Recording Industry Association of America (RIAA) filing 15,000 cases against individual infringers since 2003 under the American criminal provisions.⁹⁷ Ultimately, the RIAA has stated that the litigation against individuals is a money-losing venture that is aimed at "educating users that uploading and downloading on P2P networks is

illegal and carries risk".⁹⁸ Ultimately the DoD mass prosecution is the first time that an action has been brought against the facilitating pirates rather than the end users.

Conclusion

Why are these prosecutions important? These prosecutions as the first successful international prosecution of a piracy ring are important for the messages they send to the piracy world. Pirates cannot expect to hide behind the anonymity of the internet nor expect that sending materials to other jurisdictions will prevent prosecution, as the maxim that ignorance of the law is no excuse is alive and well.⁹⁹ Copyright industry bodies have the ability to lobby government to effectively combat piracy both locally and internationally, all of which confirms the seriousness of intellectual property crimes.

Using criminal copyright conspiracy provisions is an appropriate mechanism for the control of piracy. The DoD actions may have been the first successful prosecutions but they have already been followed by customs-led operations such as Operation FastLane, Pirates With Attitude, Operation Fastlink, Operation Digital Gridlock and Operation Higher Education.¹⁰⁰ Yet, as Jessica Litman observes, "people find it hard to believe that there there's really a law out there that says the stuff that copyright law says".¹⁰¹ This is certainly true of the criminal provisions in the copyright legislation for most jurisdictions, as the general public does not see downloading or copying of copyright works as a criminal matter in the same light as they understand drug enforcement.¹⁰² Indeed DoD pirate John Sankus when interviewed in prison said:

"Most of the people I have been around with are not out to cheat anybody. They are out to have fun. It's just a hobby."¹⁰³

Another, David Grimes, said:

"We weren't criminally minded. We never anticipated that a company would lose a sale as a result of one guy in China downloading it and burning it onto a CD and selling it to half of China."¹⁰⁴

96 *Merriam-Webster's Collegiate Dictionary*, 10th edn (Springfield, Massachusetts: Merriam-Webster Inc, 2002).

97 See R. Dannenberg, "Copyright Protection for the Digitally Delivered Music: a Global Affair" (2006) 18(2) *Intellectual Property & Technology Law Journal* 12, fn.13, quoting a RIAA press release of October 25, 2005. These actions have targeted college students who have made substantial collections of music from downloading.

98 Statement by Garry Sherman, RIAA president, during a press conference, April 13, 2005, transcript at http://www.theparkonline.com/special/sherman_riaa_april_online.html [Accessed March 26, 2008].

99 *Walden v Hensler* (1987) 163 C.L.R. 561.

100 See for summaries of these actions and the resulting prosecutions: <http://www.cybercrime.gov/ipcases.html> (accessed April 15, 2008).

101 Jessica Litman, "Copyright Noncompliance" (1997) 29 *New York University Journal of International Law & Politics* 237.

102 Indeed the magistrate's decision in *United States v Griffiths* [2004] F.C.A. 879 at [21]–[24], was as much a result of the disbelief in the fact that copyright had a criminal remedy that could result in extradition. Yet in America committing copyright criminal offences can lead to deportation of an immigrant as they have breached their immigration visa by committing a criminal offence within five years of going to the US: see *Lang v Ashcroft* 81 Fed. Appx. 268; 2003 WL 22718205.

103 Lee, "Pirates of the web", *New York Times*, July 11, 2002, p.4, available at <http://www.nytimes.com>.

104 Lee, "Pirates of the web", *New York Times*, July 11, 2002, p.4, available at <http://www.nytimes.com/2002>.

Such comments highlight the general public view that such actions are not “real” crimes, even though DoD was as organised as mainstream criminals, and their impact on commercial enterprises was assessed at US \$50 million in lost sales.

The DoD participants described their hobby as being the challenge of unpicking the technological protection measures embedded in computer programs and proving their skill at decryption. Most pirates are motivated more by the sense of competition, prestige and entertainment value of distributing the pirated goods, than by money,¹⁰⁵ but the pirated goods eventually reach people who sell them for profit. Their hobby status and not-for-profit arrangements were dismissed as the courts accepted that the value and the clandestine manner of the pirates’ operations showed criminal wilfulness that justified the prosecution. Even given the hobbyist concept, it is rather amazing that DoD members included computer firm executives who made available their own company’s software to be decoded.¹⁰⁶

The implementation of these actions confirms the beliefs expressed by the Spicer Committee in its Review over 40 years ago that criminal remedies would or could be an appropriate mechanism against impecunious individuals. Yet later legislators have gone further than the Spicer Committee could have foreseen, with the internationalisation of prosecutions in foreign jurisdictions and extradition of offenders

for copyright prosecutions. The existence of criminal laws with substantially similar offences in the United States, United Kingdom and Australia has enabled the prosecutions to be brought and it will be interesting to see the uniformity and effectiveness of such legislative changes when implemented in other countries.¹⁰⁷

These prosecutions confirm the importance placed by copyright industry bodies on protecting the intellectual property of their members/nationals throughout the world, not just within their own nation states. They validate Drahos and Braithwaite’s¹⁰⁸ debate that the protection of intellectual property outside the geographic confines of nation states is information feudalism and an issue in the new millennium.

This may herald a new era in intellectual property enforcement, where criminal remedies have historically been under-utilised in controlling piracy. It will be combined with general public education on copyright, provision of legitimate downloadable copies at reasonable prices and use of technological protection measures. Using the criminal regime in such an environment will not provide the utopian dream of a pirate-free world, but these prosecutions warn internet pirates the internet is no longer a sea of immunity. You may click but you can’t hide!¹⁰⁹

105 See Wikipedia at http://en.wikipedia.org/wiki/Drink_Or_Die [Accessed March 26, 2008], and press articles such as “Internet Piracy trio sent to Jail”, BBC News, May 6, 2005, available at <http://news.bbc.co.uk/1/hi/technology/4518771.stm> [Accessed March 26, 2008].

106 See Wikipedia at http://en.wikipedia.org/wiki/Drink_Or_Die [Accessed March 26, 2008], and <http://www.cybercrime.gov/ob/OBMain.htm> [Accessed March 26, 2008] for the occupations and summaries of sentences.

107 Malaysia is a country where piracy is prevalent, which at the time of writing was negotiating a free trade agreement with the US.

108 Braithwaite and Drahos, *Information Feudalism* (2002) and *Global business regulation* (2000).

109 The author would like to thank Professor Richard Cullen and Ms Mary Wyburn for their helpful comments on an earlier draft of this paper, the participants at the Ethics, Creativity and Copyright Conference, University of Calgary and Banff Centre, Canada, August 3–6, 2006, where the original concept and idea for this paper was presented, and members of TRU Monash.

GPLv3: New Software Licence and New Axiology of Intellectual Property Law

TOMASZ RYCHLICKI*

 Copyright; Licensing agreements; Open-source software

GNU history and various ideas within the FLOSS initiative

Richard Stallman's life has been strongly connected with the development of different methods of legal protection of computer software. He started his professional career as a computer hacker¹ in June 1971, as he became a student at Harvard University, where he also took the post of a programmer at the AI Laboratory of MIT. In the early days of the software industry, the main idea of the hackers movement was to share the code they wrote. Later on, in the 1980s, this situation started to change, though. Software and hardware industries started to grow very rapidly, and new operating systems were bundled with new computers and hardware. To obtain a copy of a program and be able to work on these devices, every programmer had to sign a non-disclosure agreement.² On July 31, 1978, the National Commission on New Technological Uses of Copyrighted Works issued a most important statement in which it recommended that the US Copyright Act should be amended:

“... to make it explicit that computer programs, to the extent that they embody an author's original creation, are proper subject matter of copyright”³

to which the Congress adhered.⁴ CONTU's findings and amendments passed by the Congress were not

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1 For a full definition of a computer hacker refer to “How to Become a Hacker”, available at <http://catb.org/esr/faqs/hacker-howto.html> [Accessed March 26, 2008].

2 See S. Williams, “Free as in Freedom, Richard Stallman's Crusade for Free Software”, available at <http://www.oreilly.com/openbook/freedom/ch07.html> [Accessed March 26, 2008].

3 National Commission on New Technological Uses of Copyrighted Works, Final Report (1978), p.1.

4 Computer Software Protection Act of December 12, 1980, Pub. L. No.96-517, §10, 94 Stat. 3015, 3028 (codified at 17 USC §§101, 117 (1982)).

approved unanimously,⁵ though, and have been heavily criticised by academics.⁶ Richard Stallman, similarly to many others programmers, was disappointed and frustrated with those events.⁷

As a consequence, his feelings grew only stronger. An MIT employee himself, Stallman had worked on a Lisp interpreter, a part of the Lisp machine project. The commercial success of the software led former workers and students of MIT to establish the Symbolics company. An agreement between MIT and Symbolics Inc allowed the latter to use the code, and required the company to let MIT review changes to the code, but MIT did not hold the rights to the changes themselves.

Shifting ideology in the community of programmers, amendments to the law and the row over the Emacs software with UniPress⁸ all led Stallman to make sure the freedom of software development was safeguarded. In the Usenet post dated on September 27, 1983, he wrote:

“Starting this Thanksgiving, I am going to write a complete Unix-compatible software system called GNU (for GNU's Not Unix),⁹ and give it away free to everyone who can use it.”¹⁰

To do it, Stallman quit his work at MIT and one year later created the Free Software Foundation. To prevent free code from becoming proprietarised, he invented and introduced to the world the GNU General Public License,¹¹ the name of which first appeared in the June 1988 issue of the GNU Bulletin. Stallman's ideas inspired a young Finnish student and programmer Linus Torvalds to publish his project, known as the Linux kernel, on the basis of the GNU General Public

5 The opinions of Commissioner John Hersey and Rhoda H. Karpatkin differed. See P. Goldstein, “Infringement of Copyright in Computer Programs” (1985) 47 U. Pitt. L. Rev. 1119.

6 P. Samuelson, “CONTU Revisited: The Case Against Copyright Protection for Computer Programs in Machine-Readable Form” [1984] Duke L.J. 663; Mark M. Friedman, “Copyrighting Machine Language Computer Software—The Case Against” (1989) 9 Computer L.J. 1, 2.

7 See Richard Stallman, “The GNU Project”, available at <http://www.gnu.org/gnu/thegnuproject.html> [Accessed March 26, 2008]. The CONTU's report was also discussed by Richard Stallman himself. See R.M. Stallman and S. Garfinkel, “Viewpoint: Against User Interface Copyright” (November 1990) COMM. ACM 15, 16.

8 Stallman created the first Emacs in 1975, while Gosling wrote the first C-based Emacs (the so-called Gosling Emacs) running on Unix in 1982. At first Gosling allowed free distribution of the Gosling Emacs source code, used by Stallman in early 1985 in the first version of GNU Emacs. Gosling later sold rights to Gosling Emacs to UniPress, and Gosling Emacs became UniPress Emacs. After that UniPress ordered Stallman to stop distributing the Gosling source code, and Stallman was forced to comply. He later replaced the code with his own. See <http://www.free-soft.org/gpl/history> [Accessed March 26, 2008].

9 The name was coined after Stallman's disagreement with AT&T over the licensing of Unix source code. G.C. Prasad, *The Practical Manager's Guide to Linux—Can you profitably use Linux in your organisation?* (Linux International, 1999).

10 The archived post is available at <http://groups.google.com/group/net.unix-wizards/msg/4dadd63a976019d7> [Accessed March 26, 2008].

11 See <http://www.fsf.org/licensing/licenses/gpl.html> [Accessed March 26, 2008].

License (GPL).¹² Linus also invited programmers from all over the world to comment or request changes to the system and to contribute to its development. As some people observed, the revolution started to spread.¹³

History teaches us that most voluntarily formed communities speak with more than one voice. The Free/Libre Open Source Software¹⁴ initiative is no exception as its ideology incorporates various views on philosophical and economic aspects of software development. The FSF, lead by Richard Stallman, defines “free” as “freedom”¹⁵ and uses the GNU GPL to introduce their philosophic ideas to software development, and, from a broader perspective, to the whole society. The Open Source Initiative, founded in 1998 by Eric S. Raymond and Bruce Perens, presents a more down-to-earth economic approach to free software development.¹⁶ The word “free” in their view generally relates to methods of software development.¹⁷ The OSI is more of a business model based on free software rather than ideology. The reader needs to bear in mind, however, that both organisations to a similar extent value the freedom to use, modify, and publish software. In general the OSI prefers a notion that is more marketing-friendly, namely “open source”. The OSI keeps a list of licences defined as open source.¹⁸ The newest version¹⁹ of the GNU GPL, 3.0, also reflects strong disagreement over some intellectual property law issues between Linus Torvalds and FSF. Torvalds has strongly opposed clauses on anti-technological protection measures included in first drafts of the new GPL.²⁰ However, to have a complete image of this ongoing discourse, the reader should also bear in mind that Linus Torvalds supports the ideas advocated by the OSI foundation.

GNU GPLv3 provisions with relation to intellectual property rights

Copyright and trade secrets law

Basically the FSF and Richard Stallman do not oppose any intellectual property regulations. Although Stallman himself once strongly criticised the notion of intellectual property (IP), he also supports main principles of copyright law.²¹ It is widely acknowledged that all GPL licences are built upon the framework of copyright law. As was once said, “to stay free, software must be copyrighted and licensed”.²² The main idea which made the GNU GPL revolutionary from the point of view of protective and monopolistic regulations granted by all intellectual property rights and covered by proprietary software licences was incorporated by Richard Stallman in the copyleft concept. Copyleft is understood as a general method of making a computer program or any other work free, which requires all modified and extended versions of the program or work to be free as well.²³ Originally the idea of copyleft had raised some uncertainties that were clarified in the provisions of the GPLv3.

The main problem that many academics find within copyleft is the so-called “viral contract”²⁴ or “viral effect” of the GNU GPL, which forces all GPL-derived software to be released on the GPL as well. Copyleft clauses included in the GPLv3 make this licence incompatible with the GPLv2. However, as Stallman explained, the problem may appear only when someone tries to merge two independent programs released on different versions of the GNU GPL into one.²⁵ That is also why developers are advised to switch from the GPLv2 to the newer version of the licence.

The creators of the GPLv3 also addressed the problem of internet companies that have used modified GPLv2-covered software to provide online services. Since such services do not transfer the software itself to users, the companies²⁶ (for example Google Inc) have not been required to release the modifications under GNU GPL.

12 The archived post is available at <http://groups.google.com/group/comp.os.minix/msg/b813d52cbc5a044b> [Accessed March 26, 2008].

13 L. Torvalds and D. Diamond, *Just For Fun: The Story of an Accidental Revolutionary* (HarperCollins Publishers Inc, 2001).

14 R. Ghosh, *FLOSS Final Report*, <http://www.infonomics.nl/FLOSS/report/> [Accessed March 26, 2008].

15 See <http://www.gnu.org/philosophy/free-sw.html> [Accessed March 26, 2008]. See also R.M. Stallman, “Why ‘Free Software’ is Better than ‘Open Source’” in *Free Software, Free Society: The Selected Essays of Richard M. Stallman* (Free Software Foundation, 2002). See also R. Stallman, Letter to the Editor, “‘Free’ versus ‘Open Source’”, C|NET news.com, February 3, 2005, http://news.com.com/2009-1081_3-5562233.html [Accessed March 26, 2008], where he criticised the application of open source terminology to FSF projects because of different philosophies behind the free software movement and the open source movement.

16 M.A. Cusumano, *The Business of Software* (2004).

17 “Given enough eyeballs, all bugs are shallow”: E.S. Raymond, *The Cathedral and the Bazaar*, available at <http://www.catb.org/esr/writings/cathedral-bazaar> [Accessed March 26, 2008].

18 See <http://www.opensource.org/docs/osd> and <http://www.opensource.org/docs/definition.php> [Accessed March 26, 2008].

19 R.M. Stallman and E. Moglen, “GPL Version 3: Background to Adoption”, available at <http://www.fsf.org/news/gpl3.html> [Accessed March 26, 2008].

20 Torvald’s opinions are presented at <http://www.usg.iu.edu/hypermail/linux/kernel/0706.1/2214.html> [Accessed March 26, 2008].

21 R.M. Stallman, “Misinterpreting Copyright”, available at <http://www.gnu.org/philosophy/misinterpreting-copyright.html> [Accessed March 26, 2008].

22 “What Does Free Mean? or What do you mean by Free Software?”, available at <http://www.debian.org/intro/free> [Accessed March 26, 2008]. The discussion whether GNU GPL is a contract or a licence was published in E. Moglen, “Free Software Matters: Enforcing the GPL, I”, available at <http://emoglen.law.columbia.edu/publications/lu-12.html> [Accessed March 26, 2008].

23 R.M. Stallman, “What is Copyleft?”, available at <http://www.gnu.org/copyleft/copyleft.html> [Accessed March 26, 2008].

24 M.J. Radin, “Humans, Computers, and Binding Commitment” (1999) 75 Ind. L.J. 1125, 1132.

25 R.M. Stallman, “Why upgrade to GPL version 3”, available at <http://gplv3.fsf.org/rms-why.html> [Accessed March 26, 2008]. The notion of copyleft was coined by Don Hopkins in an email sent to Stallman in 1984 or 1985 which reads “Copyleft—all rights reversed”.

26 Companies using the GPL covered software and operating under “a software as a service” (SaaS) or application service provider (ASP) business models.

This problem was partially solved in s.2 of the GPLv3.²⁷ The FSF's final word in the "ASP/SaaS Loophole" was the GNU Affero General Public License (AGPLv3) which is based on version 3 of the GNU GPL but it has an additional term to allow users who interact with AGPLv3-licensed software over a network to receive the source code for that software and modifications to that software.

The FSF saw another problem in restricting users' freedom by means of installing GNU GPL-covered programs on computers that are then locked to prohibit any modifications of that program or installing and running modified versions of that program. Stallman called this "TiVoization" ("treacherous" or "trusted"), since it was first done by the TiVo Inc. Stallman explained that the notion generally applies to computers (called "appliances") that contain GPL-covered software that a user cannot change, because the appliance shuts down if it detects modified software. As the "right to modify" is one of the core freedoms of a user, "TiVoization" in the case of "user products" is strictly prohibited by provisions included in s.6 of the GNU GPLv3. Under the licence, "TiVoization" is allowed only for works/products that are almost exclusively meant for businesses and other organisations.²⁸

The GNU GPL provisions contradict many other exclusive rights afforded in copyright regulations. However, the four freedoms and their implementation in the GPLv3 do not cover reverse-engineering and the law of anti-circumvention by effective technological measures. Section 3 of the GNU GPLv3 provides that the code released under GPLv3 is not recognised as an effective technological protection measure.²⁹ GPLv3 also does not protect trade secrets since access to the full source code is covered in the preamble statement together with freedom no.1³⁰. Freedom no.2,³¹ in turn, allows developers to omit problems of unauthorised distribution of their works that might harass copyright holders of proprietary software.

Patents

It was a matter of time before the proprietary software industry would start to demand patent protection of

27 "The output from running a covered work is covered by this License only if the output, given its content, constitutes a covered work."

28 "The usual motive for tivoization is that the software has features the manufacturer thinks lots of people won't like. The manufacturers of these computers take advantage of the freedom that free software provides, but they don't let you do likewise."

See Stallman, "Why upgrade to GPL version 3", available at <http://gplv3.fsf.org/rms-why.html> [Accessed March 26, 2008].

29 The freedom to study how a program works and adapt it to one's needs, to which access to the source code is a prerequisite. See "The Free Software Definition", available at <http://www.gnu.org/philosophy/free-sw.html> [Accessed March 26, 2008].

30 See "The Free Software Definition", available at <http://www.gnu.org/philosophy/free-sw.html> [Accessed March 26, 2008]. However the challenge to trade secrets law was raised in *Computer Associates International v Quest Software Inc* 333 F. Supp. 2d 688 (N.D. Ill. 2004).

31 Software sharing is recognised as an act of kindness to a neighbour. See <http://www.gnu.org/philosophy/free-sw.html> [Accessed March 26, 2008].

their products,³² especially after the judgment in the case *Lotus v Borland*.³³ This case concerned the issue whether the menu structure of computer software can be copyright protected. The US Court of Appeals for the First Circuit held that menu is a "method of operation" and therefore it is not a subject to copyright. Lotus filed a writ of certiorari; however, the US Supreme Court affirmed the circuit court's opinion. Patent protection is one of the biggest concerns that the FSF needs to face, it is also extensively criticised by prominent leaders of the FLOSS community. In the European Union,³⁴ the initiative to introduce legal regulations affording this type of protection has met with strong opposition of many groups of interests and at the time of writing was not successful.

In the drafting of the GPLv3, its creators needed to deal with three basic problems arising from patent law, namely the general conflict between the protection of rights awarded to software inventions (so-called software patents or patents covering computer implemented inventions), the freedoms awarded by GPL licences and the so-called patent agreements problem.³⁵ Section 10 of the GNU GPLv3 states that the licensor cannot start litigation (including a cross-claim or a counterclaim in a lawsuit) alleging that making, using, selling, offering for sale or importing the GPLv3 covered program or any portion of it infringes any patent claim. Section 11 of the GPLv3 contains complete solution for the second issue. In general, a person who owns or controls certain patents and who wants to use the GPLv3 to authorise the use of the program, must grant a non-exclusive, worldwide, royalty-free patent licence to this program or work based on it.

Trade marks

US courts have already dealt with trade mark issues revolving around the GNU GPL. The case *Planetary Motion Corp v Techsplosion Inc*³⁶ was one of the first of this kind. The US Court of Appeals for the Eleventh Circuit analysed the GNU GPL provisions with regard to the validity of a trade mark. Byron Darrah developed a UNIX-based program called "Coolmail". It was distributed without charge to users pursuant to a GNU General Public License. Carson (the appellant in this case) has formed Techsplosion and began offering the email service on the internet under the mark

32 See J. Lerner and F. Zhu, "What is the impact of software patent shifts? Evidence from Lotus v. Borland" (2007) 25(3) *International Journal of Industrial Organization* 511 and A.B. Jaffe and J. Lerner, *Innovation and Its Discontents: How Our Broken Patent System Is Endangering Innovation and Progress, and What To Do About It* (Princeton and Oxford: Princeton University Press, 2004).

33 *Lotus v Borland* 516 U.S. 233, 116 S. Ct 804; 133 L. Ed. 2d 610; 1996 U.S. LEXIS 470; 64 U.S.L.W. 4059; 96 Cal. Daily Op. Service 315; 96 Daily Journal DAR 495; 9 Fla. L. Weekly Fed. S 359.

34 A proposal for a Directive on the patentability of computer-implemented inventions (2002/0047), Brussels, February 20, 2002, COM (2002) 92 final.

35 A recent agreement between Novell and Microsoft. See <http://www.novell.com/linux/microsoft> [Accessed March 26, 2008].

36 *Planetary Motion Corp v Techsplosion Inc* 261 F. 3d 1188 (11th Cir. 2001).

CoolMail. The appellee, Planetary Motion, developed an electronic mail service called “Coolmail”. On April 22, 1999, Planetary Motion filed a complaint against Techsplosion. In July 1999, Planetary Motion purchased from Darrah all rights, title, and interest to *Coolmail*. The Court ruled that:

“... [T]he Software had been distributed pursuant to a GNU General Public License and does not defeat trademark ownership, nor does this in any way compel a finding that Darrah abandoned his rights in trademark”,³⁷

and added that:

“... [B]ecause a GNU General Public License requires licensees who wish to copy, distribute, or modify the software to include a copyright notice, the license itself is evidence of Darrah’s efforts to control the use of the ‘CoolMail’ mark in connection with the Software.”³⁸

In the case *Progress Software Corp v MySQL Lab*,³⁹ the MySQL Server is available under the GNU General Public License but its copyright holder and developer, the Swedish company MySQL AB, also offers the MySQL Enterprise version, based on a proprietary licence, to corporate users. The plaintiff, Progress, signed an interim agreement with MySQL to non-exclusively market the MySQL software; the agreement provided, among other things, that the MySQL software would be released under the GPL. Progress alleged MySQL committed a number of torts: breach of contract, tortious interference with third party contracts and relationships, unfair competition, etc. Progress also sought declaratory judgment that would safeguard its trade mark rights and other rights relating to its sale and distribution of the MySQL software. In response MySQL filed a counterclaim alleging, inter alia, trade mark infringement, breach of the interim agreement between the parties and breach of the GPL by Progress. This, in turn, corresponds to the provisions of the GPL itself, which specify that if anyone receives software developed under the GPL, they must then release it under the GPL. The Court ruled that the plaintiff cannot promote or sell any products and services with the MySQL trade mark in any form, neither can he register or use domain names that contain the MySQL trade mark, nor operate websites that use any form of the MySQL trade mark.

The solution for the above-mentioned problems came with s.7e of the GPLv3 which consists of additional provisions that allows the licensor to supplement the licence with terms that refuse to grant rights under trade mark law to the use of some trade names, trade marks or service marks.

Validity and enforcement of GPL

In the case *Progress Software Corp v MySQL*, the district court denied a motion for preliminary injunction based on the GPL because the defendant failed to present

³⁷ *Planetary Motion* 261 F. 3d 1188 at 1198.

³⁸ *Planetary Motion* 261 F. 3d 1188 at 1198. See Cusumano, *The Business of Software* (2004).

³⁹ *Progress Software Corp v MySQL Lab* 195 F. Supp. 2d 328 (D. Mass. 2002).

likelihood of success on the merits or irreparable harm. The Court assumed that the GPL might be enforceable as a contract, but concluded that the parties’ affidavits raised a factual dispute as to whether the software at issue was covered by the GPL.⁴⁰ Eventually the case was settled outside the court. The first legal case in the United States concerning copyright infringement of code covered by the GNU GPL was *Computer Associates International v Quest Software Inc.*⁴¹ The proprietary software, called Enterprise Data Administer and owned by CA, contained a Bison utility program. The program was, in turn, used to create the EDDBA parser source code. The Free Software Foundation added a special exception in version 1.24 of Bison, which said that, “when this file is copied by Bison into a Bison output file, you may use that output file without restriction”. In this manner CA was able to avoid the so-called “viral effect” of the GPL and consequent loss of IP rights to the proprietary software.⁴²

In the two above cases both district courts acknowledged the validity of the GPL. However, in the case *SCO Group Inc v IBM*,⁴³ regarding a copyright dispute over the UNIX code, the plaintiff made strong arguments that the GPL “is unenforceable, void, or voidable” and that it violates the US Constitution.⁴⁴ On April 10, 2007, the US District Court for the District of Utah, with Judge Kimball presiding, ruled that Novell is the owner of UNIX and UnixWare copyrights. Therefore SCO’s claim for relief for slander of title and claim for relief for specific performance were dismissed together with the copyright ownership claim for relief for unfair competition and a claim for relief for breach of the implied covenant of good faith and fair dealing.⁴⁵ A number of commentators argued that:

“... [T]he GPL is a constitutional, conditional grant of rights from the copyright holder. However, attempts to enforce the GPL as a contract under state law would be null and void because the GPL is preempted by federal copyright law under Article VI of the United States Constitution.”⁴⁶

The validity of the GNU GPL was once again challenged in the case *Wallace v IBM*.⁴⁷ In 2006, Daniel Wallace filed a lawsuit against IBM, Novell and Red Hat. His allegation was that three software companies were engaging in anti-competitive price fixing. The US Court of Appeals for the Seventh Circuit affirmed the district court’s judgment since the plaintiff did not contend that software available for free under the GPL would lead to monopoly prices in the future. Further, it

⁴⁰ *Progress Software* 195 F. Supp.2d 328 at 329.

⁴¹ *Computer Associates International v Quest Software Inc* 333 F. Supp. 2d 688 (N.D. Ill. 2004).

⁴² J.T. Westmeier (2004) 10(22) BNA E.C.L.R. 952.

⁴³ *SCO Group Inc v IBM*, Case No.2:03CV0294 DAK (D. Utah 2006, September 1, 2006).

⁴⁴ *SCO Group Inc v IBM Corp*, Case No.03-CV-0294, 2003 WL 24136889 (D. Utah, October 24, 2003), SCO’s answer to IBM’s amended counterclaims. See both the sixth and the eighth affirmative defences.

⁴⁵ *SCO Group Inc v Novell Inc* 2007 U.S. Dist. LEXIS 58854 (D. Utah 2007) at 158.

⁴⁶ T.M. Christensen, “The GNU General Public License: Constitutional Subversion?” (2006) 33 Hastings Const. L.Q. 397, 424.

⁴⁷ *Wallace v IBM* 467 F. 3d 1104 (7th Cir. 2006).

did not help the plaintiff to characterise people who accepted the GPL as “conspirators” because although the antitrust laws forbade conspiracies “in restraint of trade” under 15 USCS §§1, 26, the GPL did not restrain trade. GNU-based initiatives have been co-operative agreements that facilitated production of new derivative works, and agreements that yielded new products that would not arise through unilateral action are lawful.⁴⁸ Also to no avail did the plaintiff call the GPL “price fixing”. Although the GPL sets the price at zero, it does not force developers to publish their whole software free of charge. Only the source code is free (except for the distribution costs) if the buyer has already acquired binary-code software. In fact, developers can actually sell their binary-code software but on the request of the buyer they need to add the source code free of charge. Apart from that, agreements to set maximum prices have usually assisted consumers and, thus, have been evaluated under the Rule of Reason. The plaintiff also failed to contend that the operating system at issue had such a large market share, or posed considerable threat to consumers’ welfare in the long run, which could, under the Rule of Reason, lead to its condemnation. Judge Easterbrook’s decision reads that the GPL and open-source software had nothing to fear from the antitrust laws.⁴⁹

The GNU GPL was expected to be put to the ultimate test in the case *Andersen v Monsoon Multimedia Inc.*⁵⁰ The plaintiffs created BusyBox software—a set of standard Unix utilities commonly used in embedded systems and released it with GPLv2. The defendant used this package in its HAVA TV place-shifting devices—however, without releasing the source code. Quickly after the FSF brought the suit, however, Monsoon Multimedia admitted that they had violated the GPL, and pledged to release the source code of the contested BusyBox software to fully comply with the licence.⁵¹

Legal enforcement of the provisions of the GPL within the European Union will always depend on the legal regime of each Member State. For example, the validity and enforcement of the GPL have been put to test in German courts. In each case judges ruled in favour of the protection of rights granted in GPL licences.⁵² The validity of the GNU GPL was also favourably

recognised⁵³ in the provisions of Directive 93/13 on unfair terms in consumer contracts.⁵⁴

Broad influences of GPL/FLOSS ideas

As mentioned before, the axiology incorporated and presented by the GNU GPL has strongly influenced not only traditional ideas on IP law but also many other aspects of human life that in some contexts may interfere with IP regulations. Thus, for example, software development methods that have undergone considerable changes and a number of concepts inspired by the FLOSS initiative have deeply influenced standardisation issues. Some authors have even claimed that since computer programs have functional features, copyright protection should be compromised to enable uniform development of these features. In particular, they have argued that decompilation and duplication of program interfaces should be allowed to promote standardisation.⁵⁵ Most leaders of the FLOSS initiative, however, see the hope for standardisation in open standards. Real open⁵⁶ standards are not only a well-known specification but also not covered by IP rights (especially patent-related) or RAND licences restricting it. In fact, the TCP/IP protocol and the HTML specification are the two most widely used examples of unrestrained civilisational, cultural, scientific and economic development. Interoperability is the second major issue influenced by GNU and FLOSS ideologies.⁵⁷ Unlike the United States, where opponents of the GPL try to undermine its provisions by claiming that it strives to usurp a dominant position within the software industry and hamper competition, in EU law closed solutions and bundling software with only one solution can become grounds for antitrust litigation under Art.82 of the EC Treaty. This is precisely what happened to Microsoft in the case *Microsoft Corp v Commission of the European Communities*.⁵⁸ The Court of First Instance (Grand Chamber) ordered Microsoft to come up with an idea to establish a mechanism that would include a monitoring trustee with the power to have access, independently of the Commission, to Microsoft’s assistance, information, documents, premises, employees, and the source code of relevant Microsoft products.

In the European Union, the notions of open standards and interoperability sit close to the idea of the technological neutrality of the state. Technological neutrality is

48 *Wallace v IBM* 467 F. 3d 1104, 1107 (7th Cir. 2006).

49 *Wallace v IBM* 467 F. 3d 1104, 1108 (7th Cir. 2006).

50 *Andersen v Monsoon Multimedia Inc* No.1:07-CV-08205, (S.D.N.Y., September 19, 2007).

51 See <http://www.linux-watch.com/news/NS3761924232.html> [Accessed March 26, 2008]. Subsequently other cases were filed: *Andersen v High Gain Antennas LLC* No.07-CV-10456 (S.D.N.Y., November 19, 2007), *Andersen v Xterasys Corp* No.07-CV-10455 (S.D.N.Y., November 19, 2007) and *Andersen v Verizon Communications Inc* No.07-CV-11070 (S.D.N.Y., December 6, 2007). The case against Xterasys Corp was settled on December 17, 2007. See <http://www.softwarefreedom.org/news/2007/dec/17/busybox-xterasys-settlement/> [Accessed March 26, 2008].

52 LG Frankfurt, Urteil vom 06.09.06, Az.: 2-06 O 224/06 published in [2006] C.R. 729. *ComputerRecht*: <http://www.computerundrecht.de>; Landgericht München, Urteil vom 5.4.04 was published in [2004] M.M.R. 693. *MultiMedia und Recht*: <http://rsw.beck.de/rsw/mmr.htm>. For more details on each case refer to the <http://gpl-violations.org> website founded by Harald Welte as a project documenting past and present violations of the GNU General Public License.

53 A.G. Gonzalez, “Viral Contracts or Unenforceable Documents? Contractual validity of copyleft licenses” [2004] E.I.P.R. 336, 336, 337.

54 Directive 93/13 on unfair terms in consumer contracts [1993] OJ L095/29.

55 Pamela Samuelson, “Reverse-Engineering Someone Else’s Software: Is it Legal?” (January 1990) IEEE MICRO 90.

56 B. Perens, “Open Standards, Principles and Practice”, available at <http://perens.com/OpenStandards/Definition.html> [Accessed March 26, 2008]. Usually proprietary models do not fit into this framework. For example, the OOXML, promoted by Microsoft as a “real” open standard, has met with strong opposition and criticism. See the <http://www.nooxml.org> website.

57 M.A. Lemley, “Intellectual Property Rights and Standard-Setting Organizations” (2002) 90 Calif. L. Rev. 1889, 1897.

58 The CFI judgment of September 17, 2007 in *Microsoft Corp v Commission of the European Communities* (Case T-201/04) [2007] OJ C269/45.

the obligation imposed upon individual countries to set minimal technical standards used in state administration that would cater for accessibility, interoperability,⁵⁹ openness⁶⁰ and restraint on promoting one product. This principle should be based on free competition regulations and observe regulations on public procurement.

Also the idea of the Information Society, although vaguely promoted, has been acknowledged as a fact both in the EU law⁶¹ and within international structures.⁶² Some authors go as far as to claim that the idea might, or should, be built on the foundation of the axiology of FLOSS-inspired initiatives. It is undeniable that the values of FLOSS resemble and to an extent shape the informal requirements, purposes and methods that could be realised within the framework of the Information Society. For a society to be truly informational, it must introduce a number of legal regulations that would make data gathering and information accessibility easy. The principle of equality that is safeguarded by the constitution of every democratic country assumes universality, accessibility and unrestrained movement of information. The internet is a medium that can be perceived as a basic tool used to develop an information society.⁶³ Other initiatives, such as peer-production and peer-review, correspond to that idea in a similar fashion. It is widely known that copyright law regulations, or more broadly IP law, present opposite values to those presented above and are usually poised to ensure monopolistic and individual protection of the creator. Having taken all that into consideration, in order to reconcile divergent interests, European legislators and their domestic counterparts will need to implement deep and balanced legislative measures.

Finally, it is worth noticing that the default implementation of the interoperability principle in free software and open standards also enables the implementation of the accessibility principle in software targeted at incapacitated and elderly people. This also makes the realisation of the E-inclusion programme that sits within the European policy of Information Society much easier.⁶⁴

Conclusions

The GNU GPLv3 has become both a new software licence and a clear manifesto of sociological and axiological changes in the IP law and the digital world. Stallman's ideas that were incorporated in this licence have both spurred considerable changes in software development methodology and introduced new values to digital and internet ventures. They have also made their mark on the EU legislation with regard to software patents and counterbalanced strong protection of IP rights. The author argues that the so-called closed (proprietary) and open (free) models of software development complement each other, co-exist together and in the next few years will continue to function on the plane of IP law.⁶⁵ The more distant future is likely to see the realisation of what Mark Shuttleworth has recently said, namely that the proprietary software industry is a business that is dying out rapidly.

From the practical point of view, business models that rely on peer-production will expand and be applied to new digital environments. It is the opinion of the author that everybody who wants to air views on this subject should observe and understand the above-mentioned axiological and sociological changes. The same applies to all legislators of IP and IT law.

59 Corrigendum to Decision 2004/387 on the interoperable delivery of pan-European eGovernment services to public administrations, businesses and citizens (IDABC) ([2004] OJ L144) [2004] OJ L181/25. See also Final European Interoperability Framework, European Communities, Luxembourg 2004. The brochure can be downloaded from the IDABC website, <http://europa.eu.int/idabc> [Accessed March 26, 2008].

60 G. Bliźniuk, "Polskie Ramy Interoperacyjności—pierwszy komponent Planu Informatyzacji na lata 2007-2010", prezentacja z XII Forum Teleinformatyki, Legionowo, September, 21-22, 2006, p.9. The author argues that open standards fit within the Polish Interoperability Framework because they are cheap, which makes them readily accessible. Open standards are also openly published and approved by the open procedure of decision-making (agreement or majority vote). IP rights to these standards have been vested in a non-commercial company that has run the policy of unrestrained access to them, and modification and reuse of these standards is allowed.

61 In the field of intellectual property: Directive 2001/29 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L167/10. Directive 2000/31 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce) [2000] OJ L178/1.

62 United Nations World Summit on the Information Society 2005. The Tunis Commitment and the Tunis Agenda for the Information Society, document WSIS-05/TUNIS/DOC/7-E of November 18, 2005, p.1, document WSIS-05/TUNIS/DOC/6(Rev.1)-E.

63 The author recommends the following exhaustive works covering that issue: O. Pankiewicz, "Freedom of Contract in Computer Programming and the Information Society: Why Statutes Deserve More than Coup de Grace? Part 1 and Part 2" [2007] C.T.L.R. 158 and [2007] C.T.L.R. 179.

Appendix 1

GNU GENERAL PUBLIC LICENSE

Version 3, June 29, 2007

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PREAMBLE

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The licenses for most software and other practical works are designed to take away your freedom to share and change the works. By contrast, the GNU General

64 See Ministers of the European Union Member States and accession and candidate countries, European Free Trade Area (EFTA) countries and other countries: "Declaration on eInclusion", adopted June 11, 2006, Riga, Latvia. Available at http://ec.europa.eu/information_society/events/ict_riga_2006/doc/declaration_riga.pdf [Accessed March 26, 2008].

65 See <https://wiki.ubuntu.com/MarkShuttleworth> [Accessed March 26, 2008].

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To protect your rights, we need to prevent others from denying you these rights or asking you to surrender the rights. Therefore, you have certain responsibilities if you distribute copies of the software, or if you modify it: responsibilities to respect the freedom of others.

For example, if you distribute copies of such a program, whether gratis or for a fee, you must pass on to the recipients the same freedoms that you received. You must make sure that they, too, receive or can get the source code. And you must show them these terms so they know their rights.

Developers that use the GNU GPL protect your rights with two steps: (1) assert copyright on the software, and (2) offer you this License giving you legal permission to copy, distribute and/or modify it.

For the developers' and authors' protection, the GPL clearly explains that there is no warranty for this free software. For both users' and authors' sake, the GPL requires that modified versions be marked as changed, so that their problems will not be attributed erroneously to authors of previous versions.

Some devices are designed to deny users access to install or run modified versions of the software inside them, although the manufacturer can do so. This is fundamentally incompatible with the aim of protecting users' freedom to change the software. The systematic pattern of such abuse occurs in the area of products for individuals to use, which is precisely where it is most unacceptable. Therefore, we have designed this version of the GPL to prohibit the practice for those products. If such problems arise substantially in other domains, we stand ready to extend this provision to those domains in future versions of the GPL, as needed to protect the freedom of users.

Finally, every program is threatened constantly by software patents. States should not allow patents to restrict development and use of software on general-purpose computers, but in those that do, we wish to avoid the special danger that patents applied to a free program could make it effectively proprietary. To prevent this, the GPL assures that patents cannot be used to render the program non-free.

The precise terms and conditions for copying, distribution and modification follow.

TERMS AND CONDITIONS

0. Definitions

“This License” refers to version 3 of the GNU General Public License.

“Copyright” also means copyright-like laws that apply to other kinds of works, such as semiconductor masks.

“The Program” refers to any copyrightable work licensed under this License. Each licensee is addressed as “you”. “Licensees” and “recipients” may be individuals or organizations.

To “modify” a work means to copy from or adapt all or part of the work in a fashion requiring copyright permission, other than the making of an exact copy. The resulting work is called a “modified version” of the earlier work or a work “based on” the earlier work.

A “covered work” means either the unmodified Program or a work based on the Program.

To “propagate” a work means to do anything with it that, without permission, would make you directly or secondarily liable for infringement under applicable copyright law, except executing it on a computer or modifying a private copy. Propagation includes copying, distribution (with or without modification), making available to the public, and in some countries other activities as well.

To “convey” a work means any kind of propagation that enables other parties to make or receive copies. Mere interaction with a user through a computer network, with no transfer of a copy, is not conveying.

An interactive user interface displays “Appropriate Legal Notices” to the extent that it includes a convenient and prominently visible feature that (1) displays an appropriate copyright notice, and (2) tells the user that there is no warranty for the work (except to the extent that warranties are provided), that licensees may convey the work under this License, and how to view a copy of this License. If the interface presents a list of user commands or options, such as a menu, a prominent item in the list meets this criterion.

1. Source Code

The “source code” for a work means the preferred form of the work for making modifications to it. “Object code” means any non-source form of a work.

A “Standard Interface” means an interface that either is an official standard defined by a recognized standards body, or, in the case of interfaces specified for a particular programming language, one that is widely used among developers working in that language.

The “System Libraries” of an executable work include anything, other than the work as a whole, that (a) is included in the normal form of packaging a Major Component, but which is not part of that Major Component, and (b) serves only to enable use of the work with that Major Component, or to implement a Standard Interface for which an implementation is available to the public in source code form. A “Major Component”, in this context, means a major essential component (kernel, window system, and so on) of the specific operating system (if any) on which the executable work runs, or a compiler used to produce the work, or an object code interpreter used to run it.

The “Corresponding Source” for a work in object code form means all the source code needed to generate, install, and (for an executable work) run the object code and to modify the work, including scripts to control those activities. However, it does not include the work’s System Libraries, or general-purpose tools or generally available free programs which are used unmodified in performing those activities but which are not part of the work. For example, Corresponding Source includes interface definition files associated with source files for the work, and the source code for shared libraries and dynamically linked subprograms that the work is specifically designed to require, such as by intimate data communication or control flow between those subprograms and other parts of the work.

The Corresponding Source need not include anything that users can regenerate automatically from other parts of the Corresponding Source.

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Evolving an Indian Anti-Circumvention Law: Lessons from the United States and Japan

SAMEER PANDIT*

 Copyright; Copyright circumvention devices; India; Japan; United States

Introduction

“The answer to the machine is in the machine.”: Charles Clark.¹

Technology has a notorious reputation of being a double-edged sword as far as its interactions with copyright are concerned. The digital wave, beginning with the early 1990s, was heralded by the rapid development of digital technology and its integration into almost every walk of life. However, like the printing press, which provided an unprecedented boost not only to the publication and distribution of literary works but also to their large-scale illegal duplication, the same technological innovations that provide sophisticated tools for the creation and legitimate dissemination of works also severely undermine existing copyright protection by facilitating quick unauthorised reproduction and distribution. This technological challenge becomes particularly acute when ordinary persons armed with a regular PC can perform the same tasks that were conventionally performed by dedicated pirates.

One of the legal responses to tackle the threats posed by technological innovations to copyright has been the development of anti-circumvention laws. However, despite international treaties recognising the need for such laws and their enactment in several other countries Indian copyright law has not yet incorporated anti-circumvention provisions. The omission is of significant concern because both, the existing Copyright Act 1957 and the Information Technology Act 2000 are grossly insufficient to effectively protect copyright in the digital environs.

This article presents an analysis of the nature and subject of protection of anti-circumvention laws with reference to the international regime, and the American

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¹ See “Charles Clark”, *The Telegraph*, October 16, 2006.

and Japanese jurisdictions. The domestic legislations of these two countries make for an appropriate study because they represent two ends of the spectrum. While the American legislation is overly stringent and goes far beyond international treaty obligations, the Japanese law is considerably narrow and offers limited protection to copyright owners. Through this analysis the author will build a case for effective copyright protection through anti-circumvention laws for India and offer some suggestions for devising an appropriate Indian legislation.

Insufficiency of technological protections

While most of the recent developments in the field of digital technology have allowed copyright owners and content providers to rapidly distribute their works over a variety of media, some of these advances are perfectly suited for and provided the push to digital copyright infringement. As a result the level of protection afforded by traditional copyright law has been dramatically undermined. Digital copying, compression technologies like MPEG-2 for video and MP-3 for music, the growth of massive and more inclusive networks like the internet,² coupled with the proliferation of broadband connections, have played a key role in making digital copyright infringement quicker and easier.

Copyright owners, however, have not been helpless against the onslaught of these technologies. The failure of the existing legal framework to act as a deterrent forced content providers to strike back with various other technologies that inhibited unauthorised behaviour in order to protect their copyrighted works. Such technological measures operate at two levels³: as “access control mechanisms” and as “use control mechanisms”. The former restrict or prohibit access to the copyrighted work itself and are put in place to keep out users who have not obtained lawful authorisation to access the work. The latter on the other hand operate at the next level once a person has obtained authorisation to access copyrighted works.⁴ They regulate the manner in which the copyrighted work can be used—for example they may impose prohibitions on copying, distributing or modifying a particular file.

But despite the best efforts of copyright owners, mere development of cutting-edge technology has not been sufficient to protect digital works for several reasons. First, realistically speaking, technical measures can only aim at keeping “honest people honest”.⁵ They can never be inviolable. The quantum leaps

² As of November 2006 there were 1,076,203,987 users globally. See “Internet Usage Statistics—The Big Picture”, at <http://www.internetworldstats.com/stats.htm> [Accessed March 26, 2008].

³ See Michael S. Keplinger, “Exercise and Management of Intellectual Property Rights on the internet” (1998) WIPO/INT/SIN/98/8 9.

⁴ Use control measures, however, may also be used as an additional protection to prevent those who successfully breached access control measures from copying, modifying or distributing the work to which they have gain unauthorised access.

⁵ See Testimony of Ms Gigi Sohn before US Senate Committee on the Judiciary Oversight Hearing, “The Analog Hole: Can Congress Protect Copyright and Promote Innovation?” June 21, 2006, at http://judiciary.senate.gov/testimony.cfm?id=1956&wit_id=5459 [Accessed March 26, 2008].

in processing speeds of computers have made it possible to crack even the strongest encryptions. In accordance with the legendary Moore's law⁶ computing power increases at such a rate that, in the not too distant future, systems would be able to circumvent even such encryption that is considered the safest today.⁷ Secondly, unilateral protection measures serve no purpose. The goal of protecting works cannot be achieved if all receiving, playback and recording devices are prevented from accessing the data. Since authors and investors depend on legitimate paying consumers to support the creation of works, the restrictive technology technologies must be bilateral—they must allow lawful users to access, use and distribute the works and at the same time keep out unauthorised users.⁸ Lastly, effective technology-based protection of copyrighted works is possible only if copyright owners like movie studios, music production houses and software manufacturers can get the co-operation of the consumer electronics industry, computer industry and eventually the telecommunications industry in developing and implementing uniform protection technologies and content use rules. However, such co-operation has not always been forthcoming.⁹ The fallouts of lack of co-operation between these two groups can be disastrous: either the devices will not be able to decrypt the encrypted work and therefore all access and use, whether lawful or unlawful, of the copyrighted work will be barred; or the devices may simply ignore access control and use control measures like watermarking¹⁰ or regional coding¹¹ and play even unauthorised copies. As a result

of these limitations, technology alone cannot create an effective copyright protection regime. The law needs to supplement such technological protection by granting it legal recognition and by imposing legal sanction on those who breach such measures. The question now is what should be the appropriate nature and extent of such legal protection.

Legal regime

International framework

By the early 1990s, prompted by the increasing importance of information technology, growth in internet usage and rampant piracy, there was a felt need to develop binding and internationally accepted norms to deal with the problems posed by the digital developments.¹² The debates and discussions culminated in the conclusion of two treaties in 1996—the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT)—that attempted to lay down new norms which went beyond the scope of conventional copyright law.¹³ These treaties were based on the premise that digital works could not be efficiently managed, particularly on the internet, “without the support of technological measures of protection and rights management information necessary to license and monitor uses”.¹⁴ They leave the application of such measures to the interested right owners, but include legal provisions to protect such measures, if the copyright owner decides to use them. Article 11 of the WCT, the basis of most domestic anti-circumvention laws, obligates contracting states to “provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures” that are used by authors to protect their works. Article 18 of the WPPT contains an analogous provision.¹⁵ As is evident from the wording, the treaties impose only a general obligation. Each country is given the liberty to determine the actual degree of protection that should be given to copyright works against digital infringement.

6 The prediction of Intel co-founder Gordon Moore that the number of transistors on a chip doubles about every two years is now popularly known as Moore's Law. See <http://www.intel.com/technology/mooreslaw/index.htm> [Accessed March 26, 2008].

7 “Approaches to Stabilization and Activation of Contents Transactions”, Report by the Joint Conference of the Digital Contents, the Industrial Structure Council, available at <http://www.meti.go.jp/english/report/data/gM11103e.html> [Accessed March 26, 2008].

8 See Dean S. Marks and Bruce H. Turnbull, “Technical Protection Measures: the Intersection of Technology, Law and Commercial Licenses” (1999) WCT-WPPT/IMP/3, p.6.

9 In fact the debates on devising an anti-circumvention law have often been characterised as a Hollywood versus Silicon Valley battle. While the movie studios seek the most stringent ban on all circumvention activities, the computer industry has been opposing such prohibitions fearing that it would have deleterious effects on their ability to engage in lawful reverse-engineering, computer security testing and encryption research. See Pamela Samuelson, “Intellectual Property and the Digital Economy: Why the anti-circumvention regulations need to be revised” (1999) 14 *Berkeley Technology Law Journal* 519.

10 This involves encoding digitised information with attributes that cannot be disassociated from the file that contains that information and is often referred to as “digital fingerprinting”. The embedded information does not degrade the quality of the work and can only be detected if specifically sought out. More advanced techniques like embedding data with “scaled noise signals” that pervade the work sought to be protected are proving difficult to defeat and survive even after substantial corruption or modification of the data. See Keplinger, “Exercise and Management of Intellectual Property Rights on the internet” (1998) WIPO/INT/SIN/98/8 9, p.11.

11 In this case the content is encrypted differently for different geographical regions and can be played only on the devices that are sold in that region. This is most commonly used for DVDs and gaming console CDs. See *Sony Computer Entertainment America Inc v Gamemasters* 54 U.S.P.Q. 2d 1401 (C.D. Cal. 2000).

12 Hammond *et al.*, “Exploring Emerging Issues: New Intellectual Property, Information Technology, and Security in Borderless Commerce” (2002) 8 *Texas Wesleyan Law Review* 593.

13 They go beyond traditional copyright because they aim at preventing not only actual infringement of copyright but also acts that may result in infringement of copyright.

14 See “International Treaties and Conventions on Intellectual Property” in *WIPO Intellectual Property Handbook: Policy, Law and Use* (2004), p.273.

15 “Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by performers or producers of phonograms in connection with the exercise of their rights under this Treaty and that restrict acts, in respect of their performances or phonograms, which are not authorised by the performers or the producers of phonograms concerned or permitted by law.”

WPPT Art.18.

The United States and the Digital Millennium Copyright Act

The Clinton Administration-sponsored Digital Millennium Copyright Act (DCMA) 1998 is the American response to the WIPO treaties and to the growing demands of copyright owners, Hollywood in particular.¹⁶ The Act defines circumvention of a technological measure to mean “avoiding, bypassing, removing, deactivating, or otherwise impairing a technological measure”.¹⁷ Circumvention of both access control and use control mechanisms is addressed.¹⁸ The DCMA goes on to impose a broad three-pronged prohibition: (1) prohibition of acts of circumvention¹⁹; (2) prohibition of devices that circumvent access-control measures²⁰; and (3) prohibition of devices that circumvent copyright-protection control measures.²¹ The first prohibition attacks actual circumventing “conduct” and is not really contentious. However, the next two prohibitions which are “anti-device” or “anti-trafficking” provisions are quite problematic.

The “anti-device” provisions clamp down on the “manufacturing, importing, offering to the public, providing, or otherwise trafficking” in “any technology, product, service, device, component, or part thereof”. The prohibition not only encompasses a wide variety of activities and products, but unlike the anti-conduct provision, operates irrespective of whether or not a device is actually used to indulge in circumventing conduct. This stretches the limits of not just copyright law but also anti-circumvention law. Anti-circumvention law takes traditional copyright protection one step further by punishing the mere threat of infringement even when there is no actual infringement of copyright. Therefore the prohibition on circumvention of technological barriers essentially grants copyright owners the legal right to control activities of others anterior to actual infringement. Prevention of circumvention is only a means to stop copyright infringement, not an end in itself. But anti-device provisions raise the bar a notch higher by prohibiting acts that may merely make circumvention possible although actual circumvention may never take place. Such provisions are generally justified in the

16 Samuelson, “Intellectual Property and the Digital Economy” (1999) 14 *Berkeley Technology Law Journal* 519, 530.

17 DCMA s.1201(a)(3)(A).

18 The DCMA prevents trafficking in devices that enable circumvention of access control and use control measures. However, the Act prohibits direct circumvention only of access control measures and omits to punish circumvention of use control measures. This omission is intentional. The prohibition on circumvention of access controls was necessary because prior to the DMCA the conduct of circumvention was never before made unlawful. The device limitation in s.1201(a)(2) enforces this new prohibition in conduct. However, use of a device that circumvents use control measures will always cause copyright infringement. The copyright law has long forbidden copyright infringements, so no new prohibition was necessary. The device limitation in s.1201(b) only enforces this longstanding prohibition on infringements.

19 DCMA s.1201(a)(1)(A).

20 DCMA s.1201(a)(2).

21 DCMA s.1201(b)(1).

United States on a balance of convenience.²² Actual circumventing conduct is, in most cases, undertaken in the privacy of homes or workplaces and it is not practical to systematically monitor such private conduct. Also, most people do not attempt to spend time and resources to invent a mechanism to crack a protection measure on their own. Instead, they simply use programmes or devices designed for that purpose. Since such devices are usually in the public domain and easier to detect, technological measures can be better protected if the devices themselves are targeted.²³ In fact a majority of the anti-circumvention cases have revolved around devices and not individual acts of circumvention.

Devices that enable circumvention could also be viewed as analogous to devices that are responsible for contributory copyright infringement.²⁴ However, the test for contributory infringement as laid down in the famous *Sony Corp v Universal Studios (Sony Betamax)*²⁵ case that allows a device if it is “capable of commercially significant non-infringing use” was found insufficient to meet the treaty norms. It was viewed as a weak standard that permitted manufacturers to escape liability if they could point out one niche of their market, however small, that used the product for legitimate purposes.²⁶ But despite these justifications the fact remains that several devices that can be used for circumvention have legitimate uses also. Let us take a regular personal computer (PC) for instance. While a PC has innumerable legitimate uses, it can also be used for cracking copy protection measures embedded in digital content. The DCMA seeks to negotiate all these arguments by limiting its scope only to those devices that satisfy any one of the following three tests²⁷: (1) it is primarily designed or produced for the purpose of circumvention; or (2) it has only limited commercially significant purpose or use other than for circumvention; or (3) it is marketed by that person or another acting in concert with that person with that person’s knowledge for use in circumvention.

These tests were widely discussed and applied in *Sony Computer Entertainment America Inc v Gamemasters*²⁸

22 See Marks and Turnbull, “Technical Protection Measures: the Intersection of Technology, Law and Commercial Licenses” (1999) WCT-WPPT/IMP/3, p.6.

23 The Global Business Dialogue on Electronic Commerce (GBDe) has also recommended national legislation implementing the two WIPO treaties should:

“... prohibit harmful circumvention related activities by regulating both conduct and devices, while providing appropriate exceptions... that would maintain the overall balance between right holders and users.”

GBDe constitutes a worldwide collaboration among companies engaged in the field of electronic commerce. Several hundred companies and trade associations have participated in the GBDe consultation process; the representation is both geographically and sectorally diverse.

24 See *MGM Inc v Grokster Ltd* 75 U.S.P.Q. 2d 1001(2005) for the US Supreme Court’s latest decision on secondary copyright infringement.

25 *Sony Corp v Universal Studios* 464 U.S. 417 (1984).

26 Melville B. Nimmer and David Nimmer *Nimmer on Copyright* (New York: Lexis, 1999), para.12A-9. The same point was echoed by the US Congress at the stage of drafting the legislation.

27 DCMA s.1201(a)(2), (b)(1).

28 *Sony Computer Entertainment America Inc v Gamemasters* 54 U.S.P.Q. 2d (BNA) 1401 (N.D. Cal. 1999).

to rule in favour of the copyright owner. The case in fact is a part of worldwide litigation concerning the Sony PlayStation gaming console. The PlayStation implemented a regional access coding (RAC) that allowed encrypted data to be read from a compact disc (CD) by the console only after the CD was verified as an authorised, legitimate product licensed for distribution in the geographical territory where the console was sold. A device known as "Game Enhancer" functioned to temporarily replace PlayStation's internal operating system with its own operating system. The new operating system confirmed the validity and territorial codes of all unauthorised CDs, whether from another region or counterfeit,²⁹ and the CD was played by the console. The Court held that the Game Enhancer appeared to be a device whose "primary function was to circumvent effective technological measures". This decision, however, may not be a useful precedent in other jurisdictions because the Full Federal Court of Australia on the same facts held that the definition of "technological protection measures" is a compromise between the respective interests and that "there [is] a reluctance to give to copyright owners a form of broad access control" and "this reluctance is manifest in the inclusion in the definition of 'technological protection measure' of the concept of prevention or inhibition of infringement". On the basis of this the Court concluded that legally the RAC could not be recognised as a technological protection measure in the first place and therefore the device in question could not be labelled as a "circumventing device". The Australian case dilutes some of the rigours of anti-circumvention law. It places a higher burden on the copyright owner than what is required by American courts by affording protection only to those technological measures that actually have the effect of "prevention or inhibition of the infringement of copyright".

The anti-device provisions in the DCMA remain a bone of contention among the stake-holders for other reasons as well. The Act recognises that the general public is entitled to circumvent technological measures for specified legitimate purposes like circumvention by non-profit libraries, archives, or educational institutions, or circumvention for law enforcement, reverse-engineering, encryption research, etc.³⁰ But no such fair use based exemptions are granted to device "traffickers". Although legitimate circumvention is permitted under the DCMA, the development of tools to carry out such circumvention is not. This legislative scheme was reaffirmed in the landmark *Universal City Studios v*

Reimerdes case³¹ where the Court held that the possibility of non-infringing use by someone who gains access to the work using the circumventing device does not save the trafficker from the anti-device provisions.³² But this seems patently unfair. What is the use of giving a library or a university the right to circumvent a technological measure when you prohibit the means to exercise this right? The author submits that as a result of this total prohibition on devices the fair use exceptions to circumventing conduct are rendered nugatory.³³

Japanese anti-circumvention laws

The Japanese Copyright Law (JCL) that was amended in 1999 to implement the WIPO treaties treads a relatively moderate path. In terms of acts that are prohibited the anti-circumvention provisions are analogous to the DCMA and attack "conduct" as well as "devices".³⁴ However, the extent of the Japanese prohibitions is significantly different from their American counterparts.

First, JCL excludes from its purview "access control" mechanisms.³⁵ The reasoning lies in the Japanese belief that since simple viewing or listening is not an act covered by copyright, measures like encryption and scrambling inhibiting these acts do not deter actual infringement of copyrighted works.³⁶ Secondly, JCL protects only those measures that are used at the will

31 *Universal City Studios v Reimerdes* 111 F. Supp. 2d 294 (S.D.N.Y. 2001).

32 Therefore the Court rejected the defendant's arguments based on reverse engineering, good faith encryption research and fair use.

33 Some authors, however, have argued that the question whether the DCMA completely prohibits development of circumvention tools does not have a straightforward answer. The manner in which the provisions are drafted will allow judges to decide either way. See Samuelson, "Intellectual Property and the Digital Economy" (1999) 14 *Berkeley Technology Law Journal* 519, 547-557. Also see Julie E. Cohen, "Some Reflections on Copyright Management Systems and Laws Designed to Protect Them" (1997) 12 *Berkeley Technology Law Journal* 161. But Nimmer says that the trafficking provision does not "manifest the same sensitivity for users who may be adversely affected" and "contains no provision for rulemaking to determine users who may fall into a statutory safe harbour": *Nimmer on Copyright* (1999), para. 12A-26. This view is supported by the DeCSS case which held that the:

"... possibility that decryption computer software for encrypted movies on digital versatile disks (DVDs) posted by internet web-site owners for downloading could be used for non-infringing fair use of copyrighted material was not defense to Digital Millennium Copyright Act (DMCA) provision prohibiting trafficking in any technology designed for purpose of circumventing technological measure that effectively controls access to copyrighted work; nothing in DMCA suggested that fair use defense was available, and it was matter for Congress to elect to leave technologically unsophisticated person without means to make fair use of digitally encrypted material."

34 JCL art.120-2.

35 JCL art.2(xx) defines technological protection measures as: "... measures to prevent or deter such acts as constitute infringement on moral rights of authors or copyright ... or moral rights of performers ... or neighboring rights."

36 See Statement of Takao Koshida, Chief, Planning Unit, Office of Multimedia Copyright, Copyright Division, Agency for Cultural Affairs, Government of Japan:

"... [M]easures that restrict the viewing or listening of a work such as by scrambling (encrypting) a broadcast (so-called access control), do not qualify as technological measures

29 In the American case the Court was only dealing with a question of granting injunction; it did not decide the question whether Game Enhancer allows playing of counterfeit games. However, in the Australian case of *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2002] F.C.A. 906, which is a part of worldwide litigation concerning the Sony PlayStation console, it was held that such devices allowed playing of counterfeit games. See Brian Fitzgerald, "The Australian Sony PlayStation Case: How Far will Anti-circumvention Law Reach in the Name of DRM?", available at http://www.law.qut.edu.au/files/The_Australian_Sony_Playstation_Case.pdf [Accessed March 26, 2008].

30 DCMA s.1201(d)-(j).

of the copyright owner. So if a dealer or distributor sets up technical measures in certain works for his own profit, these measures are not protected. There is no express provision to this effect in American law. Thirdly, Japanese law also qualifies the kinds of circumventing conduct that may be illegal. It clamps down only on those acts of circumvention that are done as a business in response to requests from the public and not private non-commercial circumventing conduct.³⁷

The nature of circumventing devices covered by JCL is similar to the DCMA. It prohibits devices whose principal function is to circumvent technological measures, i.e. they have only a limited practically significant function other than circumvention. In fact the Japanese law goes a step further and specifies that "devices" include a set of parts of a device as can be easily assembled like kits for such devices.³⁸ But an interesting clarification has been issued by the Government which says that measures to prevent the individual use of pirated editions of game software are not classified as technological measures, because the act of individually using a pirated edition is not an act that is covered by copyright.³⁹ This becomes particularly relevant because it contradicts the position taken by the American judiciary in the *Sony PlayStation* case⁴⁰ where devices that allowed pirated game CDs to be played on the gaming console were classified as prohibited circumventing devices. This author submits that the JCL's approach seems more logical than the American position. The object of anti-device provisions should be to eliminate devices that directly assist in copyright infringement by circumventing protective measures. The infringement in case of pirated CDs is the *copying* of the CD by the pirate. The circumventing device, however, has no role to play in this infringement because it only enables *playing* of the CD. Since merely playing a pirated CD does not amount to copyright infringement, devices that enable use of pirated CDs should not be prohibited, at least under copyright law.

Anti-circumvention provisions are also present in the Japanese Unfair Competition Prevention Law (JUCPL). This law, unlike the JCL, challenges circumvention of both access and use controls. But in its attempt to stay, as far as possible, within the contours of traditional copyright, the JUCPL affords very narrow protection to access control measures. It prohibits only those devices whose sole function is to circumvent technological

measures and that have no other function available in relation to economics and commerce.⁴¹ This is clearly at variance with the DCMA's three conditions test. As a result under Japanese law a device that can potentially be used for non-circumventing purposes in addition to circumvention purposes falls outside the net of anti-circumvention law. However, the drawback of such an approach is that even devices that are developed primarily for the purpose of circumvention can escape if they have some other use, however small. So if a device that is used to make illegal copies of DVDs also has a simple clock attached to it that would in all probabilities take the device outside the purview of this clause.

India: making out a case for anti-circumvention laws

India is not a party to the WCT and WPPT. Legally speaking, therefore, India is not bound to incorporate anti-circumvention provisions into its copyright law. However, the Indian Government does recognise the WIPO treaties as part of the international copyright regime.⁴² Also, the ground realities in India clearly point to a need for anti-circumvention laws. In fact most of the factors that prompted the creation of the WCT, WPPT and domestic laws of other countries are present in India as well. The Indian IT sector has been booming for the past several years, clocking double digit growth figures and is estimated to cross \$36 billion in revenues this year. It contributes to 4.8 per cent of the country's GDP and is the largest exporter. The domestic market too is projected to grow at 22 per cent.⁴³ While the software manufacturers are doing good business, the country is witnessing a rapid computer penetration. There are about 15 million PCs in India today. This was projected to reach 25 million by the end of 2007.⁴⁴ Internet usage is growing at an even quicker pace. The 6 million internet connections at the end of 2005 were estimated to climb to 18 million by 2007 and 40 million by 2010. High speed broadband is also fast becoming the preferred mode of connection.⁴⁵ Like the rest of the world, the digital wave has encouraged the distribution of copyrighted works over digital media in India too. India is the largest producer of motion pictures, with 934 film releases in the past year and this figure is poised to grow by 18 per cent over the next 12 months. With 5 million DVD players and a 500 million DVD market, distribution of films through media like DVDs is becoming an increasingly significant component of the producer's revenues.⁴⁶ Another form of digital

because simple viewing or listening is not an act covered by copyright. Dealing with circumvention of such measures is thought to involve consideration of the necessity for finding simple viewing and listening to be covered by copyrights and international trends."

See http://www.cric.or.jp/cric_e/cuj/cuj99/cuj99_5.html [Accessed March 26, 2008]. See also Richard Li-Dar Wang, "DMCA Anti-Circumvention Provisions in a Different Light: Perspectives from Transnational Observation of Five Jurisdictions" (2006) 34 *AIPLA Quarterly Journal* 217.

37 JCL art.120(2).

38 Statement by Office of Multimedia Copyright, available at http://www.cric.or.jp/cric_e/cuj/cuj99/cuj99_5.html [Accessed March 26, 2008].

39 Statement by Office of Multimedia Copyright, available at http://www.cric.or.jp/cric_e/cuj/cuj99/cuj99_5.html [Accessed March 26, 2008].

40 *Sony Computer v Gamemasters* 54 U.S.P.Q.2d (BNA) 1401 (N.D. Cal. 1999).

41 JUCPL art.2(1)(xi); Japan Institute of Invention and Innovation, "Outlines and Practices of Japanese Unfair Competition Prevention Law" (2003), p.23, available at http://www.apic.jiii.or.jp/p_text/text/2-10.pdf [Accessed March 26, 2008].

42 See <http://www.copyright.gov.in>.

43 "Indian IT sector to top US\$ 36 billion in 2006", available at <http://in.rediff.com/money/2006/feb/09nass.htm> [Accessed March 26, 2008].

44 See http://www.atimes.com/atimes/South_Asia/IH08Df02.html.

45 See <http://www.convergenceindia.org/ci-2k5-abtconver.html> [Accessed March 26, 2008].

46 See <http://opticaldisc-systems.com/Sept-Oct06/IndianDVDmarket-36.htm>.

media that is fast gaining popularity in India is mobile entertainment through value added services provided by cellular phone service providers.⁴⁷ Supported by the robust growth of the telecom sector, the mobile gaming industry for instance grew by over 300 per cent in 2005 and is estimated to touch \$3 billion by 2010.⁴⁸

At the same time, Indian pirates have not been oblivious to these developments. Unauthorised copying of audio CDs, movie DVDs and software has plagued the owners of digital works in India for several years now. Of all software in India, 73 per cent is pirated, way above the world average of 36 per cent.⁴⁹ This problem is amplified by the growing use of computers and internet which has made unauthorised distribution fast, cheap and convenient. For example the popularity of the MP-3 format has caused a 25 per cent fall in the legitimate sales of audio CDs from \$166 million in 2001 to \$124 million last year.⁵⁰

In a nutshell, the Indian scenario is no different from the rest of the world. As a result of the technological advances digital copyrights now form a significant chunk of the copyrighted works in India. But at the same time these developments have given an impetus to digital copyright infringement.

Initiatives by copyright owners

Despite the growing problems of unauthorised access and use of copyrighted works, Indian copyright owners have also recognised the importance of incorporating technological measures to protect their digital works. Such efforts are visible across industries. Audio companies like EMI and Saregama have launched CDs in India with copy control measures that prevent a user from copying or digitising the contents.⁵¹ Encryption as a form of protection is also taking off in a big way, especially among the IT companies.⁵² Apart from these common techniques Indian firms have adopted several innovative methods of protection. For example one of the leading cellular phone service providers, Hutch, recently introduced a service that enabled its customers to download entire songs on their mobile phones. In order to prevent unauthorised distribution Hutch has implemented a technology that locks a downloaded song to the customer's mobile phone number, memory cache and handset and therefore cannot be shared with others via modes of transfer like blue tooth or infra red.⁵³ Some film-makers have also taken to watermarking of film prints to identify the source of piracy.⁵⁴

47 "Mobile entertainment: popularity soaring", available at <http://www.indianmotionpictures.com>.

48 "Mobile gaming to hit Rs 1,500 cr by 2010", *Business Standard*, November 2, 2006.

49 "Nasscom seeks special courts for piracy cases", *The Hindu*, April 27, 2005.

50 Nithya Subramanian, "Copy control CDs to weed out pirates", *Business Line*, May 18, 2005.

51 Subramanian, "Copy control CDs to weed out pirates", *Business Line*, May 18, 2005.

52 Arunima Nath, "Pointsec software to protect data loss on mobile devices", available at <http://www.ciol.com/content/news/2006/106051501.asp>.

53 R. Jai Krishna, "Hutch launches DRM to fight against music piracy", *CyberMedia News*, June 29, 2006.

54 Meena Iyer, "INDIA: Producer uses 'secret code' to fight piracy", *Times of India*, November 27, 2005.

However, as was described in the earlier sections, no security measure can be 100 per cent secure. Technological measures will be truly effective in protecting copyrighted works only if they are supplemented by legal protections. Now that the copyright owners have done their bit by introducing technological measures, the author believes that it is the turn of the state to enact appropriate law that secures, in the digital age, the rights conferred on owners under the Indian Copyright Act.

Elements of a possible Indian anti-circumvention law

After examining the various issues that have arisen with respect to anti-circumvention, the author suggests that the following features must be incorporated in any future Indian anti-circumvention law.

Circumvention by individuals

While the American DCMA prohibits all kinds of circumventing conduct, the Japanese law attacks only circumventing conduct carried on as a business. However, the Japanese presumption that only circumvention for business makes large-scale acts of infringement possible is unfounded. Given the growth and spread of networks like the internet (which is home to free "peer-to-peer" file transfer programmes like Limewire and Kazaa) and mobile phone networks even an individual who circumvents technological measures can distribute the work to thousands of others. Therefore, since individual conduct can also seriously threaten copyright, Indian law should prohibit all acts of circumvention, whether done for business or otherwise.

Access control

One of the most fundamental differences between Japanese and American law is their treatment of access control measures. It is submitted that the Indian law should follow Japan in this respect and not prohibit access control measures. A perusal of the Preamble to the WCT makes it clear that the treaty only seeks to "develop and maintain" the protection of copyrights in an effective and uniform manner. Consequently, anti-circumvention laws are supposed to recognise, not any new rights, but only new ways of protecting existing rights. A creation of any new right by way of anti-circumvention laws would go beyond the contemplation of the WIPO treaties. Since circumvention of an access control does not per se lead to infringement of any existing copyright it need not be prohibited.⁵⁵ What is

55 Even within India there is legal opinion that views access control with apprehension. For example at a Judicial Round Table on "IPR Development and Adjudication" it was concluded that:

"Copy control measures are more closely allied with copyright, and with the infringement of copyright, than access control measures. Access control measures seek to prevent all access to copyright material, not only that access which is unlawful." See Justice R.K. Abichandani, "Controversial Copyright Issues" (2004), available at <http://cestat.gov.in/Articles%20by%20President/Controversial%20Copyright%20Issues.doc> [Accessed March 26, 2008]. Even the amendment proposed to the Copyright Act 1957 does not cover access control measures; see <http://www.copyright.gov.in/View%20Comments.pdf> [Accessed March 26, 2008].

affected can at most be labelled as “paracopyright” and the international framework does not seem to mandate protection of such a right.⁵⁶

Anti-device provisions

Anti-device provisions of any anti-circumvention law have to maintain a delicate balance between protecting copyright owners and simultaneously allowing the development of technology. The dilemma of overly stringent anti-device provisions is evident from the *United States v Elcom Ltd*⁵⁷ case. The case related to the Adobe e-Book format that allows publishers or distributors of e-books to control the subsequent use and distribution of the e-book. For example the copyright owner can choose whether the consumer will be able to copy the e-book, whether the e-book can be printed to paper (in whole, in part, or not at all), whether the “lending function” is enabled to allow the user to lend the e-book to another computer on the same network of computers, and whether to permit the e-book to be read audibly by a speech synthesiser programme. The defendants developed a product, the Advanced e-Book Processor (AEBPR), that allowed a user to remove these restrictions and also convert the file to one that is readable in any PDF viewer, leaving the e-book as a “naked PDF”, readily copyable, printable, and easily distributable electronically. The Court surprisingly indicted the defendants though the alleged circumventing programme played an important role of enabling legitimate purchasers of an e-book to engage in fair use without infringing the copyright laws, like reading it on another computer or to print the e-book in paper form for their own use. The case gained notoriety because a Russian Ph.D. student, who developed the programme for Elcomsoft, was arrested and detained for almost a month when he visited the United States to attend a conference.

Practically speaking, since circumventing devices are easier to monitor than individual acts of circumvention, anti-device provisions cannot be done away with altogether from an Indian legislation. However, given the dangers posed by excessively strict anti-device provisions it is submitted that anti-device measures in India must not be in the nature of blanket bans. Rather, they must be permitted if the primary purpose of the device is to assist legitimate and permissible acts of circumvention.

No-mandate provision

Both copyright owners and manufacturers must be given the freedom to design and experiment with technology and decide what technology to actually employ. State interference in these matters is likely to severely impede the smooth development of technology. A counter to this view is offered by some who argue that not prescribing particular technologies may first lead to different standards within the industry and adversely affect playback and display of works,⁵⁸ and secondly allow manufacturers to design their products to ignore

use control measures.⁵⁹ The Japanese law lays down certain standards in its definition of a “technological measure” and recognises only those measures that “adopt a system of recording or transmitting such signals as having specific effects on machines together with works”. However, it is submitted that setting industry standards is not the mandate of copyright law. Therefore Indian law could adopt the “no-mandate” approach of the DMCA clarifying that manufacturers are not required to design their products to affirmatively respond to any particular technological measure, so long as the product does not otherwise fall within the prohibitions of the three alternative tests of the anti-device provision.

Conclusion

Anti-circumvention laws are particularly important to make digital networks safe for dissemination and exploitation of copyrighted materials.⁶⁰ The growth of the mobile entertainment industry in India that now transmits large amounts of digital content including games and music is just one of the several examples that exemplify the need for such laws in India. Therefore the “digital agenda” that triggered the WIPO treaties is very relevant to the Indian context as well. The present Indian copyright law is not geared to effectively protect works in the digital environment. Although some amendments have been proposed, these are extremely rudimentary in nature and have in any case not yet been placed before the Parliament.⁶¹ Even the few provisions in the Information Technology Act like s.65 (tampering with source code) and s.66 (hacking) are not copyright-oriented and end up providing a very narrow form of protection. At the same time legislators must keep in mind that the object of anti-circumvention law was never to confer a new property right. It only seeks to “simply provide property owners with new ways to secure their property”.⁶² Several authors have argued that anti-circumvention legislations instead have altered the contours of copyright law and disturbed the delicate balance between protecting the rights of authors and promoting the advancement and flow of information.⁶³ Anti-circumvention laws, particularly in the United States, have indeed stretched the boundaries of traditional copyright and have almost given rise to new rights that are quite different from copyright. Given the object of anti-circumvention laws and the undesirable character they have taken on in other jurisdictions any Indian legislation on the subject must be carefully drafted, taking into consideration the competing interests involved and the issues that have been raised in this article.

⁵⁶ *Nimmer on Copyright* (1999), para.12A-30.

⁵⁷ *United States v Elcom Ltd, aka Elcomsoft Co, Ltd and Dmitry Sklyarov* 62 U.S.P.Q. 2d 1736 (2002).

⁵⁸ *Nimmer on Copyright* (1999), para.12A-18.

⁵⁹ Marks and Turnbull, “Technical Protection Measures: the Intersection of Technology, Law and Commercial Licenses” (1999) WCT-WPPT/IMP/3, p.8.

⁶⁰ *Nimmer on Copyright* (1999), para.12A-12.

⁶¹ For example the proposed amendment covers only conduct and does not even address the issue of trafficking of anti-device measures: see <http://www.copyright.gov.in/View%20Comments.pdf> [Accessed March 26, 2008].

⁶² *Chamberlain Group Inc v Skylink Technologies Inc* 72 U.S.P.Q. 2d 1225 (2004).

⁶³ See Hammond *et al.*, “Exploring Emerging Issues” (2002) 8 *Texas Wesleyan Law Review* 593, 593.

COMMENTS

Dr Estelle Derclaye

Flashing Badge Co Ltd v Groves: A Step Forward in the Clarification of the Copyright/Design Interface

Artistic works; Copyright; Defences; Design right; Infringement

Although s.51 of the Copyright, Design and Patents Act 1988 (CDPA) was meant to clarify the respective scope of copyright and unregistered design right (UDR), as Professor Cornish said early on, “a degree of uncertainty infects the penumbra of section 51, as can be seen if each of its requirements are further examined”.¹ Does this statement still hold true after *Flashing Badge Co Ltd v Groves*,² the most recent case re-interpreting s.51 after the confusing decision of the Court of Appeal in *Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd*?³

As is known, s.51 regulates the copyright/UDR interface. It was included after the *British Leyland Motor Corp Ltd v Armstrong Patents Co Ltd* decision,⁴ in the new Copyright Act, in 1988, to prevent the protection of industrial articles such as exhaust pipes by copyright and instead provide protection by the shorter and less protective UDR. As a reminder, s.51 provides:

“(1) It is not an infringement of any copyright in a design document or model recording or embodying a design for anything other than an artistic work . . . to make an article to the design or to copy an article made to the design . . . (3) In this section, ‘design’ means the design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article,

1 See W. Cornish, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 2nd edn, (London: Sweet & Maxwell, 1989), 14–21, p.381 and repeated in the following editions.

2 *Flashing Badge Co Ltd v Groves (t/a Flashing Badges by Virgo and Virgo Distribution)* [2007] EWHC 1372 (Ch); [2007] F.S.R. 36, Ch D.

3 *Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd* [2004] EWCA Civ 886.

4 *British Leyland Motor Corp Ltd v Armstrong Patents Co Ltd* [1986] F.S.R. 221, HL.

other than surface decoration; and ‘design document’ means any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise.”

There are therefore three conditions to verify: first, whether there is a design document; secondly, what this document embodies, i.e. either a design for an artistic work or a design for something other than an artistic work; and finally, “to make an article to the design or to copy an article made to the design”. As can readily be seen:

“ . . . [J]udicial interpretation of section 51 will consequently be critical in defining the relative roles of copyright and unregistered design right in the protection of designs: if the defence is construed broadly, then unregistered design right has a greater role; if the defence is construed narrowly, then the role of copyright dominates.”⁵

Facts and ruling

What were the facts in *Flashing Badge v Groves*? The claimant, as its name itself indicates, designed flashing badges to be attached to garments by magnets. As can be seen on the claimant’s website <http://www.flashingbadge.co.uk>, each badge bears messages such as “Happy Birthday”, “World’s Best Dad”, “21 TODAY”, etc., with different colours, decorations (e.g. a birthday cake) and coloured LEDs which make the badges flash. The defendant (Mr Groves) imported and offered for sale virtually identical copies of the badges and argued that by doing so, he did not infringe because s.51 of the CDPA 1988 applied. Rimer J., when applying s.51 to the facts of the case, relied exclusively on *Lambretta*.

The claimant sought to distinguish *Lambretta* from this case because contrary to the facts of the *Lambretta* case, the surface decoration on the badges could be separated from the configuration or shape of the badge, leaving s.51 applying only to the contour of the badge but not to its decoration (e.g. the content of the drawing, its colours and the position of the LEDs). As the shape of a mug is clearly separable from a drawing of a cow applied to it, or to take the example given by Jacob L.J. in *Lambretta*, a logo or picture applied to an object is separable from its shape, the decoration of the badge is also separable from its shape. Although it is true that part of the decoration espouses the precise contours of the badge (article), the decoration (everything besides its external contour) can exist separately from the shape of the badge. To arrive at this conclusion, the judge established that there was a design document (a drawing) depicting a design for an artistic work and a design for something other than an artistic work “namely an article in the nature of a badge in the same outline shape as the artistic work”.⁶ Therefore, by analogy with the picture or logo example, s.51 could only apply to the shape of the badge not its surface decoration, according to s.51(3) which excludes surface decoration from the definition of design. The defendant therefore only had

5 L. Bently and B. Sherman, *Intellectual Property Law*, 2nd edn (Oxford: Oxford University Press, 2004), p.663.

6 *Flashing Badge Co Ltd v Groves* [2007] EWHC 1372 (Ch); [2007] F.S.R. 36.

a defence as to the shape of the badge but not its surface decoration. According to Rimer J., this decision is consistent with the ruling in *Lambretta*. In *Lambretta*, the surface decoration could not be separated from the shape of the object (as a reminder, it dealt with the copying of the colourways (position of the coloured stripes) of a track top).⁷ The colourways could not make sense in the abstract, i.e. removed from the jacket. Therefore the picture or logo analogy used by Jacob L.J. could not apply.

Rimer J. interpreted the three speeches in the *Lambretta* appeal in a congruent way. For him, Mance L.J., who was dissenting, must have at least been agreeing with Jacob L.J.'s view that s.51:

“... would provide no defence to the infringement to copyright in a picture or logo on the design document, being surface decoration of a type which could subsist separately on substrates other than the design document.”⁸

For Rimer J., Sedley L.J. agreed with Jacob L.J.'s conclusion (i.e. that s.51 applied to the colourways) even though he decided that the colourways were configuration rather than surface decoration inseparable from the shape or configuration of the track top.⁹ Accordingly, the facts of *Flashing Badge* fell clearly in Jacob L.J.'s picture or logo analogy. Even if the design of the shape of the badge followed the outline of the design for the artistic work on the face of each badge, the latter could exist outside the shape of the badge, unlike in *Lambretta*. It could be applied to any other substrate and if so would enjoy copyright protection and s.51 afforded no defence.

Comment

Rimer J. concluded that the decision in *Lambretta* turned on its special facts. This finding meets with the statement of the Court of Appeal in *Dyson Ltd v Qualtex (UK) Ltd* that circumstances similar to those of *Lambretta* will be rare.¹⁰ That is also the author's view and the judge has happily and elegantly clarified the apparent confusion derived from *Lambretta* because of the specific and difficult facts it involved. It is submitted that the way Rimer J. reconciled the three speeches is not mistaken; what Mance L.J. disagreed with is Jacob L.J.'s view as

to the inseparability of the colourways from the shape in this specific case. The combined teachings of *Lambretta* and *Flashing Badge* are that when surface decoration cannot exist in the abstract, as detached from the object to which it is applied, s.51 applies to it as well, in addition to applying to the shape or configuration of the object. But when, as in the *Flashing Badge* case, the surface decoration is separable, then s.51 applies only to the shape or configuration of the object and not the surface decoration. It is probably better, to avoid confusion and overbroad application of s.51, to adopt Jacob L.J.'s approach (that the colourways were surface decoration) than that of Sedley L.J. (the colourways were configuration). There will be many cases where surface decoration will be separable from the shape of the article. Think for instance of a repetitive pattern (e.g. flowers) applied to a dress design; a good example is the wallpaper design in *Designers Guild Ltd v Russell Williams (Textiles) Ltd*.¹¹ If such patterns were categorised as configuration because the flowers are arranged on the dress, then s.51 would apply to it. This is certainly not what the legislature intended. It is probably also not what Sedley L.J. meant by configuration but the danger exists that the current broad definition of configuration would lead to an overbroad application of s.51 in these types of cases.

This interpretation of the *Flashing Badge* decision is not approved unanimously.¹² S. Clark believes that in *Lambretta*, Jacob L.J. meant that when a design incorporates not only a shape but also surface decoration, s.51 applies to both *in all cases*. In our view, and respectfully, this is misreading Jacob L.J.'s speech. Returning to *Flashing Badge*, Clark thinks that Rimer J.'s interpretation that *Lambretta* turned on its special facts and that they could be distinguished from the facts at hand (the surface decoration of the badges could be divorced from the design of the shape of the badge) is not convincing.¹³ The author agrees in part. In many cases, the decoration of the badge can be very different even if the shape remains the same. For instance, there are a myriad ways of deciding which colours and stripes should appear on a birthday cake even if the shape of the cake remains the same. But the colours and drawing of the eyes and smile chosen for the Smiley Face Flashing Badge cannot arguably be divorced from the external contours of the badge.¹⁴ So perhaps the judge should have distinguished between the different badges. However, this does not detract from the fact that the ruling is in itself to be applauded. Another criticism of *Lambretta*, which *Flashing Badge* now perpetuates, was that it left a gap in protection for instances where the surface decoration is inseparable from the shape or configuration of the article.¹⁵ But this is only half-true because, as Jacob L.J. himself noted, it is anyway filled by

⁷ The judgment is available at <http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2004/886.html&query=lambretta&method=boolean> [Accessed March 27, 2008], together with the design of the track top in colour.

⁸ *Flashing Blade Co Ltd v Groves* [2007] EWHC 1372 (Ch); [2007] F.S.R. 36.

⁹ Note that in doing so, Sedley L.J. met with the broad definition given by Pumfrey J., in *Mackie Designs Inc v Behringer Specialised Studio Equipment (UK) Ltd* [1999] R.P.C. 717 at 721, of configuration, i.e. the way elements are arranged or assembled.

¹⁰ *Dyson Ltd v Qualtex (UK) Ltd* [2006] R.P.C. 31 at [76]: “So, broadly, surface decoration will not be excluded from ordinary copyright protection but correspondingly is excluded from UDR. There are exceptional cases where what is sought to be protected may fall between the two (see *Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd* [2005] R.P.C. 6 where the shape of the article was unoriginal and so not within UDR and the colourways had no independent notional existence from the article and were not surface decoration), but they will be rare” [emphasis added].

¹¹ *Designers Guild Ltd v Russell Williams (Textiles) Ltd (t/a Washington DC)* [2000] 1 W.L.R. 2416.

¹² S. Clark, “A distinction without a difference” [2007] 173 *Copyright World* 23.

¹³ Clark, “A distinction without a difference” [2007] 173 *Copyright World* 23, 26.

¹⁴ It is probably not original in the copyright sense anyway.

¹⁵ N. Tatchell, “Perspectives: Useful Lessons” [2004] 143 *Copyright World* 10, 12; P. Cox and D. Kohner, “Uncertainty remains over design protection” [2004] 10 *Managing IP* 60, 62.

the Community unregistered design right (CUDR)—at least partially, as the requirements for protection are higher than under copyright law and it lasts only for three years. In addition, the design can be registered to lengthen its protection period for up to 25 years. Despite this, it is true, however, that in some cases, real gaps in the protection may occur. What about a non-commonplace combination of a commonplace pattern with a commonplace shape? One can for instance think of an old design for the shape of a chair whose back is decorated with an old chequered design.¹⁶ Beside the application of s.51, neither copyright nor UDR will subsist in any aspect of the chair. Only registered design right (and CUDR) may, as the *whole* aspect of the chair may be claimed and may be looked at in its entirety. As the design is looked at as a whole, it has a chance to pass the hurdles of novelty and individual character. The moral of the story is that, now even more than before, designers are well advised to register their design. An added advantage is that the right is a monopoly right rather than an anti-copying one like copyright, UDR and CUDR.

Outstanding issues

Almost 10 years after its coming into force, s.51's meaning has become a little clearer. The first and third conditions do not generally pose any specific problem. The broad interpretation of the first condition in *Mackie Designs Inc v Behringer Specialised Studio Equipment (UK) Ltd*¹⁷ has not (yet) been rejected, although arguably the term "configuration" was stretched to its limit in that case.¹⁸ The third condition has also been generously interpreted in both *BBC Worldwide Ltd v Pally Screen Printing Ltd*¹⁹ and *Mackie* and not been disagreed with surely because it posed problems neither in *Lambretta* nor in *Flashing Badge*. These constructions seem in line with the legislature's intention of cutting down copyright protection for industrial articles. But while *Flashing Badge* has clarified one important issue in the application of s.51, others that are as important still remain unclear and this leaves s.51, and more generally the concept of artistic work, in need of further clarification in the future.

The core and yet unresolved issue lies in the application of the second condition. In *Flashing Badge*, the judge simply stated that the badge was not an artistic work while the decoration was, and he did not address the question why the badge was not an artistic work. More or less the same gloss over this second step occurred in the early cases dealing with s.51, namely *BBC*²⁰ and *Mackie*.²¹ The first case dealt with designs for puppets for a children's television programme ("The

Teletubbies"),²² the other with circuit diagrams for circuits boards. The two judges (respectively Laddie J. and Pumfrey J.)²³ gave s.51 a broad interpretation by allowing the defence to apply. In these cases, as in *Lambretta* (in which s.51 applied to the track top) and *Flashing Badge*, s.51's second condition is, correctly in the author's view, broadly construed, leaving UDR a greater role. Only one case, *Hi Tech Autoparts Ltd v Towergate Two Ltd (No.2)*,²⁴ is at odds on this point with all the other cases. The case dealt with infringement of copyright in drawings and an engraved metal plate used to produce rubber mats for use in cars.²⁵ The drawings were for an artistic work, i.e. an engraving which included both the metal plate and the rubber mats. The judge cannot strictly be reproached for this interpretation as he merely interpreted the CDPA's broad notions of artistic work, which for engravings, as for most artistic works, is irrespective of artistic quality, and of originality, which is low, being simply sufficient skill, judgment and labour. Arguably therefore it is not s.51 itself which poses a problem but the originality requirement as applied to artistic works. While this problem should not occur with works of artistic craftsmanship because it is clear that artistic character is needed in addition to originality,²⁶ the application by judges of the criterion of originality to all other three-dimensional artistic works creates uncertainty especially in the application of s.51. Recent cases such as *Metix (UK) Ltd v GH Maughan (Plastics) Ltd*²⁷ and *Creation Records Ltd v News Group Newspapers Ltd*²⁸ seemed to have dispelled these doubts, because they gave to the term "sculpture" its ordinary meaning, thereby excluding industrial articles. But these doubts came back with *Hi-Tech Autoparts* where the concept of "engraving" was not restricted to those one hangs on one's wall for aesthetic enjoyment. A radical way to exclude once and for all purely industrial articles from copyright protection would be to change the originality criterion for artistic works and align it to the "author's own intellectual creation" already used for databases

22 Pictures of the Teletubbies can be seen at <http://www.bbc.co.uk/cbeebies/teletubbies> [Accessed March 27, 2008].

23 While Pumfrey skipped the second condition altogether, Laddie J. was not in a position to decide this issue as neither the claimant nor the defendant had argued that the Teletubbies were or were not artistic works. But he was convinced that the drawings were for something other than an artistic work as they were not prototypes for a cartoon series but were "from the outset, for use in deciding the shape and appearance of the three-dimensional Teletubby puppets": *BBC Worldwide* [1998] F.S.R. 665 at 672.

24 *Hi Tech Autoparts Ltd v Towergate Two Ltd (No.2)* [2002] F.S.R. 16.

25 The "small projections into the third dimension" produced by the engraving were not surface decoration but were part of the configuration of the article and provided its non-slip characteristic. *Hi-Tech Autoparts* [2002] F.S.R. 16 at [10].

26 See *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd* [1975] R.P.C. 31, HL.

27 *Metix (UK) Ltd v GH Maughan (Plastics) Ltd* [1997] F.S.R. 718, Ch D.

28 *Creation Records Ltd v News Group Newspapers Ltd* [1997] E.M.L.R. 444, Ch D. See also the earlier but somewhat contradictory case of *Breville Europe Plc v Thorn EMI Domestic Appliances Ltd* [1995] F.S.R. 77 ("sculpture" should be given its ordinary dictionary meaning; however deciding that copyright could subsist in moulds to be used in toasted sandwich makers).

16 The author wishes to thank Simon Clark for this example.

17 *Mackie* [1999] R.P.C. 717 at 721.

18 The arrangements of parts or elements of an article (here a circuit board) were held to be part of its configuration. Thus "configuration" is a broader term than "shape". Sedley L.J. restated this definition in *Lambretta* [2004] EWCA Civ 886 at [88].

19 *BBC Worldwide Ltd v Pally Screen Printing Ltd* [1998] F.S.R. 665.

20 *BBC Worldwide* [1998] F.S.R. 665.

21 *Mackie* [1999] R.P.C. 717.

and, implicitly, for computer programs. This would not leave a gap in the law as it is filled by UDR, CUDR and Community registered design right. One easier way of clarifying the respective scope of copyright and UDR is, of course, the current one, namely judicial interpretation. However, the reality shows that it is a highly uncertain course and this is good neither for claimants nor for defendants. Judges are not to blame, as they simply follow precedents on the meaning of originality as they have no indication in the Act about what for instance an “engraving” is.

Another unsolved and related issue is the meaning of the word “for” in s.51(1). This term is ambiguous in that it is unclear whether the intention of the designer when recording the shape or configuration of the article is relevant. The *BBC* ruling seems to imply that the intention of the designer is important.²⁹ The literature is divided.³⁰ This is important as, if intention is relevant, s.51 applies in fewer cases than if it is not. There is no space here to discuss this issue at length but what is clear is that because of this ambiguity, designers are advised to register their design rather than rely exclusively on their copyright (which may be trumped by s.51), UDR or CUDR (whose protection is less lengthy).

In conclusion, *Flashing Badge* has clarified one important issue which *Lambretta* had left ambiguous, but Professor Cornish’s statement is otherwise still in the most part true. Further judicial, if not legislative, guidance will therefore continue to be necessary to lift the penumbra of s.51.

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adidas v Marca II: Undue Limitations of Trade Mark Owner’s Rights by the European Court of Justice?¹

^{LT} Distinctiveness; EC law; Infringement; Trade marks; Use

The ECJ uses the public interest as an element for assessing distinctiveness. This element is however threatening to slip into the scope of protection of marks, as will be seen when the authors discuss the *adidas* case that has been referred to the ECJ. In addition, several other decisions, including *Opel v Autec* and *Céline*, will be discussed.

²⁹ See also Bently and Sherman, *Intellectual Property Law* (2004), p.663.

³⁰ For G. Dworkin and R. Taylor, “By accident or design? The meaning of ‘design’ under section 51 Copyright, Designs and Patents Act 1988” [1990] E.I.P.R. 33, the designer’s intention is relevant but for A. Christie, “The United Kingdom design copyright exemption” [1987] E.I.P.R. 253, it is not.

The trade mark rights ensuing from a trade mark registration, or at least some of them, used to be fairly straightforward, in particular where the use of a sign identical to a trade mark for identical goods or services is concerned. Use of such a sign has always been seen as constituting infringement. Another issue is the public interest that the European Court of Justice (ECJ) uses as an element for assessing distinctiveness. This element is threatening to slip into the scope of protection of marks, as we will see when discussing the new *adidas* case that has been referred to the ECJ.

It seems clear that, as far as the rights of trade mark owners are concerned, old certainties are no longer certain. The ECJ seems to have left the established path. Whether or not this is a good thing is debatable. One may wonder what will next follow as a result of the questions put to the court in *adidas v Marca II*.²

Below, the authors will first briefly discuss the *Arsenal*, *Budweiser* and *Céline* decisions. They will then discuss one of the ECJ’s most conspicuous decisions of 2007: the *Adam Opel AG v Autec AG* decision.³ This decision is a clear example of the current direction in which the ECJ seems to be going, i.e. a limitation of the rights of trade mark owners. Finally, *adidas v Marca II*, a case which is currently pending before the Dutch Supreme Court and in which several questions have been submitted to the ECJ, will be discussed in light of the developments in the ECJ’s case law.

The starting point for the discussion is Art.5(1)(a) of Directive 89/104⁴ (Trade Mark Directive; TMD), which provides as follows:

“The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

a. any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered.”

In addition, and as we will see, Art.6 of the TMD, which concerns certain limitations in the exercise of trade mark rights, also plays an important part in this context.

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¹ After this article was written, the European Court of Justice rendered its judgment in the *adidas/Marca II* case. On April 10, 2008, it declared: “First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks must be interpreted as meaning that the requirement of availability cannot be taken into account in the assessment of the scope of the exclusive rights of the proprietor of a trade mark, except in so far as the limitation of the effects of the trade mark defined in Article 6(1)(b) of the Directive applies.” (C-102/07)

² *adidas AG v Marca Mode CV II* (C05/160HR), February 16, 2007, Dutch Supreme Court.

³ *Adam Opel AG v Autec AG* (C-48/05) [2007] E.T.M.R. 33.

⁴ Directive 89/104 to approximate the laws of the Member States relating to trade marks [1989] OJ L40/1.

Arsenal, Budweiser and Céline

The “5(1)(a) story” started with the *Arsenal Football Club Plc v Reed* decision.⁵ Regarding the exercise of the right conferred by Art.5(1)(a), the ECJ stated:

“The exercise of that right must . . . be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.”⁶

The ECJ clarified that, for example, certain uses for purely descriptive purposes are allowed, thus clearly referring to Art.6 of the TMD. The *Arsenal* decision was therefore not disturbing—at least not in this respect—as the ECJ did not widen the scope of the existing limitations of Art.6 (and also Art.7) of the TMD.

Then came the *Anheuser-Busch Inc v Budejovický Budvar Národní Podnik*⁷ decision. After referring to *Arsenal*, the ECJ stated:

“A third party may, in principle, rely on the exception provided for in Article 6(1)(a) of Directive 89/104 in order to be entitled to use a sign which is identical or similar to a trade mark for the purpose of indicating his trade name, even if that constitutes a use falling within the scope of Article 5(1) of that directive which the trade mark proprietor may prohibit by virtue of the exclusive rights conferred on him by that provision. It is also necessary that the use be made in accordance with honest practices in industrial or commercial matters. . . .”⁸

The *Céline Sarl v Céline SA*⁹ decision essentially confirmed this, albeit with wording in the negative:

“. . . [U]nauthorised use by a third party of a company name, trade name or shop name which is identical to an earlier mark in connection with the marketing of goods which are identical to those in relation to which that mark was registered constitutes use which the proprietor of that mark is entitled to prevent in accordance with Article 5(1)(a) of the directive, where the use is in relation to goods in such a way as to affect or be liable to affect the functions of the mark. Should that be the case, Article 6(1)(a) of the directive can operate as a bar to such use being prevented only if the use by the third party of his company name or trade name is in accordance with honest practices in industrial or commercial matters.”¹⁰

Leaving aside the turmoil caused in the United Kingdom by the *Arsenal* decision, the outcome of the above cases was generally felt to be acceptable. The trade mark owner can, for example, oppose the use of an identical sign without his permission on products not authorised by him. The ECJ’s opinion that the rights are reserved to cases in which a third party’s use of the sign affects, or is liable to affect, the functions of the trade mark did not meet with criticism, since this opinion was given in relation to the limitation of rights provided for in Art.6 of the TMD. Indeed, Art.6 can be seen as the result

of a balancing of the interests of the trade mark owner versus the interests of third parties who wish to make fair use of the mark.

However, the *Opel v Autec* decision teaches us that the above applies also *outside* Art.6 of the TMD. In order to appreciate the surprising outcome of the *Opel v Autec* case, a brief introduction to the facts of this case is warranted.

Opel v Autec

Autec AG, a German company, was a manufacturer of scale model toy cars. One of those toy cars was an Opel Astra V8 Coupé on a scale of 1:24. The Opel logo was affixed to the car’s radiator grille, in the same way as on the original vehicle.

When Opel became aware of this use of its trade mark, it decided to invoke its trade mark rights to the Opel logo, which is registered not only for cars but also for toys. It seemed a straightforward, simple infringement matter: use of an *identical* sign for *identical* goods. Article 9(1)(a) of Regulation 40/94¹¹ (Community Trade Mark Regulation; CTMR), which is in line with Art.5(1)(a) of the TMD, is very clear in this respect: a trade mark owner is protected against use by a third party of an identical sign for identical goods or services. The legislature did not deem it necessary to add further requirements for such behaviour to be unlawful.¹²

In the opinion of the ECJ, however, the case was *not* that straightforward. The Court considered the following:

“. . . [T]he affixing by a third party of a sign identical to a trade mark registered for toys to scale models of vehicles cannot be prohibited under Article 5(1)(a) of the directive unless it affects or is liable to affect the functions of that trade mark. . . .

If . . . the referring court intended to emphasise that the relevant public does not perceive the sign identical to the Opel logo appearing on the scale models marketed by Autec as an indication that those products came from Adam Opel or an undertaking economically linked to it, it would have to conclude that the use at issue in the main proceedings does not affect the essential function of the Opel logo as a trade mark registered for toys.”¹³

Thus, the ECJ reasoned that there is *no* infringement if the relevant public does not think that the toy cars originate from Opel or an entity economically linked to it. In other words: infringement only exists if the consumer is confused.

With the *Opel v Autec* decision, the ECJ has separated a hitherto presumed element of Art.5(1)(a) of the TMD, namely confusion, forcing separate positive proof thereof by the trade mark owner. This, however, is in direct conflict with the idea underlying the Directive, which is an *absolute* protection of trade marks against

5 *Arsenal Football Club Plc v Reed* (C-206/01) [2002] E.C.R. I-10273; [2003] E.T.M.R. 19.

6 *Arsenal* [2002] E.C.R. I-10273; [2003] E.T.M.R. 19 at [51].

7 *Anheuser-Busch Inc v Budejovický Budvar Národní Podnik* (C-245/02) [2004] E.C.R. I-10989.

8 *Budweiser* [2004] E.C.R. I-10989 at [81] and [82].

9 *Céline Sarl v Céline SA* (C-17/06) [2007] E.T.M.R. 80.

10 *Céline* [2007] E.T.M.R. 80 at [36].

11 Regulation 40/94 on the Community trade mark [1994] OJ L11/1.

12 See in this respect recital 10 of the Directive:

“Whereas the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services.”

13 *Opel v Autec* [2007] E.T.M.R. 33 at [22], [24].

use of identical signs for identical goods.¹⁴ By essentially making the trade mark owner prove the “confusion element”, the added value of Art.5(1)(a) of the TMD as opposed to Art.5(1)(b) of the TMD becomes blurred. However, this is not all. The ECJ’s line of reasoning is also contrary to Art.16(1) of TRIPs. This provision literally states the following:

“... In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.”

In a recent article,¹⁵ Yap argues that *Opel v Autec* supports the argument that the sign concerned must constitute trade mark use before a claim of infringement can succeed. He takes the position that infringement should not be deemed to exist unless it is proven, for example with consumer surveys, that the public perceives the sign as a denotation of origin.¹⁶ Another possibility, one step back, would be to take the position that the presupposed confusion can be rebutted. This idea is certainly interesting, but still seems not to be in line with the *absolute* protection purported to be given under the TMD and TRIPs.

Incidentally, the authors doubt whether consumers would indeed not think that there is some economic link between a toy manufacturer and a company like Opel. Why would the consumer not, for example, think that a licence agreement has been concluded?

In any event, in the authors’ view *Opel v Autec* clearly limits the rights of trade mark owners beyond what has so far generally been accepted and beyond the limitation laid down in Arts 6 and 7 of the TMD.

adidas/Marca

A further limitation could result from the decision to be rendered by the ECJ in a case referred to it by the Dutch Supreme Court. The facts underlying the case are fairly straightforward. Sports giant adidas is famous for its *three-stripe* trade marks and owns many trade mark registrations in this respect. When it became aware that several clothing companies were using a *two-stripe* pattern, it sought a court order to prevent them from marketing clothing with either a three-stripe pattern or a similar pattern, such as the two-stripe pattern.

The *s-Hertogenbosch* Court of Appeal decided that because of the repute of the three-stripe mark, the trade mark had a broad scope of protection. Although initially the mark was not very distinctive, it had acquired distinctiveness through use. However, the Court of Appeal *also* stated that the breadth of this scope of protection did not mean that all other stripe patterns fell within this scope. In this regard, the Court stated that such patterns are common and should be available for third parties. adidas appealed this judgment, essentially disputing the importance attributed by the Court of Appeal to the public interest.

14 *Opel v Autec* [2007] E.T.M.R. 33 at [22], [24].

15 Po Jen Yap, “Making sense of trade mark use” [2007] E.I.P.R. 420.

16 Yap, “Making sense of trade mark use” [2007] E.I.P.R. 420, 427.

The Dutch Supreme Court decided that help from the ECJ was needed and submitted a request for a preliminary ruling on three questions.

The main question submitted is whether or not the public interest (in not unduly restricting the use of certain signs by competitors—*Freihaltebedürfnis*) should influence the scope of protection of a trade mark that was not distinctive *ab initio* or that was strictly descriptive, but has acquired distinctiveness through use. Another question is whether it makes a difference if the relevant public sees the signs as indications of origin or as embellishments.

In essence, the question seems to be whether signs that have acquired distinctiveness only (or mainly?) through use are doomed to have a narrow scope of protection.

If the ECJ allows this, it will effectively introduce a “public interest check” *after* a trade mark has been registered, i.e. in the “infringement phase”. This would be new, as the public interest figure was actually developed as ratio for absolute refusal grounds, such as descriptiveness, and has thus only played a role in the “application phase” up until now.

The public interest check belongs in the application, not infringement, phase. The application phase is exactly where the public interest figure should stay. This has already been decided in the *Libertel Groep BV v Benelux-Merkenbureau*¹⁷ case, in which the ECJ stated:

“That approach is, essentially, tantamount to withdrawing the assessment of the grounds of refusal in Article 3 of the Directive from the competent authority at the time when the mark is registered, in order to transfer it to the courts with responsibility for ensuring that the rights conferred by the trade mark can actually be exercised.

That approach is incompatible with the scheme of the Directive, which is founded on review prior to registration, not an *a posteriori* review. There is nothing in the Directive to suggest that Article 6 leads to such a conclusion. On the contrary, the large number and detailed nature of the obstacles to registration set out in Articles 2 and 3 of the Directive, and the wide range of remedies available in the event of refusal, indicate that the examination carried out at the time of the application for registration must not be a minimal one.”¹⁸

The above clearly shows that the ECJ is of the opinion that after the application phase has been completed, there is no room to again invoke the public interest argument in order to limit the scope of protection of a trade mark.

However, this is not all. There is another reason why the ECJ’s answer to the above question in *Adidas v Marca* should be “No”.

The three-stripe mark could originally have been refused for lack of distinctive character (Art.3(1)(b) of the TMD). In the *SAT.1* decision,¹⁹ the ECJ stated that for Art.3(1)(b) the public interest is “manifestly, indissociable” from the essential function of the trade mark, which is preserving the identity of origin.²⁰

17 *Libertel Groep BV v Benelux-Merkenbureau* (C-104/01) [2003] E.C.R. 3793.

18 *Libertel* [2003] E.C.R. 3793 at [58] and [59].

19 *SAT.1 Satellitenfernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)* (C-329/02 P) [2004] E.C.R. I-8317.

20 *SAT.1* [2004] E.C.R. I-8317 at [27].

Thus, the public interest in the context of this refusal ground is *not* the *Freihaltebedürfnis*. In other words: the *Freihaltebedürfnis* has no relevance for a sign like the three-stripe mark, which arguably has no distinctive character *ab initio*.²¹

The *Libertel* decision, which concerns the possible refusal of a colour, does not detract from the above. Admittedly, in that case the *Freihaltebedürfnis* was mentioned in the context of Art.3(1)(b) of the TMD. However, that decision focused specifically on colour marks.²² The later *SATI* decision, which does not specifically target colours but discusses public interest in more general terms in the context of Art.3(1)(b) of the TMD, is the general rule (and *Libertel* the exception).²³

It is not in dispute that a trade mark with acquired distinctiveness can be invoked against infringing signs. In this respect, the strength of the distinctive character and the repute of the mark are relevant factors to be taken into account. This does not mean that the authors are necessarily of the opinion that a trade mark consisting of three stripes can successfully be invoked against a sign consisting of fewer or more stripes. However, the public interest is *not* relevant in this respect. The court should only assess whether or not there is a likelihood of confusion or dilution and in this context the distinctive character can and should play a part, but not the issue of public interest as suggested by the Dutch Supreme Court. The same conclusion was reached in the amicus brief of the International Trademark Association submitted in this case:

“The so-called ‘requirement of availability’ should have no part in determining the scope of protection to be given to a registered trade mark.”²⁴

In his advisory opinion of January 16, 2008, Advocate General Colomer partially agrees with this. He concludes the following:

“En résumé, la réponse que je propose d’apporter aux questions préjudicielles doit partir de la nécessité d’invoquer l’impératif de disponibilité pour déterminer la portée de la protection d’une marque constituée par un signe correspondant à une des indications décrites à l’article 3, paragraphe 1, sous c), de la directive, lorsqu’elle a acquis un caractère distinctif par l’usage et qu’elle a été enregistrée en tant que telle; en revanche, il n’y a pas lieu de recourir à ce principe lorsque le signe est initialement dépourvu de caractère distinctif, au sens de l’article 3, paragraphe 1, sous b) de la directive, mais qu’elle l’a acquis postérieurement par l’usage.”²⁵

21 The Dutch Supreme Court also mentions Art.3(1)(c) of the TMD. This, however, concerns descriptive signs, which the three-stripe mark is not, in the authors’ opinion.

22 See in particular *Libertel* [2003] E.C.R. 3793 at [54]–[56], where the specific problems concerning colours are discussed.

23 Incidentally, the Dutch Supreme Court also refers to *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* (C-108/97 & C-109/97) [1999] E.C.R. I-2779, but that seems even less relevant, as *Chiemsee* pertains not to subs.(b) of Art.3(1), but to subs.(c).

24 “Amicus brief of the International Trademark Association in *adidas AG and adidas Benelux BV v Marca Mode, C&A Nederlanden, H&M Hennes & Mauritz Nederlands BV and Vendex KBB Nederlanden BV*” (2007) 97 *Trademark Reporter* 1401.

25 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [80].

The Advocate General thus differentiates between signs that lack any distinctive character *ab initio* (subs.(b)) and signs that are descriptive (subs.(c)), only denying an influence of the public interest for the first category. Basically, he is of the opinion that the public interest would not be served by keeping signs that are not suitable for denoting the commercial origin of the relevant products or services “free”. He furthermore states:

“En effet, une fois qu’un commerçant est parvenu à obtenir une marque connue du public à partir d’un signe insignifiant, grâce à son usage et à sa publicité, l’empreinte du droit de la propriété industrielle impose de le récompenser d’avoir réussi à surmonter le défaut de caractère distinctif affectant sa marque en l’ayant rendue apte à assumer la fonction d’information quant à l’entreprise d’origine des produits ou des services.”²⁶

However, he considers the situation to be different where “subs.(c)” signs are concerned, referring to Art.6 of the TMD, which provides a defence concerning the use of certain signs. Unlike in the case of the “subs.(b)” signs, there is reason here to limit the possibility of objecting to such use:

“Ce qui est exceptionnel dans ce cas, c’est la jouissance de la propriété d’un signe qui . . . serait accessible à tous. Le fait qu’il a été monopolisé depuis lors . . . ne saurait être invoqué au détriment des autres opérateurs économiques qui aspirent à utiliser librement les mentions descriptives en question, ni à celui de l’autre groupe de personnes concernées par la disposition, les consommateurs, qui sollicitent des informations transparentes et véridiques qui leur sont habituellement fournies par ces indications précisément.”²⁷

As was explained above, the three-stripe mark of adidas belongs to the “subs.(b)” category, in the authors’ opinion. The Advocate General, however, indicates that this is a factual decision to be made by the Dutch courts.²⁸ Whatever may become of this, the authors are of the opinion that neither in the “c” nor in the “b” category should the public interest influence the scope of protection of a trade mark. While Art.6 of the TMD must of course be applied, it functions as a defence *per se*,²⁹ and should not be used to limit the scope of protection.

Conclusion

When the authors recap the above, they note that further to *Opel v Autec*, the ECJ effectively forces a trade mark owner to separately prove a hitherto presumed legal element in the context of Art.9(1)(a) of the CTMR. This addition has no basis in the Trade Mark Directive. In the authors’ view, this is a wrong development which touches an important cornerstone of our legal system: legal certainty.

26 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [56].

27 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [75].

28 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [30], [57].

29 See also “Amicus brief” (2007) 97 *Trademark Reporter* 1400–1401.

As is already apparent from the above, the authors believe that the ECJ should not further restrict the scope of protection of trade marks when it answers the questions submitted by the Dutch Supreme Court in respect of the *adidas v Marca* case. If it decides to apply an additional public interest check, all trade marks that have acquired distinctiveness through use could potentially face a narrower scope of protection, even if they are very famous. Such limitation is unwarranted and has no basis in the law. The Advocate General's

opinion, if adopted by the ECJ, would be a step in the right direction. However, the authors are of the opinion that yet a further step should be taken. The public interest should simply not play a part in the scope of protection of trade marks outside the boundaries of Art.6 (and Art.7) of the Trade Mark Directive.

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BOOK REVIEWS

Matthew Fisher
**Fundamentals of Patent
 Law: interpretation and
 scope of protection**
 Hart Publishing, 2007, 425pp.,
 £65.00, ISBN 978-1-84113-692-9

Maybe the reviewer was eager to keep reading chapter after chapter of this book because he could not really get his head around the question of what Matthew Fisher was trying to achieve. In the first lines of his concluding chapter Fisher states that he set out to explore some of the issues connected with the determination of patent scope in the United Kingdom. If that was the aim, then surely half of the book is superfluous. Sure enough, we start with a chapter on British tradition and basic claim theory, but it all drifts very soon indeed into legal history.

What follows is a very thorough introduction to the history of the patent system. Matthew Fisher suggests he is preparing the canvas. That may be so, but these are very extensive preparations and he is having a long shot at it. In essence one finds a very nice chapter on patent history, but it is left largely to the reader to imagine how all this is relevant to the topic of the book.

History is followed by economics. Or should one say by an awful lot of economics? Three large chapters are dedicated to it. Again the approach is very thorough and yet very readable. Perhaps the real problem which we discover with Matthew Fisher is that while economics has strong views on patents and patent law, they tend to be on the system as a whole and economic analysis almost seems to break down when it comes to consider individual aspects of the patent system. The issues surrounding the determination of the scope of the patent are no exception. One does not get a lot further than

a broad conclusion that a broad or narrow interpretation of the claims of a patent has rather different effects and that those differences matter. What does not emerge is clear guidance for how exactly a patent system should go about determination of scope and interpretation of claims. Again one is left with the idea that these are very good chapters on the economics of patent law in general, but that they stray from the real topic.

Then we turn the page and start part two of the book. That is a very different animal indeed. We have now moved on to a comparative study of national patent laws. A first chapter deals with US patent law. Here the focus is squarely on the determination of scope and on the doctrine of equivalence. As in the previous chapters there is a combination of a lot of detailed analysis and a very readable style. This chapter is probably one of the most complete and intelligible analyses of the doctrine of equivalence in US patent law and that in its own right is quite a feat.

Then we return to Europe and, as expected, to the different approaches in the United Kingdom and Germany. Germany goes first and we are taken through the various historical stages of development. One could regret a rather strong reliance on English language sources and secondary sources, but the result is a competent and solid analysis.

And then we turn to the United Kingdom, or as one is allowed to think, to the real topic of the book. As with the analysis of German law, the European Patent Convention and the famous Protocol to its Art.69 are omnipresent in the two chapters dealing with UK law. Again one finds a very thorough historical build-up that deals with all the key cases and stages of development. That leads up to the recent developments. Each time there is a fair amount of in-depth critical analysis.

The real point of criticism is perhaps the title of the book. By having "fundamentals of patent law" as a main title, followed by "interpretation and scope of protection", one is expecting a book about determination of scope and claim interpretation. That seems to be the fundamentals of patent law the author will deal with. That point is then repeated by the author in the first lines of the concluding chapter. But that is not what the book offers. For that purpose the chapters on history and economics are unduly broad. They are almost of a stand-alone nature and they deal exhaustively with their subject matter, rather than remaining focused on the topic of the book, i.e. determination of scope. In that sense the approach taken is unduly broad. Similarly Matthew Fisher says he is focusing on the United Kingdom. Instead one gets chapters that go into

an exhaustive comparative approach and that deal comprehensively with US and German patent law on the point of determination of scope. As a study focused on the narrow point mentioned in the first lines of the concluding chapter the book fails. The approach is unduly broad and lacks focus.

But maybe that is also its strength. Maybe there should be two titles and maybe this book is really two studies in one. The chapters on the history and the economics are really in their own right a study on the "fundamentals of patent law". That study is followed by a comparative study on the "interpretation and scope of protection". Both have a good level of analysis and are valuable in their own right. And of course, having gone through the first study, one is better prepared to tackle the second one. They are, after all, related.

Two for the price of one. Maybe this is why this book has a place in the library of the intellectual property expert. Both parts are well written and they deal exhaustively with their topic in a good level of detail. The innovative aspect about the history and economics bit is that it neatly brings together all the relevant bits of information in a manageable number of pages. The second part on claim interpretation and determination of scope is the fullest and most detailed analysis of this thorny issue the reviewer has come across for a while.

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Guy Tritton *et al.*
**Intellectual Property in
 Europe**

Sweet & Maxwell, 3rd edn, 2007,
 1,275pp., £225.00, ISBN
 978-0-42190-850-5

This large (over 1,200 pages) multi-author work is aimed at UK practitioners in the various fields of intellectual property law. The work takes a "top-down" approach:

"... [I]t does not attempt to discuss and compare the intellectual property laws of 27 European countries. Instead, it examines and discusses the international conventions (including TRIPS), the European treaties and the relevant law of the European Community (EC). By far the most important is EC law. As said in the previous section, the EC has achieved a high level of harmonisation of intellectual property laws in the field of trade marks, copyright and neighbouring rights, industrial designs and plant variety rights.
 ...

Where there are clear differences between countries' laws, these are highlighted in each Chapter so that the reader is alerted to the differences . . ."

This book should be on the bookshelf of every practitioner dealing with intellectual property rights and should also be useful to the advanced student. The authors have also sought to address the major problem in this age of perpetual law-making of obsolescence by setting up a website where the book will be updated—interested readers should consult <http://www.intellectualpropertyin-europe.com>.

It is difficult to do justice to this huge work in a short review; this reviewer will therefore concentrate on the sections of the book dealing with "Patents in Europe" and "Jurisdiction and Intellectual Property". It is important to bear in mind that the book contains extensive sections on trade marks, copyright, designs, plant varieties, free movement of goods, competition law (almost 400 pages), and enforcement, the reviewer lacking both the space, and for certain subjects the competence, to deal with these issues.

The 150 pages of the book that deal with patents give an excellent overview of the important treaties (TRIPS, Patent Cooperation Treaty and European Patent Convention). The section also goes into some of the more detailed features of the practice of the European Patent Office. The treatment of "selection inventions" is brief, clear and cites the most important case law:

"In considering the area of selection inventions, the Guidelines make it clear that a generic disclosure does not take away the novelty of any specific example but that a specific disclosure does take away the novelty of a generic claim . . . [there then follows a quote from T-366/90]

It might be thought that this decision is not easily reconcilable with the EBA's reasoning in the *Availability to the Public* reference, as it refers to the motivation of the man skilled in the art. However, it must be remembered that in selection inventions, the issue is usually whether or not a surprising effect would have been discovered from the sub-range of products available to the public. Therefore, the novelty does not reside in the sub-range of the products per se but the discovery of a surprising technical effect relating to that sub range product . . ."

The treatment of "first and second medical use inventions" is similarly praiseworthy. This is an area that is not easy to understand and the use of "Swiss form claims" for second medical use inventions clearly introduces a high degree of artificiality into the subject. There is also a certain conflict between the approach of the Board of Appeal of the European Patent Office and the English courts regarding whether a new dosage regime can be patentable as a second medical use:

"However, in a recent decision, *Genentech Inc*, in choosing not to follow the Court of Appeal in *Bristol-Myers*, the TBA held that Swiss form claims directed to the use of a composition for manufacture of a medicament for a specified new and inventive therapeutic application where the novelty of the application lay only in the does to be used or the manner of application were permissible. In *Merck & Co Inc's Patents*, Jacob J., reluctantly followed *Bristol Myers* but said that if a new and non-obvious method of administration of known drugs for known diseases are not patentable in principle, even using a Swiss form claim, then there would be less of a research incentive to find such methods."

This section of the book also deals with the important issue of biotechnological

inventions, the treatment of this important and complex subject is clear and concise and the author skilfully weaves in quotes from the relevant decisions.

Let us turn now to Ch.14, "Jurisdiction and Intellectual Property", a chapter that deals with the Brussels Convention. At an early stage this chapter discusses the rather unfortunate decision of the European Court of Justice in *Orvusu*, a decision that the author describes as "unsatisfactory" and states that, "[t]he reasoning for this decision was so sparse that it hardly merits any real discussion". The chapter then deals with basic principles of the Brussels Convention, followed by the nuances. Particularly useful is the short résumé of the "golden rules" in section 14-012. All in all Ch.14 is about 90 pages long, which gives a fair idea of both the complexity of the Brussels Convention once one strays from the basic provisions, and of the thoroughness with which the issues are addressed.

To conclude, this book is essential for all intellectual property practitioners and from the clearness and thoroughness of its exposition deserves to find a wider readership among government and industrial circles who are concerned with intellectual property rights.

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NATIONAL REPORTS

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Data privacy does not trump copyright protection

 Copyright; Data protection; Disclosure; EC law; File sharing; Infringement; Internet service providers

Productores de Música de España SAU v Telefónica de España SAU
European Court of Justice
C—275/06

- This European Court of Justice (ECJ) decision was in the context of unlawful music file sharing via the internet. The ECJ confirmed that Community law recognises both data privacy and copyright as fundamental rights and requires a balance to be struck between them.
- The question asked was whether the effective protection of copyright meant that Community law required Member States to lay down an obligation for internet service providers (ISPs) to disclose personal traffic data in order for an intellectual property (IP) holder to bring civil proceedings.
- The ECJ ruled that there was no obligation to disclose, nor an obligation to withhold such information—Member States should themselves strike an appropriate balance between these two rights.
- By finding, in effect, that personal traffic data may be available to copyright owners for civil proceedings, this may have tipped the balance further in favour of IP holders than perhaps the European Union had intended.

Background

Productores de Música de España SAU (Promusicae) is an organisation of producers and publishers of music recordings and music videos which promotes and protects the copyright in works belonging to its members. In 2005 it commenced proceedings against Telefónica de España SAU (Telefónica), one of Spain's larger ISPs. Promusicae wanted disclosure of the names and addresses of the internet users behind certain dynamic IP addresses that it claimed had been used at particular times to infringe its members' copyrights, by sharing music files using the peer-to-peer file-sharing software Kazaa. (An IP address is a number, analogous to a telephone number, which enables networked devices to identify and communicate with each other.)

Telefónica resisted, arguing that the Spanish law, implementing the provisions of several copyright and data protection Directives, only permitted personal data of this kind (i.e. the names and addresses of the file sharers) to be disclosed in cases of criminal prosecutions or threats to national security. (In Spain copyright infringement only incurs criminal liability if done with the intention to make a profit.) The Spanish court considered that this appeared to be a correct view of national law, but that the result appeared to be incompatible with Community law.

The ECJ was asked whether, in light of the Information Society Directive (Directive 2000/31),¹ the Copyright Directive (Directive 2001/29),² the Intellectual Property Enforcement Directive (Directive 2004/48)³ and the Charter of Fundamental Rights of the European Union, it was permissible for Member States to limit the duty of telecommunications network operators to retain personal traffic data, and make those data available, to those circumstances in which the data are required in connection with criminal proceedings or the need to protect national security, thereby preventing disclosure for the purposes of civil proceedings.

Advocate General's Opinion: Community law does not permit disclosure of personal traffic data for civil matters and in fact prohibits such disclosure

In her opinion dated July 18, 2007, Advocate General Kokott focused on the two main Directives relating to data protection. These are: (1) the Privacy Directive (Directive 2002/58)⁴ which applies to the processing of personal data in the provision of publicly available telecommunications networks in the European Union; and (2) the Data Protection Directive (Directive 95/46)⁵ which applies more generally and where the first does not.

The Advocate General appears to have accepted that the personal data sought were "traffic data" and concluded that this placed the matter solely within the scope of the Privacy Directive, rather than the Data Protection Directive. This was significant because the Data Protection Directive permits disclosure of personal data for the purpose of bringing civil proceedings in certain circumstances, whereas, on its clear language, the Privacy Directive does not. "Traffic data", broadly, is information used to convey a communication on a network, e.g. phone number, IP address, duration, time, date; it does not include the contents of the communication.

¹ Directive 2000/31 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market [2000] OJ L178/1.

² Directive 2001/29 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L167/10.

³ Directive 2004/48 on the enforcement of intellectual property rights [2004] OJ L157/45.

⁴ Directive 2002/58 concerning the processing of personal data and the protection of privacy in the electronic communications sector [2002] OJ L201/37.

⁵ Directive 95/46 on the protection of individuals with regard to the processing of personal data and on the free movement of such data [1995] OJ L281/31.

She concluded that in principle the Privacy Directive prohibited both the disclosure and the storage of personal traffic data by persons other than users without the consent of those users, subject to the exceptions in Art.15, namely where such storage or disclosure is a necessary, appropriate and proportionate measure within a democratic society to safeguard national security, defence, public security, and the prevention, investigation, detection and prosecution of criminal offences or of unauthorised use of the electronic communication system (the last was construed as only covering use that jeopardises the integrity of the system).

The Advocate General found that not merely did Community law permit Member States to prohibit the disclosure of internet traffic data to copyright holders seeking to protect their copyright against infringers sharing files over the internet, but that it actually required such a prohibition to be put in place, implying that Spain had implemented the law correctly. This approach was not followed by the ECJ.

ECJ decision: Community law neither precludes disclosure of personal traffic data in civil matters nor mandates it

The ECJ's judgment on January 29, 2008 disagreed with the Advocate General's literal approach to the Art.15 exceptions in the Privacy Directive and adopted a purposive approach, which had regard to broad principles of Community law. It concluded that there was nothing in the Privacy Directive that prevented Member States from making provision for internet traffic data to be disclosed for the purposes of enabling civil proceedings to be brought. However, at the same time the ECJ noted that no provision of Community law compelled Member States to permit such disclosure. Instead, it was a matter for Member States to implement the various copyright and data protection Directives into national law in such a way as to allow a fair and proportionate balance to be struck between the various fundamental rights protected by the Community legal order.

Comment

The ECJ's judgment is difficult to follow, being couched in terms of proportionality and the balancing of rights rather than engaging with the arguments in the Advocate General's opinion. The ECJ appears to be saying that Community law requires additional exceptions to be "read in" to the Privacy Directive by Member States, in order to preserve the potential for personal traffic data to be disclosed for the civil enforcement of property rights. Member States which have transposed Art.15 of the Privacy Directive literally into national law (like Spain) are left wondering precisely what is expected of them to achieve the balance proposed by the ECJ. This seems likely to result in further references in future.

Although not raised before the ECJ or Advocate General, it could be argued that the names and addresses sought are not "traffic data" but rather "personal data" within the meaning of the Data Protection Directive. This would avoid the difficulties arising from the limited exceptions in the Privacy Directive. As matters stand, the ECJ's finding that personal traffic data may be available to copyright owners for civil proceedings appears to have tipped the balance further in favour of right owners than perhaps the European Union had intended.

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EUROPEAN UNION

Italy

PATENTS
Equivalence

 Equivalence; Infringement; Italy;
Patents

Gridiron v Grigliati
Court of Treviso
April 18, 2007

Facts:

Gridiron is the owner of a European patent claiming a cover-plate with a specific solution that facilitates its lifting when it is necessary to have access to the covered well. The solution consists in a handle permanently incorporated in the cover-plate, which can be pulled out when the cover-plate is to be lifted and then pushed in, once the cover-plate is put back in place. The handle at issue is shown in Figure 1. Gridiron found out that one of its local competitors (Grigliati) manufactured and commercialised a similar handle for cover-plates. This item was the subject matter of

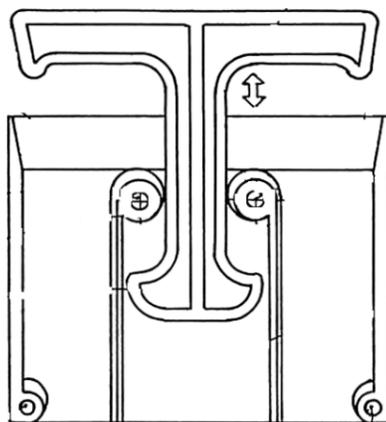


Figure 1 *Gridiron's cover plate and handle*

the patent filed by Grigliati two years after the filing of the Gridiron one. This, too, was a pull-out and push-in solution, the only difference was in the T-shape of the handle (in the Gridiron patent it was permanent and in one single piece, whereas in the Grigliati product it consisted of two parts, one of which was a rotating one, as shown in Figure 2).

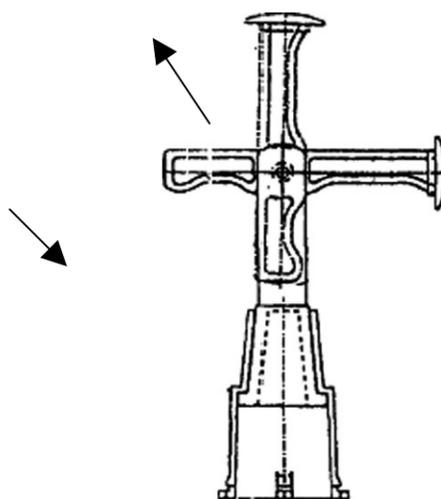


Figure 2 *Grigliati's handle*

Gridiron sued Grigliati in summary proceedings, applying for seizure and injunction, and the defendant filed a counterclaim and asked for a declaration of invalidity of the patent and for the dismissal of the plaintiff's other claims. The Court held for the defendant since the court-appointed expert declared that the Grigliati handle was different from the patented solution.

In the subsequent main proceedings, Gridiron continued challenging both the infringement and the invalidity of the Grigliati patent. The defendant formulated the same claims as in the summary proceedings.

Held:

The Court confirmed its judgment in the summary proceedings. According to the judgment, the plaintiff's patent had not been infringed literally, since the defendant's product contained different characteristics. Moreover, according to the American function-way-result (FWR) approach, these differences could not be considered equivalent to the patented solution. More specifically, the functions of the two solutions are different. Indeed, in the patent it relates to the extraction of the handle from the cover-plate, whereas in the Grigliati product it relates to the creation of the handle (T-shape) already extracted.

The Court therefore decided that there was no infringement of the Gridiron patent and upheld the validity of the Grigliati patent.

Comment:

The judgment here at issue deals with the problem of equivalence, which is more and more often discussed before Italian courts. Generally speaking, two approaches are taken into consideration: the American FWR test and the non-obviousness test (which has its origin in the German *Formstein* decision). In this case, the Court decided to apply only the first approach, but the final decision does not seem to respect this test perfectly from a technical perspective. Actually, the plaintiff's patent is about extracting the handle and about the way it is pulled out of the cover-plate. The same solution is also applied in the defendant's product. The different shape of the handle seems to be an additional element compared to the patented solution. Consequently, in the authors' view, the conclusion should have been that the patent was infringed.

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PATENTS

Torpedo actions

 Declarations of non-infringement; European patents; Italy

Vesuvius Italia SpA v CCPI Inc and Foseco International Ltd
High Court of Milan
March 26, 2007

Facts:

Vesuvius issued a summons in 2005 against CCPI and Foseco asking for a declaration of non-infringement of CPPI's European patent (licensed to Foseco) in both Italy and all the other designated European countries. CPPI and Foseco argued that the Italian Court did not have jurisdiction regarding the non-Italian patent territories.

Held:

The Italian Court declined jurisdiction in respect of the territories outside Italy and ordered the continuation of the case for Italy only. The extra-territorial jurisdiction was not justified under Art.5(3) of Regulation 44/2001.¹ This Regulation concerns the occurrence of a tort rather than the non-occurrence of a tort, but the effect is the same, and a tort has to be established in the territories of the derived national patents.

Particular emphasis is given to the fact that the request of the plaintiff was for a declaration of non-infringement "to the extent that the patent could be valid partially or totally". This was interpreted by the Court as a question concerning the validity of the patent, which matter is left to the court of the various states for which the European patent is designated, according to the decision of the Court of Justice in the *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v Lamellen und Kupplungsbau Beteiligungs KG (LuK)* case.²

Comment:

The Torpedo is an action for declaration of non-infringement of a European patent in multiple jurisdictions. When the action is (correctly) brought in a country with a heavy judicial backlog, and therefore a slow moving legal system, the enforcement of the patent in the other countries may be jeopardised or delayed, in some cases and according to a correct application of the Regulation 44/2001. The Italian Court here again refused to give way to the practice of the Torpedo. However, the final remark concerning the connection between validity and infringement is particularly important. It is possible that, if the requests of the plaintiff were worded differently, the Court would have retained jurisdiction. In particular, if the plaintiff did not challenge either by way of action or counterclaim the validity of the patent, but simply had said that the scope of the patent does not cover his activity, it seems that the Italian Court might well have retained jurisdiction.

¹ Regulation 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2001] OJ L12/1.
² *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v Lamellen und Kupplungsbau Beteiligungs KG (LuK)* (C-4/03) [2006] E.C.R. I-6509.

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UTILITY MODELS

Particular efficiency requirement—damages

 Infringement; Italy; Utility models

GIA v Termosanitaria Amista and Raccorderie Metalliche
Court of Milan
July 13, 2007

Facts:

In 2003 GIA, an Italian company owning several patents in the field of fixing systems for sanitary fittings, filed a petition for summary proceedings against Termosanitaria Amista and Raccorderie Metalliche (RM), producer and retailer, respectively, of fixing systems alleged to infringe GIA's utility model. The Court ordered the seizure of the fixing systems in issue and enjoined the defendants from further using the same.

The fixing system in suit concerned a universal solution for fixing both wall-hanging toilet bowls and bidets, whereas the prior art disclosed the use of different fixing

systems for these two toilet facilities. GIA then introduced a main action before the Court of Milan against the two defendants, asking for the summary judgment to be confirmed and for compensation in the form of damages. GIA also asked the Court to declare that the unauthorised use of the patented fixing system amounted to an act of unfair competition consisting of a slavish imitation of a product. The defendants filed a cross-claim and asked for a declaration of invalidity of the utility model in suit and for the dismissal of all the plaintiff's claims.

Held:

The Court held the GIA utility model valid and infringed. According to the judgment, a utility model must be considered valid if it is new and provides the product it is applied to with efficiency or particular convenience. The defendants did not manage to demonstrate that similar fixing systems (applied both to toilet bowls and bidets) had been manufactured and sold before the filing of the utility model application. The closest prior art dealt with a system that could be applied in such a way only by using a further element with which it was not originally provided. Consequently, the GIA fixing system is particularly efficient (its universal applicability is time-saving and cost-saving at both production and assembly level).

As regards the infringement, the Court dismissed the defendants' argument according to which the different packaging of the product would exclude an infringement. The judgment highlighted that the infringing act regards the structure of the product and not the packaging.

Moreover, the judgment held that no act of slavish imitation has actually been committed by the defendants, as it is absorbed by the utility model infringement, and the characteristics of the products under dispute are merely functional (not protected against slavish imitation).

The Court also ordered damages in the amount of 15 per cent (reasonable royalties, multiplied according to equity) of the defendant's turnover (damages were calculated only with reference to the retailer's turnover as the producer's accounting data had not been disclosed).

Comment:

Two aspects of this decision are worth being highlighted.

The first one deals with the utility model validity requirements and more specifically with the requirement of "particular efficiency or convenience". According to the Supreme Court's case law, this efficiency must be excluded where it is obtained by merely assembling known ideas. The solution must be not only efficient but even "particularly" efficient, which means that it should have an inventive and creative origin (almost as in the case of patents). The problem is still discussed, but the judgment here at issue seems to adopt a less rigid interpretation of this requirement: the solution can simply be more efficient, without being "particularly efficient" (it exists even though the main idea of the solution—universality—was already known).

The second aspect regards the calculation of damages. This is one of the few judgments that have applied a multiple of royalties.

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The Netherlands

PATENTS*Exhaustion of rights*

 Exhaustion of rights; Licensing agreements; Microchips; Mobile telephones; Netherlands; Patents

Nokia Nederland BV and Nokia Corp v
Qualcomm Inc
The Hague District Court
November 14, 2007

Introduction

In a number of legal proceedings between mobile phone manufacturer Nokia and Qualcomm concerning the latter's patents in the field of WCDMA technology, Nokia sought a declaratory ruling that Qualcomm's patent rights were exhausted in view of Qualcomm's cross-licence agreement with Texas Instruments.

The dispute originated after Nokia's licence agreement with Qualcomm expired and Nokia ceased to pay royalties while continuing to use the licensed technology.

Qualcomm filed proceedings against Nokia Corp in Germany and Italy. In Germany, Nokia filed a counterclaim against Qualcomm, aimed at obtaining a declaratory judgment regarding the exhaustion of Qualcomm's patent rights. In its judgment of October 23, 2007, the District Court of Mannheim (Az. 20 72/07) dismissed Nokia's counterclaim.

Dutch proceedings

In the proceedings before the District Court of The Hague, Nokia requested—in short—a declaration that all of Qualcomm's patent rights in relation to the Texas Instruments chips and chipsets incorporated in Nokia's mobile phones were exhausted. Nokia was asking the Dutch court to rule that Qualcomm's patent rights were exhausted not only in the Netherlands but also in other Member States of the European Union and the European Economic Area.

Nokia based its claim that Qualcomm's chipset patents were exhausted on the argument that the chips or chipsets which Nokia bought from Texas Instruments were put on the European market by Texas Instruments with Qualcomm's consent. Therefore Nokia's use of the Texas Instruments chips and chipsets further down the chain, when incorporated in mobile telephones would, according to Nokia, not infringe Qualcomm's patents.

Qualcomm raised several arguments in its defence, including the argument that the District Court of The Hague had no jurisdiction over the matter, in particular concerning the requested "cross-border declaratory judgment of EU exhaustion". In addition, Qualcomm argued that Nokia's allegations were unsubstantiated and its claim should therefore be dismissed.

Cross-border jurisdiction

In respect of jurisdiction, the Court held that it could only issue a declaratory judgment concerning the exhaustion of patent rights in the Netherlands, i.e. for the Dutch parts of Qualcomm's European patents. Nokia submitted that enforcing these patents in the Netherlands would constitute an act of tort in the Netherlands as well as in other European jurisdictions, in view of Qualcomm's alleged consent to the marketing of the Texas Instruments chips incorporated in mobile phones. The Court, however, strictly adhered to established case law that tort-based jurisdiction is limited by the national borders and it could only hear the claims in so far as the Netherlands was concerned.

Dutch court dismisses Nokia's claim as unsubstantiated

Regarding Nokia's allegations concerning the exhaustion of Qualcomm's patents, Qualcomm argued that they were too vague and should be rejected on that ground alone. The District Court concurred with Qualcomm, and characterised Nokia's claim as a typical *Ars Aequi* (a Dutch law student magazine) case study.

More specifically, the Court stated that it was insufficient to describe the subject matter of the requested declaratory judgment as extending to "all patents of Qualcomm which are utilized by these chips", without any reference to patent numbers and without any reference to specific claims. Furthermore, the Court held that Nokia had failed:

- to indicate which particular products incorporating patented features were brought into circulation in the European Union, and the exact configuration of these products, as well as the chips incorporated therein; and
- to specify how the relevant chips operated and to describe their relevant functionality, possibly also in connection with other components such as software, since it was possible that infringement occurred only where the chips were used in a certain configuration or system.

The Court held that without this information it was unable to determine which types of claims in relation to which types of products were exhausted. This is because the question of whether a patent owner has consented may be affected by the type of claim (product or method claims) involved, even assuming that any form of consent could be derived from the Texas Instrument cross-licence at all.

Comment

At first sight, one cannot escape the feeling that Nokia should have been more specific in its allegations. On the other hand, without access to the Texas Instrument cross-licence agreement (an interim motion requesting such access was retracted by Nokia for unknown reasons), as well as for technical reasons, it would be near impossible to provide the level of detail the Court seems to expect. It may be assumed that Nokia would not have in-depth knowledge of all features of the Texas Instruments chips. For strategic reasons, it is also understandable that Nokia did not specify the features of the products it considered to be infringing but exhausted, since this would result in clear exposure to an infringement suit if the exhaustion defence failed.

Under Dutch procedural laws, the outcome could have been different. If Nokia was indeed able to determine that Texas Instruments has a worldwide licence to use Qualcomm's technology and made no reservations in respect of further downstream use, the Court could arguably have shifted the burden of proof to Qualcomm. In other words, it could have required Qualcomm to demonstrate that its consent did not extend to further downstream use, or did not extend to a particular use of the Texas Instruments chips, e.g. when integrated in mobile phone systems or when combined with other features such as third party software. With the stakes this high, it is not entirely satisfactory to expect Nokia to wait for Qualcomm to start infringement proceedings (particularly in the form of Dutch summary proceedings, where it would have a limited time to prepare its defence), only to raise the exhaustion issue in its defence.

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PATENTS
Revised European Patent Convention

 European patents

On December 13, 2007, a new version of the European Patent Convention (EPC), known as EPC 2000, entered into force, along with new implementing rules and examination guidelines.

Patent prosecution

Most of the changes to the EPC concern the procedural aspects of the grant procedure, which will be simplified. Overall, EPC 2000 is expected to make procedures before the EPO quicker, clearer and more efficient (but in some cases also more expensive).

It will be possible to file patent applications in any language, as long as a translation is submitted in one of the EPO's official languages (French, German or English) within two months from the filing date of the application. Applicants will also enjoy greater protection against the inadvertent legal consequences arising from the non-observance of time-limits. Indeed, further processing of the application will become the standard legal remedy when applicants fail to meet a deadline. The requirements to obtain a filing date and to claim priority have also been relaxed. Finally, all contracting states will automatically be deemed designated on the filing date, although any designation may subsequently be withdrawn until the grant of the patent.

In addition to these procedural amendments, the EPC 2000 contains a number of other significant changes, concerning inter alia second medical use claims, the theory of equivalence and centralised limitation and revocation proceedings.

Second medical use

Second medical use inventions concern a new use for a known substance. The new therapeutic application of a previously known substance can, under certain circumstances, be patented.

Under the previous legislation, such inventions had to adopt the so-called Swiss-type claim ("use of product X for the preparation of a drug for the treatment of Y"). The EPC 2000 now allows for more straightforward second medical use claims: "product X for use in the treatment of condition Y".

Theory of equivalence

A patent holder can oppose not only any infringement of its patent where all features of an invention fall within the literal wording of a patent claim, but also any infringement by equivalent means (i.e. by using so-called technically equivalent features).

This theory is now expressly contained in the Protocol on the interpretation of Art.69:

"For the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims."

In its present form, the amendment merely sets forth the theory of equivalence, without determining the criteria. Hence, it will make no difference in those countries where equivalence has been generally accepted and applied. Moreover, in view of its "soft" wording, it will probably not convince other countries, such as the United Kingdom, to adopt a theory of equivalence.

Centralised EPO proceedings to limit or revoke a European patent

Once granted, a European patent constitutes a bundle of parallel national patents. The EPC 2000 introduces a centralised procedure to have a patent limited post-grant

(by an amendment to its claims) or even revoked by the EPO, with effect in all states designated in the patent. Such proceedings may only be initiated at the request of the patent holder and are not available when opposition proceedings are pending against the European patent in question. A limitation or revocation decision will be valid in all states designated in the patent.

Centralised limitation or revocation proceedings before the EPO do not take precedence over national proceedings, in particular revocation proceedings. In the event national proceedings are pending, these can be stayed or continued in accordance with national law.

(Patent) attorney–client privilege

A further change worth noting is the new (patent) attorney–client privilege in the Implementing Regulations. The confidentiality of correspondence between clients and their European patent agents is now guaranteed. The EPC 2000 does not contain any rules on the privilege between patent attorneys and other attorneys, however.

Remarks

While the EPC 2000 provides for a modernised European patent system, further initiatives are needed to improve the system and make it easier to obtain a European patent, especially for small and medium-sized businesses. One such noteworthy initiative is the London Agreement, which was recently ratified by the French Senate and aims to reduce post-grant translation costs.

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PLANT VARIETIES

Infringement and damages

 EC law; Infringement; Measure of damages; Netherlands; Plant varieties

The Hague District Court
January 9, 2008

The District Court in The Hague handed down an interesting decision concerning the enforcement of Community plant variety rights. The owner of such rights claimed monetary compensation in connection with a clear cut infringement, but the question was what can be claimed? The Court referred to the specific rule of Art.94 of Regulation 2100/94¹ (the Community Plant Variety Regulation), namely that someone who commits infringing acts without being entitled to do so may be sued by the holder to enjoin such infringement or to pay reasonable compensation or both. The Court concluded that a reasonable royalty payment can be considered as a reasonable compensation within the meaning of this provision. The question arose whether this is in line with the TRIPS Agreement and with Art.13 of Directive 2004/48² (the Intellectual Property Enforcement Directive) providing that the competent judicial authorities, on application of the injured party, shall order the infringer who “knowingly”, or “with reasonable grounds to know”, engaged in an infringing activity, to pay the right holder damages appropriate to the actual prejudice suffered by him as a result of the infringement and as an alternative to this, they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question. The problem is that the Directive talks about someone who knowingly or with reasonable grounds to know is bound to pay compensation—so what if the infringer was in good faith? Since the IP Enforcement Directive contains minimum harmonisation, the laws may go further. The TRIPS Agreement is not applicable to plant variety rights, so there could be no arguments for calculation drawn from TRIPS. The Court concluded that a company who commits infringing acts even if it is in good faith can be ordered to pay a reasonable compensation in the form of royalties. There is no reason to make a distinction between a company who owns a (good faith) licence and someone who commits acts reserved for the owner of the right and who is also in good faith. In this particular case the infringer was ordered to pay a reasonable royalty equal to the royalty paid by licensees.

¹ Regulation 2100/94 on Community plant variety rights [1994] OJ L227/1.

² Directive 2004/48 on the enforcement of intellectual property rights [2004] OJ L157/45.

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New Zealand

COPYRIGHT

Broadcasting rights —fair dealing exception to copyright infringement

 Broadcasting right; Copyright; Fair dealing; New Zealand; News reporting; Rugby; Television

Media Works NZ Ltd v Sky Television Network Ltd
High Court, Auckland
September 18, 2007
Winkelmann J.
CIV-2007-404-5674

Media Works NZ Ltd, through its subsidiary TVWorks Ltd (TV3) operates the TV3 television channel. TV3 won the tender for exclusive rights to broadcast live telecasts of the 2007 Rugby World Cup matches in New Zealand. Those broadcasts qualify as a copyright work. Under the broadcasting agreement, TV3 was the exclusive licensee of the copyright in those broadcasts.

Sky Television Network Ltd (Sky) operates a competing television channel. Sky used TV3's broadcast footage for certain programmes across different channels. No objection was made to the use by Sky of footage on programmes that were in a pre-existing news format covering sports. However, TV3 sought an interim injunction restraining any use by Sky of the TV3 footage outside particular types of news programmes.

The principal issue in the proceeding was whether Sky's use of the footage falls within the "fair dealing" provision of s.42 of the Copyright Act 1994 (the Act).

Fair dealing in the Act

Section 42(2) of the Act provides that:

"Fair dealing with a [copyright] work for the purposes of reporting current events by means of sound recording, film, broadcast or cable programme does not infringe copyright in the work."

Meaning of "for reporting current events" in the Act

The judge applied the case of *Pro Sieben Media AG v Carlton Television Ltd*¹ and held there was a threshold issue of whether the material was "for the purpose of reporting current events". There was then a second question of whether it was fair dealing. However in less clear cases, the consideration of whether the use of the material is for the purpose of reporting current events and whether something is fair dealing may be considered together as a composite test.

The *Pro Sieben* case also stated that the words "for the purpose of" imposed an objective test and "reporting current events" should be interpreted liberally. The judge considered that it was necessary to look at the whole of the programme and the context in which the footage was used to help determine whether it was reporting current events. The judge rejected Sky's argument that so long as the footage is current and newsworthy, it was reporting current events, irrespective of whether the programme is hard news or entertainment or match reviews.

The judge considered the programmes "The Cup" (a magazine programme), "The Crowd Goes Wild" (discussion of performance and prospects) and "Reunion" (magazine style with reviews of rugby) did not use the footage for the "purpose of reporting current events". Accordingly it did not satisfy the threshold issue. The judge also considered whether the use was "fair dealing".

Fair dealing issue

TV3 said the usage was not fair dealing. TV3 complained that the rate of repetition of TV3 footage on Sky has the potential to confuse the market and weaken the message that TV3 has exclusive rights to broadcasting. Further the use of the footage in magazine format was competing with TV3 audiences.

The judge applied the *Pro Sieben* case principles to determine whether a use amounts to fair dealing including that the "degree to which the challenged use competes with exploitation of copyright by the copyright owner" is a very important consideration. The fact that the broadcaster is a rival is only one factor in fair dealing.

The judge reviewed learned authors and textbooks on the principles around fair dealing. She noted that a user should pay a fee to the copyright owner for use of a copyright work and the effect of the use in the market for the copyright work is relevant for fair dealing.

The judge considered that s.42(2) is an exception to copyright rights and reflected the public interest that allows fair dealing in reporting and allows media organisations to report current events. The judge noted that fair dealing is a question of degree and impression. The length of the excerpts used assists in determining fair dealing.

The judge held that Sky's use of TV3's footage on various programmes was not fair dealing based on the totality of Sky's use including the number of programmes and the rate of repetition. Sky achieved an intense level of broadcasting and eroded TV3's position as exclusive broadcaster of the World Cup.

¹ *Pro Sieben Media AG v Carlton Television Ltd* [1999] 1 W.L.R. 605.

The judge also found Sky's use of the material in the programmes competes with TV3's target magazine format show affecting TV3's investment in those rights.

Sky's coverage went beyond public interest in use of footage in sports news programmes, because the programmes were not news in format, and were not repeated at spaced intervals.

Conclusion

The case was in the form of an application for an interim injunction. The judge accordingly also considered the issues of balance of convenience and overall justice. The judge made orders restricting Sky's use of footage to brief use on news programmes and not to use at less than three-hourly intervals.

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Postscript

Any rugby followers will see the irony in a court case in New Zealand over who got to broadcast Rugby World Cup 2007 matches.