

AIPPI
125 years of balancing
Intellectual Property



For Good's Sake!

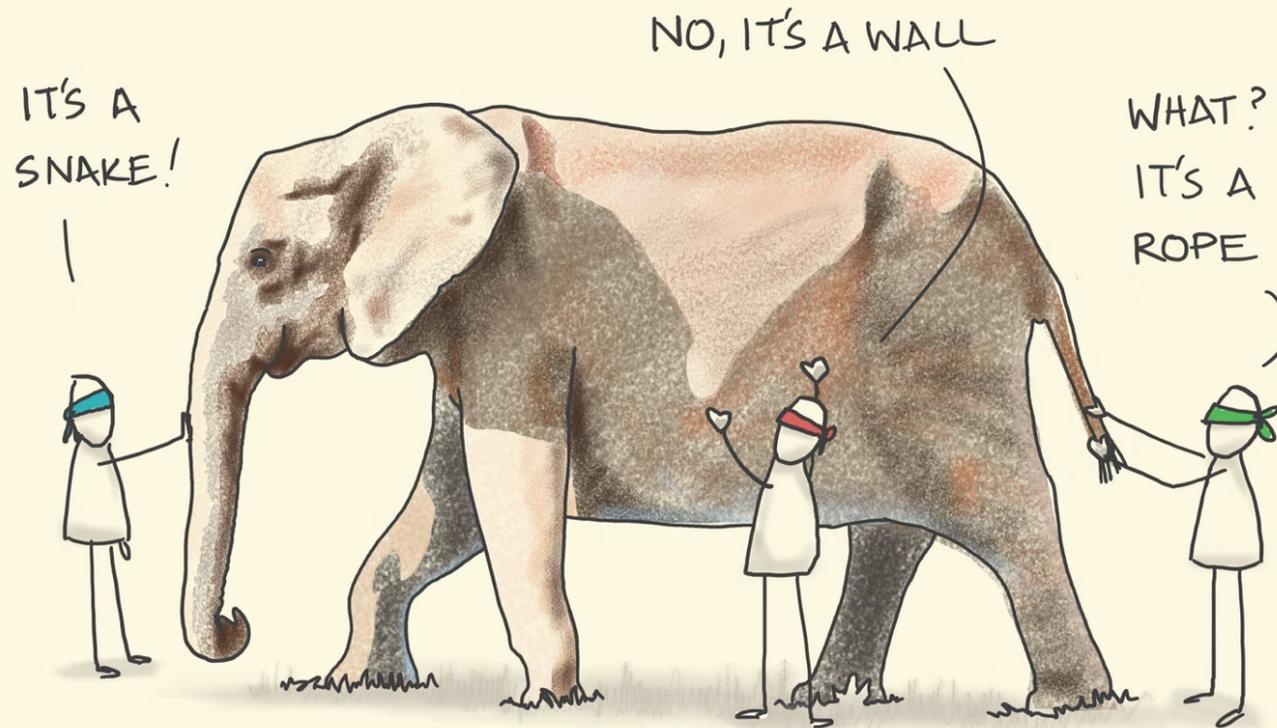
Aligning Function and Property in Trademark, Copyright and Other IP Laws

Julien Cabay

Professor Université Libre de Bruxelles (ULB)

Associate Professor Université de Liège (ULiège)

THE BLIND AND THE ELEPHANT





**COMMON
WELFARE**

Common welfare and IP

*'The protection and enforcement of **intellectual property rights** should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to **social and economic welfare**, and to a balance of rights and obligations.'*

(Article 7, TRIPS Agreement)

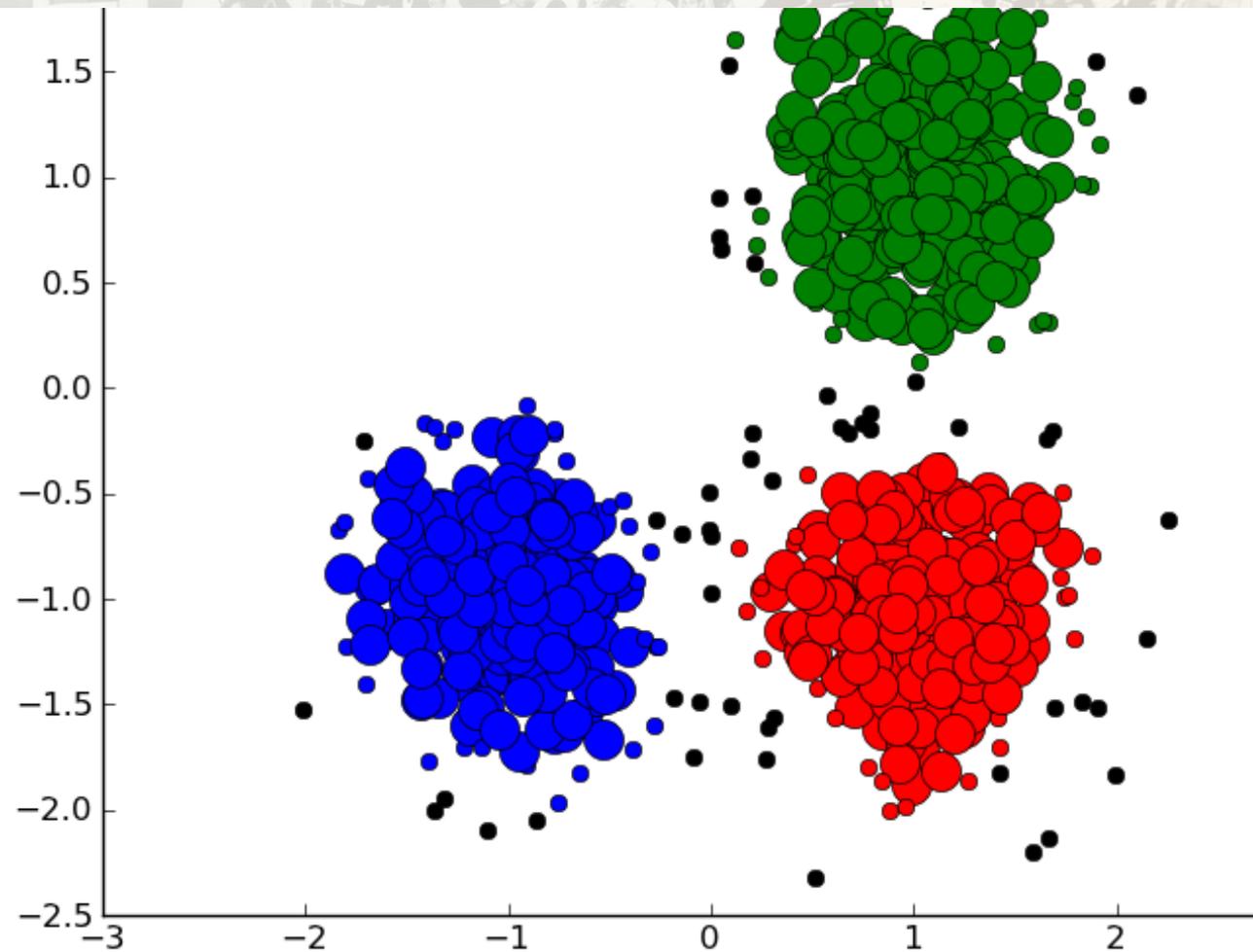
Common welfare and IP

- Enshrined in **utilitarian** justification of IP
 - Incentive to do something => **Function**
 - ‘[The Congress shall have Power . . .] *To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.*’
(Article I, Section 8, Clause 8 US Const.)
 - Exclusive right as an incentive => **Property**
 - ‘Unless there is power to exclude, the incentive to create intellectual property in the first place may be impaired. Socially desirable investments (investments that yield social benefits in excess of their social costs) may be deterred if the creators of intellectual property cannot recoup their sunk costs. That is the dynamic benefit of property rights, and the result is the ‘access versus incentives’ tradeoff: charging a price for a public good reduces access to it (a social cost), making it artificially scarce (Plant’s point), but increases the incentive to create it in the first place, which is a possibly offsetting social benefit.’
(W. M. Landes, R. A. Posner, *The Economic Structure of Intellectual Property Law*, Cambridge (Massachusetts, USA), London, The Belknap Press of Harvard University Press, 2003, pp. 20-21)
- From the **origin** in US and French (EU) Law
 - J. C. Ginsburg, “A Tale of Two Copyrights: Literary Property in Revolutionary France and America”, *64 Tul. L. Rev.* 991 (1990)

Common welfare and IP

- **Function** associated with EU Trademark Law (see CJEU, *Arsenal*, C-206/01)
 - ‘(...) *the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the **consumer** or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin.*
 - *For the trade mark to be able to fulfil its essential role in the system of undistorted **competition** which the Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality*’ (para. 48)
- **Property** associated with EU Copyright Law (see CJEU, *Phil Collins*, C-92/92 and C-326/92)
 - ‘*The specific subject-matter of those rights, as governed by national legislation, is to ensure the protection of the moral and economic rights of their **holders***’ (para. 20)

OWNERS, CONSUMERS, COMPETITORS



Protected interests (Owner)

- **The example of reputation and attribution**
 - Article *6bis* Paris Convention : Well-Known Marks
 - Extended protection, even if no use/registration
 - Article *6bis* Berne Convention : Moral Rights
 - Extended protection, independently and even if transfer of the economic rights

Protected interests (Consumers)

- **The example of the user's perspective**
 - Distinctive, descriptive, generic, deceptive, LOC : the consumer's standpoint
 - *(More details during session 2b)*
 - Excluded protection for private uses
 - Article 5(2)(b) InfoSoc Dir. (private copying exception)
 - Article 3 InfoSoc Dir. (communication to the public)

Protected interests (Competition)

- **The example of functional shapes**

- Article 4(1)(e)(ii) TMD and 7(1)(e)(ii) EUTMR: ‘necessary to obtain a technical result’
 - Excluded protection, not even possible to acquire distinctiveness (see art. 4(4) TMD and 7(3) EUTMR ; CJEU, *Philips*, C-299/99, para. 75)
- CJEU, *Brompton*, C-833/18, para. 31-33 : ‘solely dictated by its technical function’
 - Excluded protection, no originality despite ‘possibility of choice as to the shape’

Balance of protected interests

- **The example of exhaustion**

- CJEU, *Viking Gas*, C-46/10, para. 31

- 'In those circumstances, a **balance** must be struck between, on the one hand, the legitimate interest on the part of the licensee of the right to the trade mark constituted by the shape of the composite bottle and the **proprietor of the marks** affixed to that bottle in profiting from the rights attached to those marks and, on the other, the legitimate interests of **purchasers** of those bottles, in particular the interest in fully enjoying their property rights in those bottles, and the general interest in maintaining **undistorted competition**.'*

- Comp. CJEU, *UsedSoft*, C-128/11



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INNER BALANCE

IP inner balance (Subject matter)

Trademark	Copyright
<ul style="list-style-type: none">• Signs capable of distinguishing (art. 3 TMD ; 4 EUTMR)	<ul style="list-style-type: none">• Literary and artistic works that are original (art. 2 Berne Convention)

⇒ **Rationale: functions of TM and Copyright (Consumer/Competition vs. Owner)**

'(...) It is apparent from the wording of [Article 17(2) of the Charter of Fundamental Rights] that subject matter constituting intellectual property qualifies for protection under EU law. However, it does not follow that such subject matter or categories of subject matter must all qualify for the same protection (...)' (CJEU, Cofemel, C-683/17, para. 37-38)

IP inner balance (Substantive requirements)

Trademark	Copyright
<ul style="list-style-type: none"> Absolute grounds for refusal (art. 4 TMD ; 7 EUTMR) 	<ul style="list-style-type: none"> Expression of the intellectual creation of the author (CJEU, <i>Infopaq</i>, C-5/08)

⇒ Rationale : ‘need to keep free’ and innovation

(...) Protecting ideas by copyright would amount to making it possible to monopolise ideas, to the detriment, in particular, of technical progress and industrial development (...) (CJEU, *Brompton*, C-833/18, para. 27 ; CJEU, *Philips*, C-299/99, para. 80)

IP inner balance ('Formal' requirements)

Trademark	Copyright
<ul style="list-style-type: none"> • Sign that can be represented in the register ('clear, precise, self-contained, easily accessible, intelligible, durable and objective') (recital 10 EUTMR, 13 TMD) (CJEU, <i>Sieckman</i>, C-273/00, para. 55) 	<ul style="list-style-type: none"> • Expression 'in a manner which makes [the subject matter] identifiable with sufficient precision and objectivity' (CJEU, <i>Levola</i>, C-310/17, para. 40)

⇒ **Rationale: legal certainty**

'(...) the authorities responsible for ensuring that the exclusive rights inherent in copyright are protected must be able to identify, clearly and precisely, the subject matter so protected. The same is true for individuals, in particular economic operators, who must be able to identify, clearly and precisely, what is the subject matter of protection which third parties, especially competitors, enjoy (...)' (Levola, para. 41 ; Sieckman, para. 50-51)

IP inner balance (Infringement test)

Trademark	Copyright
<ul style="list-style-type: none"> Likelihood of confusion, from the perspective of the average consumer 	<ul style="list-style-type: none"> Copying of original elements

⇒ **Rationale: respective function**

'(...) Copyright protects a specific work, as opposed to a work which has such a visual aspect. (...) under copyright, where parallel creation, provided that it is original, is both lawful and enjoys full protection as a separate work. The same is true of a creation inspired by earlier works. To the extent that that creation does not constitute an unauthorised reproduction of original elements of another's work, the question of copyright infringement does not arise, irrespective of whether the overall [visual] impression is different.' (Opinion Adv. Gen. Szpunar, Cofemel, C-683/17, para. 64 ; see *supra* 'essential function' of TM)

IP inner balance (Rights)

Trademark

- Use in the course of trade (art. 10 TMD ; 9 EUTMR)

Copyright

- Communication to the public (art. 3 InfoSoc Dir.)

⇒ **Rationale: economically relevant (//not private) uses**

'(...) The use of a sign identical with a trade mark constitutes use in the course of trade where it occurs in the context of commercial activity with a view to economic advantage and not as a private matter' (CJEU, Google France, C-236/08 to C-238/08, para. 50)

'(...) the concept of public encompasses a certain de minimis threshold, which excludes from the concept groups of persons which are too small, or insignificant' (CJEU, SCF, C-135/10, para. 86)

IP inner balance (Exceptions)

Trademark	Copyright
<ul style="list-style-type: none"> • Limitations of the effects of a TM (art. 14 TMD ; 14 EUTMR), including use ‘for the purpose of artistic expression’ (recital 27 TMD ; 21 EUTMR) 	<ul style="list-style-type: none"> • Exceptions (e.g. art. 5 InfoSoc), for example use ‘for the purpose of caricature, parody or pastiche (5(3)(k))

⇒ **Rationale: freedom of expression and the arts**

‘(...) legitimate is (...) the use which, in the 1960s, Andy Warhol made of the Campbell brand of soup in several of his paintings, from which, obviously, he obtained an economic benefit. A radical conception of the scope of the rights of the proprietor of the trade mark could have deprived contemporary art of some eminently expressive pictures, an important manifestation of pop art (...)’ (Opinion Adv. Gen. Colomer, Arsenal, C-206/01, para. 63 ; see also CJEU, Deckmyn, C-201/13)

IP inner balance (Duration)

Trademark	Copyright
<ul style="list-style-type: none"> • 10 years renewable (art. 52 EUTMR ; 48 TMD) but limitations if no genuine use/ acquiescence for 5 years (art. 18 and 61 EUTMR ; 9 and 16 TMD) or genericism (art. 58(1)(b) EUTMR ; 20 TMD) 	<ul style="list-style-type: none"> • Life of the author + 70 years (art. 1 Dir. 2006/116)

⇒ **Rationale: public domain**

‘The lapse of copyright protection also serves the principles of legal certainty and protection of legitimate expectations, by providing a pre-determined time frame after which anyone can draw from ideas and creative content of others without limitation (...) it is essential that the term of protection for trade marks is, in principle, indefinite, provided that the mark is renewed every ten years. A temporal limitation would render it impossible for a consumer to rely on a trade mark as a source of origin as competitors could easily draw on the repute of the mark, established through the temporary exclusive link of an undertaking with its mark.’ (EFTA Court, Vigeland, E-5/16, paras. 65, 68)

IP inner balance (Systematic of IP Right)

Registered Community Design	Unregistered Community Design
<ul style="list-style-type: none"> • Exclusive right to prevent use of the design (art. 19(1) EUCDR) • 25 years (maximum) (art. 12 EUCDR) 	<ul style="list-style-type: none"> • Exclusive right to prevent use resulting from copying the design /independent creation defence (art. 19(2) EUCDR) • 3 years (art. 11(1) EUCDR)
= Greater scope of protection and longer duration for RCD	

⇒ **Rationale: registration gives greater legal certainty** (cf. Opinion Adv. Gen. Saugmandsgaard \emptyset e, *Ferrari*, C-123/20, para. 77-79)

IP inner balance (Systematic of IP Law)

Trademark	Design	Copyright
CJEU, <i>Philips</i> , C-299/99 ; <i>Lego</i> , C-48/09 P	CJEU, <i>Doceram</i> , C-395/16	CJEU, <i>Brompton</i> , C-833/18
= General rejection of the multiplicity of forms theory (IP limitation on functional shapes)		

⇒ **Rationale: protection for that type of innovation to be sought in patent law (stronger requirements, shorter duration)**

'(...) if the existence of alternative (...) fulfilling the same function as that of the product concerned was sufficient (...) a single economic operator would be able to obtain several registrations (...) of different possible forms of a product incorporating features of appearance of that product which are exclusively dictated by its technical function. That would enable such an operator to benefit, with regard to such a product, from exclusive protection which is, in practice, equivalent to that offered by a patent, but without being subject to the conditions applicable for obtaining the latter, which would prevent competitors offering a product incorporating certain functional features or limit the possible technical solutions' (Doceram, para. 30)



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CHALLENGES



The digital challenge to the inner balance

- Challenging the Copying feature

*(...) digital technologies also change how [Read/Write] culture and copyright interact. **Because every use of creative work technically produces a copy, every use of creative work technically triggers copyright law.** (...) This is the most important point to recognize about the relationship between the law and RW culture. For the first time, the law reaches and regulates this culture. Not because Congress deliberated and decided that this form of creativity needed regulation, but simply because **the architecture of copyright law interacted with the architecture of digital technology to produce a massive expansion in the reach of the law.***

(L. Lessig, *Remix – Making Art and Commerce Thrive in the Hybrid Economy*, 2008, p. 103)

The AI challenge to the inner balance

▪ Challenging the Human feature

– Patent and Disclosure

- *'AI often performs its processes in a "black box" which humans cannot understand to the fullest extent due to the different approach that machines take towards solving a problem. This makes it very **difficult for an applicant to fulfil the disclosure requirement** if he is not able to explain how the invention works so that the technical solution can be re-worked on the basis of the specifications in the patent'*

(Report *Trends and Developments in Artificial Intelligence – Challenges to the Intellectual Property Rights Framework* (2020))

– Copyright/Design and Constraints

- *'AI-generation of new creation based on a training set can be **unleashed** with little marginal costs, and can explore any kind of combinations and variations'*

(Sartor, Lagioia, Contissa (2018), "The use of copyrighted works by AI Systems: Art works in the data mill", available at SSRN)

– Trademark and Similarities

- *Earlier-generation image search tools primarily determine trademark image similarity by identifying shapes and colors in marks. WIPO's new AI-based technology improves on this technology by **using deep machine learning to identify combinations of concepts** – such as an apple, an eagle, a tree, a crown, a car, a star – **within an image to find similar marks that have previously been registered'** (WIPO Image search Tool (2019))*



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(RE)BALANCING

Balancing IP and Competition Law

▪ IP through the lens of Competition Law

- Competition rules (art. 101 TFEU) (**anti-competitive agreements**)
 - Cf. CJEU, *Consten and Grundig v. Commission*, cases 56/64 and 58/64
- Free movement of goods (art. 34 and 36 TFEU) (**exhaustion rule**)
 - Cf. CJEU, *Deutsche Grammophon v. Metro*, case 78/70 (para. 11):
‘Amongst the prohibitions or restrictions on the free movement of goods which it concedes Article 36 refers to industrial and commercial property. On the assumption that those provisions may be relevant to a right related to copyright, it is nevertheless clear from that article that, although the Treaty does not affect the existence of rights recognized by the legislation of a Member State with regard to industrial and commercial property, the exercise of such rights may nevertheless fall within the prohibitions laid down by the Treaty. Although it permits prohibitions or restrictions on the free movement of products, which are justified for the purpose of protecting industrial and commercial property, Article 36 only admits derogations from that freedom to the extent to which they are justified for the purpose of safeguarding rights which constitute the specific subject-matter of such property’
- Competition rules (art. 102 TFEU) (**abusive refusal to licence**)
 - Cf. CJEU, *Magil*, C-241/91 P and C 242/91 P ; *IMS Health*, C-418/01

Balancing IP and Fundamental Rights

- IP through the lens of Fundamental Rights

- Topical example : article 17 DSM Dir. (*see* CJEU, *Poland v. Parliament & Council*, C-401/19)

Charter Fundamental Rights EU	Article 17 DSM Directive
Protection of personal data (8)	<ul style="list-style-type: none"> - No general monitoring obligation (8) - No identification of individual users / processing of personal data, except in accordance with GDPR <i>e.a.</i> (9)
Freedom of expression and information (11) Freedom of the arts and sciences (13)	<ul style="list-style-type: none"> - Authorisation OCSSP shall also cover acts carried out by users (2) - No prevention of legitimate uses, including copyrihgt exceptions (7)
Freedom to conduct a business (16)	<ul style="list-style-type: none"> - Taking into account features of service, availability/costs means (5) - Taking into account market position (6)
Intellectual property (17(2))	<ul style="list-style-type: none"> - Extension communication to the public right (1)
Right to an effective remedy (47)	<ul style="list-style-type: none"> - Complaint and redress mechanism (9)

Balancing IP and Fundamental Rights

- **Fundamental Rights at the CJEU level**

- Applicability of the Charter

- CJUE, *Fransson*, C-617/10, para. 21 : *‘Since the fundamental rights guaranteed by the Charter must therefore be complied with where national legislation falls within the scope of European Union law, situations cannot exist which are covered in that way by European Union law without those fundamental rights being applicable. **The applicability of European Union law entails applicability of the fundamental rights guaranteed by the Charter.**’*

- Interpretation of the Charter

- CJEU, *Promusicae*, C-275/06, para. 65-68 : *‘reconcile the requirements of the protection of different fundamental rights’ => ‘fair balance’*

Balancing IP and Fundamental Rights

- **The case of Copyright at the CJEU level**

- From enforcement to substantive law

- CJEU, *Constantin Film*, C-264/19, para. 37: '**Directive 2004/48** is intended to establish a **fair balance** between (...)'
- CJEU, *GS Media*, C-160/15, para. 31: '(...) harmonisation effected by [**Directive 2001/29**] is to maintain, in particular in the electronic environment, a **fair balance** between (...)'

- From external to internal balance

- CJEU, *Spiegel Online*, C-516/17, para. 43 ; *Funke Medien*, C-469/17, para. 58 ; *Pelham*, C-476/17, para. 60 : '(...) **The mechanisms allowing those different rights and interests to be balanced are contained in Directive 2001/29 itself, (...)**'

Balancing IP and Fundamental Rights

- **The case of Trademark at the CJEU level**

- From function to property

- CJEU, *Planta Tabak-Manufaktur*, C-220/17, para. 94 : ‘the right to **property** is not an absolute right and must be viewed in relation to its **social function**’
 - CJEU, *Constantin Film v. EUIPO*, C-240/18 P, para. 56 : ‘(...) contrary to the General Court’s finding (...) that ‘there is, in the field of art, culture and literature, a constant concern to preserve freedom of expression which does not exist in the field of trade marks’, freedom of expression, enshrined in Article 11 of the **Charter of Fundamental Rights of the European Union**, must (...) be taken into account when applying Article 7(1)(f) of Regulation No 207/2009’

Balancing IP and Fundamental Rights

- The case of Neighbouring Rights at the CJEU level

- Aligning function and property

- CJEU, *Pelham*, C-476/17, para. 37-38 :

*(...) to regard a sample taken from a phonogram and used in a new work in a modified form **unrecognisable to the ear** for the purposes of a distinct artistic creation, **as constituting 'reproduction'** of that phonogram (...) **would also fail to meet the requirement of a fair balance** set out in paragraph 32 above.*

*In particular, such an interpretation would allow the phonogram producer to prevent another person from taking a sound sample, even if very short, from his or her phonogram for the purposes of artistic creation in such a case, despite the fact that **such sampling would not interfere with the opportunity which the producer has of realising satisfactory returns on his or her investment.***

Balancing IP and Fundamental Rights

- **The case of Patent at the CJEU level**
 - Bringing together IP, Competition Law and Fundamental Rights
 - CJEU, *Huawei*, C-170/13, para. 42

*‘For the purpose of providing an answer to the referring court and in assessing the lawfulness of such an action for infringement brought by the proprietor of an SEP against an infringer with which no licensing agreement has been concluded, the Court must strike a **balance** between maintaining **free competition** — in respect of which primary law and, in particular, Article **102 TFEU** prohibit abuses of a dominant position — and the requirement to safeguard that proprietor’s **intellectual-property rights and its right to effective judicial protection**, guaranteed by Article **17(2)** and Article **47** of the **Charter**, respectively.’*

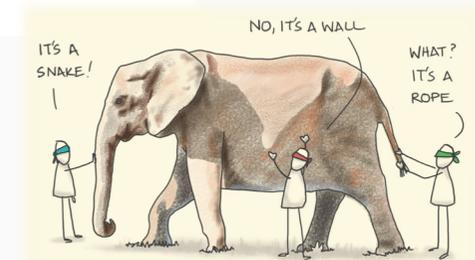
Cf. Opinion Adv. Gen. Wathelet and ref. CJEU, *UPC Telekabel*, C-314/12 and article **16 Charter** (freedom to conduct business)

CONCLUSION

**BACK
TO
THE FUTURE™**

Common Welfare and IP: Back to the Future

- IP always been ready to face many of the issues, through Function and Property
- Current trend at CJEU level to aligning Function and Property to strike an internal balance
- Fundamental Rights methodology is sound, assuming Fair Balance equals Common Welfare
- Challenges:
 - Judges : exploring the function of IP
 - Legislator : ‘evidenced based’ property
 - Int’l Community : *(...) overcome the flaw assumption that a system that empowers the few can be good for all’*
(cf. R. L. Okediji, “Does Intellectual Property Need Human Rights?”, 51 *N.Y.U. J. Int’l L. & Pol.* 1 (2018), 6)



THANK YOU

julien.cabay@ulb.be

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