

## **CHAPTER-2**

### **INTELLECTUAL PROPERTY RIGHT**

#### **2.0 INTRODUCTION**

Intellectually or artistically gifted people have the right to prevent the unauthorized use or sale of their creations, just the same as owners of physical property, such as cars, buildings, and stores. Intellectual property refers to the intangible items that are produced or created as products, processes, expressions, marks, or nonpublic information.<sup>1</sup> For example, patents, trademarks, copyrights, and trade secrets are some of the forms of IPR.<sup>2</sup> Intellectual property rights are legal rights given by the State to the inventor/creator to protect his invention/creation for a certain period of time. These legal rights grant an exclusive right to the inventor/creator or his assignee to utilize his invention/creation, for a given period of time. It allows the creator, or owner, of a patent, trademark, or copyright to benefit from his or her own work or investment. These rights are outlined in Article 27 of the Universal Declaration of Human Rights, which sets forth the right to benefit from the protection of moral and material interests resulting from authorship of any scientific, literary, or artistic production. The importance of intellectual property was first recognized in the Paris Convention for the Protection of Industrial Property in 1883 and the Berne Convention for the Protection of Literary and Artistic Works in 1886. Both treaties are administered by the World Intellectual Property Organization (WIPO).

#### **2.1 HISTORICAL DEVELOPMENT**

During the last four centuries, intellectual property rights have changed from feudal power to people's private rights. Today, it is undeniable that the revolution brought by IPR not only has expanded the traditional content of property rights system, led to the intellectual property system became the world's most important property rights system, but also made a profound impact on mankind in the 21st century. With the development of new

technologies and human cognitive ability, to balance the private rights and public interests, the intellectual property system has always encountered challenges and controversy. Intellectual property rights were a general term for human rights for the results of their intellectual and creative production. Thus, it is a collection of concepts and covers copyright, patents, trademarks. In different countries, intellectual property rights cover slightly different contents. As a social system promoting innovation, the intellectual property right was established in the Western countries first, and later has been constituted in the rest of the world.

### **2.3 THE EARLY STAGE OF THE INTELLECTUAL PROPERTY SYSTEM**

The term “intellectual property” can potentially be glimpsed in early Jewish law. According to Schneider<sup>3</sup> Jewish laws included several considerations whose effects were similar to those of modern intellectual property laws, although the notion of intellectual creations as property did not seem to exist notably in the principle of Hasagat Ge’vul (unfair encroachment) until the 16th century. Gupte<sup>4</sup> mentioned that it contained the prohibitions against certain mental crimes (further elaborated in the Shulchan Aruch), notably Geneivat da’at (mind theft), which some have interpreted as prohibiting theft of ideas, though the doctrine was principally concerned with fraud and deception, not property. Section 1 of the French Law of 1791 stated, “all new discoveries are the property of the author; to assure the inventor the property and temporary enjoyment of his discovery, there shall be delivered to him a patent for five, ten or fifteen years” .<sup>5</sup> The concept of intellectual property made its first appearance after the French revolution: in an 1818 collection of writings, the French liberal theorist, Benjamin Constant, argued against the recently-introduced idea of “property which has been called intellectual.”

Patents began as instruments for attracting and introducing new products, technologies and techniques in European countries. While looking at the old patents granted by some of the countries it is found that they were just a

replication of the technologies available elsewhere. Artisans were invited from one country to the other and given special rights, amongst them being the exclusive right to exploit the technology. The laws and administrative procedures related to intellectual property rights had their roots in Europe.

During this period of introducing new art and technologies a thought process slowly started taking root, on the question of disclosing secrets of the art or craft or technologies. It really did not matter whether the inventor was from the same land or from a foreign country. In the early 13th century, the King of Britain granted a license to the inventors. The Republic of Venice city constituted the first world's patent law in 1474. Soon after, the wave of the industrial revolution swept through the whole of Europe. Some countries then established a national patent system. The United States established the principle of protection of proprietary technology in their Constitution and made patent protection constitutional right.

The rights of literary works involving published works were not protected until the advent of printing machines,<sup>6</sup> which made copying of literary works much easier. Otherwise someone would have to write the complete manuscript for making a copy, which from commercial angle, was not profitable. From the beginning copyright laws have been designed more by the economics of publication than by the economics of authorship. The first known copyrights appeared in Italy. The craft of printing was introduced in Rome and Venice by the end of 1460s. A number of privileges were allowed by “Venice” in terms of import of franchise, exclusive licenses to print or sell an entire class of books, prohibition of import of books printed abroad and patents for the improvement of printing and typography. As the focus was on printing books in public domain (such as the Bible), the rights of authorship were not considered important. Copyrights had the same colour with a strong monarchical power. Before the birth of the copyright system, various countries have had long-standing system of printing privileges. According to this franchise system, the king can grant a printed right to license the printer rather than the copyright

owners. In 1709, Britain built the first modern copyright law - "The Queen Anne Act." It was followed by, the United Kingdom, France and Germany establishing their copyright systems respectively.<sup>7</sup>

Under the influence of these countries as a pioneer, the copyright system has been gradually accepted by Governments .Such cases were very few and copyrights were by and large issued to the publishers for works written by others. This is an interesting aspect of copyright. During the last few centuries, the emphasis of ownership shifted from that of publisher to creator / author of the work. With the advent of digital technologies and new forms of works being created, especially for internet purposes, publishers' stakes seem to be increasing each day as the quality of replication and ease of replication have become extremely simple. The publisher lobby is therefore seeking new treaties such as the Data Protection Treaty, for protecting their investments. It may become a case of the old order taking over the new order because technological inputs have brought about a major shift in the publishing business. "Venice" can be considered the cradle of intellectual property system as most legal thinking in this area was done here and laws and systems were made here for the first time in the world, and other countries followed them. Scholars feel that the first general copyright law in the world came in the form of a decree issued by the Venice Council around 1545, which prohibited the printing of any work without the permission of the author. No steps were apparently taken to maintain a register for the copyrighted works. Similar laws also came into being in other European countries. Each country introduced an element of censorship to exclude from publication, material that was considered unacceptable by the society. It is also important to realize that the laws were applicable to printing and publishing of material generated within the country. There were practically no laws which prohibited publishing and printing of books, pamphlets etc. which were imported into the country. Obviously, the element of international obligation, which is becoming so pervasive and important in the present day IPR system, was completely missing. The character of IP management in countries has undergone a

metamorphosis ever since the borders and barriers to global trade and commerce started becoming less rigid, which perhaps was driven if not consciously then unconsciously, by the spirit of promoting fair competition and attaching due honour to, let us say, the creators of knowledge. The process is an ongoing one, as more and more countries become a part of the international trade and new variables get introduced in international relations.

## **2.4 MODERN DEVELOPMENT**

The framework of the intellectual property system which included copyright, patent and trademark rights as the main modules took a long period of time to be has established. Many countries accepted a variety of forms of intellectual property rights in different attitudes and progress. At the same time, new types of intellectual property rights have and continue to be gradually integrated into the system of intellectual property rights. All these developments demonstrate that the historical development of the intellectual property system has entered a stage of steady development.

The term intellectual property was found to be used in the October 1845 Massachusetts Circuit Court ruling in a patent case by Davoll et al. v. Brown<sup>8</sup> in which Justice Charles L. Woodbury wrote that “only in this way can we protect intellectual property, the labors of the mind, productions and interests are as much a man’s own...as the wheat he cultivates, or the flocks he rears.” By the end of 1880’s of the twentieth century, the new wave of civil legislation began to rise. Many countries tried to develop the Code of intellectual property or integrate intellectual property law into the Civil Code. These activities set off a wave of codification of intellectual property rights.

The modern use of the term intellectual property as a common descriptor of the field probably traces to the foundation of the WIPO by the United Nations. It did not enter popular usage however until passage of the Bayh-Dole Act in 1980<sup>9</sup>. As nations move toward a global information economy, governments are responsible for ensuring that IPR conforms to the challenges imposed by information technology and the digital media,<sup>10</sup> under such economic and

juristic influence, IPR and other relative notions will be developed and completed continuously among companies and nations.

Trade and commerce have emerged to be the major deterministic factor for achieving the above goals. Pressures of globalization or internationalization were not intense during 1950s to 1980s, and many countries, including India, were able to manage without practicing a strong system of intellectual property rights. Globalisation driven by chemical, pharmaceutical, electronic and IT industries has resulted into large investments in R&D. This process is characterized by reduction in the time of product cycle and high risk of reverse engineering by competitors. Industries came to realize that trade secrets were not adequate to guard a technology. It was difficult to reap the benefits of innovations unless uniform laws and rules of patents, trademarks, copyright etc existed. That is how intellectual property rights became an important constituent of the World Trade Organization.

## **2.5 THE CONCEPT OF INTELLECTUAL PROPERTY**

The concept of intellectual property refers to ownership rights, for e.g. to a particular invention, a set of scientific research results, the written text and increasingly so today, electronic versions of these. The concept of intellectual property (IP) will be understood better if we understand what is meant by the term property. To a lay mind, property means some material object belonging to a particular person. The concept of ownership is critical to the concept of property. Ownership means the right to possess, use and dispose of the property as desired by the owner, to exclude the others. If a society does not recognize ownership, it will not have the concept of a property. In the legal sense, property refers to the bundle of rights that the law confers on a person by virtue of the ownership and possession of an object. However, a material object under one's possession may not amount to much as property if it does not become a resource to satisfy some human want or need. By exertion of his intellect, either in the form of ideas or technology, man converts a natural resource into something of utility, making it an item of property. Two factors significantly

influence the value of an object as property. The first is scarcity, which refers to its availability in relation to the need. The scarcity of a thing in relation to the demand for it, the higher is its value. The second important factor influencing the value of an object is the knowledge of its use or uses. The higher the value of an object, the more zealously it is guarded as a property. These rights deal with various aspects of the relationship between man and his property, such as: ownership and possession; use and enjoyment of the fruits of the application of property; exclusion of others from use and application of the property; and transfer of rights of the property.

### **2.5.1 Definitions**

Intellectual property comprises an interrelated set of legal regimes protecting economic and in some contexts personal interests in inventions, information, and works of authorship, images, symbols, and sound recordings. Intellectual property law principally embodies utilitarian precepts such as promoting technological innovations and creative expression. The term ‘IP’ (Intellectual Property) has been given official recognition by the international community with the establishment of World Intellectual Property Organization (WIPO), one of the 16 specialized agencies of United Nations.

According to WIPO, “intellectual property means the legal rights which originated from intellectual activity in the industrial, scientific, literary and artistic fields”.<sup>11</sup> Intellectual property law aims at safeguarding creators and other producers of intellectual goods and services by granting them certain time-limit to control the use made of those productions. Those rights do not apply to the physical object in which the creation may be embodied but instead to the intellectual creation as such. Intellectual property is traditionally divided into two branches, “Industrial Property” and “Copyright.” WIPO concluded in Stockholm on July 14, 1967 that intellectual property shall include rights relating to (1) literary, artistic and scientific works, (2) performances of performing artists, phonograms and broadcasts, (3) inventions in all fields of human endeavor, (4) scientific discoveries, (5) industrial designs, (6)

trademarks, service marks and commercial names and designations, (7) protection against unfair competition, and (8) all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields (WIPO, 2004, viii).

Tom Palmer<sup>12</sup> puts it this way: “Intellectual property rights are rights in ideal objects, which are distinguished from the material substrata in which they are instantiated.”

Intellectual property (IP): IP is considered to be “a work or invention that is the result of creativity, such as a manuscript or a design, to which one has rights and for which one may apply for a patent, copyright, trademark, etc.”<sup>13</sup>

The Business Dictionary (2009)<sup>14</sup> defines IP as “documented or undocumented [human] knowledge ... that have commercial value and are protectable under copyright, patent, ... trademark, or trade secret laws , infringement, and dilution”. Cook<sup>15</sup> traces the term back to the Enlightenment period when people started to realise that knowledge was created by them rather than through celestial disclosure, as suggested in several historical texts.

### **2.5.2 Rationale of Intellectual Property Rights**

The conventional rationale for the IP system is that it rewards creativity and innovation by giving protection, through a system of national and international rules to inventors for a specified period of time. It is necessary to provide incentives and financing for innovation and creation, which in turn lead to economic, cultural and social progress. Protection for intellectual property also encourages the production and dissemination of knowledge and a wide range of quality goods and services. Intellectual property rights add value for consumers and can provide a guarantee of source and quality. Intellectual property protection contributes to economic growth in both developed and developing countries by stimulating innovation, cultural diversity and technical development as part of a larger policy framework. Properly used, intellectual property rights can also be key tools for the alleviation of poverty through

trade. The immense adverse economic and social impact of intellectual property theft requires that combating counterfeiting and piracy become a priority for society, and not just right holders. Unless governments, businesses and citizens make a coordinated effort to uphold the intellectual property system, society will not reap its benefits.

Thus IPR aids the economic development of a country by promoting healthy competition and encouraging industrial development and economic growth. A spurt in interest about intellectual property rights (IPR) has been visible in the country for almost the last 15 years. The recent interest started with a curiosity and an element of apprehension but it has now graduated to a need-based compulsion and desire to understand the new form introduced with the formation of the World Trade Organization (WTO)<sup>16</sup> and the introduction of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)<sup>17</sup> With the opening up of trade in goods and services, the IPRs have become more susceptible to infringement without adequate return to the creators of knowledge. There has been a quantum jump in Research and Development (R&D) costs with an associated jump in investments required for putting a new technology in the market place. The stakes of the developers of technology have become very high and hence the need to protect the knowledge from unlawful use has become expedient, at least for a period, that would ensure recovery of the R&D and other associated costs and adequate profits for continuous investments in R&D. Globalization, multilateral trade and new economic order are continuously reducing the geographical barriers to trade rendering the global trade very complex. IPRs become important parameters influencing trade. Therefore, one expects that a large number of IP rights would be generated and protected all over the world including India and USA.

### **2.5.3 Protection offered under IPR laws**

Intellectual property rights as a collective term sought for a variety of intellectual efforts includes the following independent IP rights.<sup>18</sup>

- Patents (Patents Act),
- Industrial designs (Designs Act) relates to features of any shape, configuration, surface pattern, composition of lines and colors applied to an article whether 2-D e.g. textile or 3-D e.g. toothbrush,
- Trademarks (Trademark Act) relates to any mark, name or logo under which trade is conducted for any product or service and by which the manufacturer or the service provider is identified,
- Copyright (Copyright Act) relates to expression of ideas in material form and includes Literary, Musical, Dramatic, Artistic, Cinematography work, audio tapes & computer software
- Geographical Indications (Geographical Indications of Goods Act) are indications, which identify a good as originating in the territory of a country or a region or locality in that territory where a given quality, reputation or other characteristic of the goods is essentially attributable to its geographical origin.
- Undisclosed Information/ Confidential Information/ Trade secrets (under Common Law in India),
- Plant breeding (the Protection of Plant Varieties and Farmers Rights Act) and
- Integrated Circuit layout designs (Semiconductor Layout Designs Act).
- Genetic resources, and traditional knowledge and folklore have made strong claims for protection as IP. Galloping advances in the realm of Internet and convergence may be the harbinger of new forms of IP.

These are different forms of IPR, each being independent of the other and governed by a separate law. Their mutual exclusiveness and independence can be gauged by the fact that it is possible to protect different aspects of an original or inventive work with different rights.

IPRs are provided by a country and most of the rights are territorial in nature. Like any other property IPR can be transferred, sold or gifted. One of the main underlying principles of IPR is that protection is not given for what is already known in the public domain. IPR are meant to benefit creators of work, inventions and designs. These rights are granted for a limited period of time, except that in the case of trademark, the protection period could be extended indefinitely by a process of renewal. IPR are monopoly rights and thus prohibit unauthorized use of the protected work/invention. The State expects that the invention should be made public for use by others after the rights have expired or during the period of protection with proper authorization from the right holder.

## **2.6 TYPES OF INTELLECTUAL PROPERTY RIGHTS**

### **2.6.1 PATENTS**

Patent system was designed to encourage the disclosure of information to public by rewarding inventors for their endeavors. One might say that a patent is a contract between society and whole inventor .Under the terms of this social contract, the inventor is given the exclusive right to prevent others from making, using and selling the patented invention for a fixed period of time in return for inventor disclosing the detail of the invention to the public.

Although the word “Patent<sup>20</sup> finds its origins from documents issued by the sovereign of England in the middle Ages for granting a privilege, today the word patent is synonymously linked with this exclusive right granted to the inventors. The duration of patent exclusively varies from country to country. However, under all patent systems, once this period is expired, people are free to use the invention as they wish.

A patent rewards the investment of time, money and efforts associated with research; it stimulates further research as competitors invent alternatives to patented inventions; and it encourages innovation and investment in patented

inventions by permitting companies to recover their research and development costs during the period of exclusive rights.

The limited term of a patent increases the public interest by encouraging quick commercialization of inventions, therefore making them available to the public sooner rather than later. Patents also allow more latitude in the exchange of information between research groups, avoid duplicate research, and most importantly, increase the general pool of knowledge.

As stated before, the right conferred by patent is a right to exclude others from making, using or selling the patented invention during the term of the patent. It is important to understand that a patent does not necessarily give the patent owner the right to make, use or sell the invention himself. For e.g. the owner of a patent for an improved method of producing a chemical compound would not be free to sell the compound made using the patented method if the compound is itself patented by someone else.

Patents are granted under national law and therefore, the rights are also national in scope. For e.g. United States patent can be asserted only against infringing conduct in the United States. In most countries these rights are enforceable by civil, rather than criminal, proceeding. Accordingly, enforcement falls solely to the patent owner. In general, any act of making, using or selling the patented invention without permission infringes that patent, whether it is by the states, a corporation or an individual. Any such infringing act will give rise to liability, regardless of the infringer's intent or lack of knowledge of the patent.

Remedies for patent infringement can include injunctions, orders to deliver up or destroy infringing articles, and compensation for damages suffered by the patentee are profits made by the infringer.

An issued patent remains open to attack for invalidity, and it is a common defense for an alleged infringer to assert that the patent is invalid. Typically, patents are challenged on the ground that the claimed invention was invented

by someone other than the named inventor, or that the invention would have been obvious to persons skilled in the relevant technology.

Article 27 of the TRIPS Agreement provides that WTO member state shall provide patents for any invention, either a product or a process for creating a product, provided that they are new, involve an inventive step, and are capable of industrial application. In other words, to be patentable, an invention must be noble, useful and non obvious .A prerequisite to patentability is that the invention must be capable of some practice application. This emphasizes the capable of some practice application .This emphasis importance of the patent system puts on usefulness. Although this principle remains constant, the phraseology used within the legislation of particular countries varies; for example, in the United State, patentable subject matter must be “useful”, whereas in the United Kingdom it must be capable of industrial application.

The invention must be new, that is, the subject matter of the invention is not or cannot be inferred to be part of what is already known. This is commonly referred to as the “novelty” requirement. Therefore, something that has previously been use or known but has not been made available to the public (for instance, if it has been kept a secret) is not a bar to patentability.

The invention must also be non-obvious. This prevents someone from taking advantage of the patent system and obtaining protection for something that is a mare extension or trivial variation of what is known. Generally the test for inventiveness, or “non-obviousness”, is based on what a reasonable person skilled in the field to which the invention pertains, at the time the invention was made, would consider being non-obvious.

## **2.6.2 COPYRIGHT**

Broadly speaking, copyright is an exclusive right granted by law for a specified period to the creator of a work authorship fixed in a any tangible medium of expression, to prepare derivative works based upon derivative works based upon the original works based upon the original work, and to perform or

display the work in the case of musical, dramatic, choreographic, and sculptural works against any form of copying by an unauthorized person.<sup>21</sup>

Copyright protection does not extend to any idea, procedure, process, system, method of operation, concept, principle, or explained, or embodied. Rather, copyright protection is limited to an author's particular expression of an idea, process, concept, and the like in a tangible medium.

Copyright law deals with particular forms of creativity, concerned primarily with mass communication. Copyright protection automatically subsists in all works of authorship from the moment of creation. It is also concerned with virtually all forms and methods of public communication, not only printed publications but also such matters as sound and television broadcasting, films for public exhibition in cinemas, etc. and even computerized systems for the storage and retrieval of information. Copyright deals with the rights of intellectual creators in their creation.

The TRIPS Agreement provides a minimum standard for the duration of copyright protection. In the case of a person, the term is the life of the author plus 50 years. In the case of a corporate entity, it is 50 years from the end of the calendar year of authorized publication or, in the absence of publication, from the end of the calendar year of making (TRIPS Article 12). The term of protection for live performances that are recorded is 50 years for the performer and producer, and 20 years for the broadcaster of the work. The United States recently upgraded its protection for copyrighted works as part of the digital Millennium Copyright Act, or DMCA. For instance, in the United States, the copyrighted work of an individual author created on or after January 1, 1978, lasts for his or her life term plus 70 years after the author's death. However, if the work is made for hire, the copyright lasts for 120 years from the time of creation or 95 year from the first publication, whichever is shorter.

The exclusive rights granted to the copyright owner do not include the right to prevent others from making fair use of the owners work. Such fair use may include use of the work for purposes of criticism, comment, news reporting,

teaching or education, and scholarship or research. The nature of the work ,the extent of the work copied , and the impact of copying on the works commercial value are all considered in determining whether an unauthorized use is a “fair use”.

To secure copyright protection, the work in question must be an original work of authorship fixed in a tangible medium of expression. Works of authorship that fall within this definition may include:

- Literary works (including computer programmes);
- Musical works and accompanying lyrics;
- Dramatic works and dialogue;
- Pantomimes and choreographic works ;
- Pictorial, graphic, and sculptural work;
- Motion pictures and other audiovisual works; and
- Sound recording.

To be copyrightable, a work must be “fixed in a tangible medium of expression”. A work is fixed when its embodiment in a tangible medium is sufficiently permanent or stable as to permit it to be perceived, reproduced, or otherwise communicated for a period of time that is not transitory. The means, manner, or medium of fixation is irrelevant.

Copyright registration in most countries is relatively straightforward and inexpensive. Although copyright protection subsists from the moment the work is fixed in a tangible expression, copyright registration confers additional important benefits in some countries. Although some WTO members, including the United States, retain a registration system as a prerequisite for foreign national before initiating legal action to stop copyright infringement or to recoup costs, including attorneys’ fees of enforcement .So, for example, the United State may require the US Copyright Office. In addition, in some

countries, a copyright registration constitutes prima facie evidence of the validity and ownership of copyright.

The objective of copyright law is to encourage authors, composers, artists and designers to create original works by rewarding them with an exclusive right for a limited period. Such exclusive rights are permitted for literary, dramatic, musical, artistic, cinematograph film and sound recordings. Licensing the right to publishers, film producers and music record manufacturers permits the economic exploitation. The law also aims at preventing anyone from reproducing or exploiting another person's work without authorization. Copyright is not a single right rather it bundles several rights together. Copyright is also accompanied with other related rights going beyond reproduction of the work; these rights are known as Neighboring Rights.

These include the right to works derived from the original work, the right to public performance and the right to recording and broadcasting. The bundle of rights that constitutes copyright has two kinds of rights:

- (a) The economic rights that take care of the economic interests of the author, and
- (b) The moral rights, that is, the rights that concern the status, respect and dignity of the author.

The economic rights deal with issues like permission to publication or reproduction of the work or their adaptation or translation and the right to assign or license the copyright. The moral rights include the right to claim and be recognized as the author of your intellectual creation, and have the name mentioned as the author whenever the work is used; similarly the author has the right to object to the use of the work in a manner or in a context that would compromise with honor and reputation of the author.

Copyright is granted to the author for any categories of works as to who is entitled to freely and exclusively exploit the work, while granting or refusing

permission for others to copy their work in these ways. These activities are called the Restricted Acts and include:

- Copying the work (for example, photocopying, photographing, scanning)
- Distributing copies of the work to the public
- Renting or lending copies of the work to the public
- Communicating the work to the public (for example, display on the internet or internal intranet)
- Adapting the work, (for example, translating, adapting or abridging a work)
- Performing, playing or showing the work in public
- Broadcasting the work (which can also include electronic transmission)

Many countries in Europe, such as France, Denmark and the UK, give copyright protection automatically as soon as a work is created, without the need to register. If a work does not belong to one of the categories (above) it will not be protected by copyright, although it may be protected by some other right. Also notable is the ability for works to belong to more than one category. This is useful to understand because it illustrates that content can be created by more than one author and so permission to reproduce content can be subject to permission from a number of different people.

### **2.6.3 TRADEMARK**

“A Trademark is any sign that individualizes the goods of a given enterprise and distinguishes them from the goods of its competitors.”<sup>22</sup>

This definition comprises two aspects, which are sometimes referred to as the different functions of the trademark, but which are, however, interdependent and for all practical purposes should always be looked at together. In order to individualize a product for the consumer, the trademark must indicate its source. This does not mean that it must inform the consumer of the actual

person who has manufactured the product or even the one who is trading in it. It is sufficient that the consumer can trust in a given enterprise, not necessarily known to him, being responsible for the product sold under the trademark.

The function of indicating the source as described above presupposes that the trademark distinguishes the goods of a given enterprise from those of other enterprises; only if it allows the consumer to distinguish a product sold under it from the goods of other enterprises offered on the market can the trademark fulfill this function. This shows that the distinguishing function and the function of indicating the source cannot really be separated. For practical purposes one can even simply rely on the distinguishing function of the trademark, and define it as “any visible sign capable of distinguishing the goods or services of an enterprise from those of other enterprises.”

Trademarks and service marks are primarily intended to indicate the source of goods and services and to distinguish those goods and services from those of others. They also symbolize the quality of goods and services with which they are used. Most trademarks and service marks are words, but they can be almost anything that can distinguish one product and services from another, such as symbols, logos, sounds, designs or even distinctive non-functional products configurations.

While virtually all countries recognize and offer protection for trademarks, many but not all countries recognize and protect service marks. In some countries, protection for marks is acquired by using the marks on goods or services. In other countries; the owner must register the mark with the national trademark office before protection in that country is granted.

The TRIPS Agreement extends the same level of recognition and protection for the service marks as for trademarks (TRIPS Agreement Article 15,16). In some countries registration of marks may not be required to protect the marks, but in any case WTO members are obligated to provide protection for well known trade or service marks. Since determination of whether a mark is well known in the relevant sector of the public are made on a case-by-case basis, firms

may find it desirable to register well-known marks. For marks that are not well known, countries may require the owner of the mark to register the mark with the national trademark office before protection in that country is granted.

The duration of protection afforded to a mark varies greatly from country to country. Registrations are issued for finite periods of time. However, because of the fundamental purpose of marks, namely avoiding public confusion, encouraging competition, and protecting the owners goodwill registration may be renewed and thus extend indefinitely as long as the marks are issued.

The owner of the mark may preclude others from using a similar mark if such use is likely to cause confusion in the minds of the purchasers. Determining whether two marks are so similar as to be confusing usually involves a multi-factor analysis.

As all intellectual property, trademark and service mark laws are national in origin. Some countries grant rights to use the mark in the course of business, while other countries grant rights to the first person to obtain a registration in that country. However, registration is still desirable because it is presumptive evidence of the validity of the mark and the owner's right to use the mark. It also appears on the national register of marks providing notice to the world of the owners use and claim of ownership. Some countries require that the marks be used in commerce prior to the issuance of a registration while other countries permit registration based on the intent of the applicant to use the marks in the future. Following the mark or it may become subject to attack by others on the ground that the owner has abandoned it.

At a minimum, most countries require that a mark be distinctive, i.e., capable of distinguishing the goods or services of the owner of the mark from the goods or services of others. To determine whether a mark meets this test, one must determine the "strength" of the mark.

A mark's strength is usually measured across a spectrum includes, from weakest to strongest, terms that are generic, descriptive, suggestive, arbitrary

and fanciful. At the weakest end of the spectrum lie words, symbols or devices that are not capable of distinguishing goods because they are common terms used to identify the goods themselves, e.g., book, table, chair. Such terms are called generic terms and are not protectable as trademarks.

Trademarks already existed in the ancient world. Even at times when people either prepared what they needed themselves or, more usually, acquired it from local craftsmen, there were already creative entrepreneurs who marketed their goods beyond their localities and sometimes over considerable distances. As long as 3,000 years ago, Indian craftsmen used to engrave their signatures on their artistic creations before sending them to Iran. Manufacturers from China sold goods bearing their marks in the Mediterranean area over 2,000 years ago and at one time about a thousand different Roman pottery marks were in use, including the FORTIS brand, which became so famous that it was copied and counterfeited. With the flourishing trade of the middle Ages, the use of signs to distinguish the goods of merchants and manufacturers likewise expanded several hundred years ago. Their economic importance was still limited, however. Trademarks started to play an important role with industrialization, and they have since become a key factor in the modern world of international trade and market-oriented economies. Industrialization and the growth of the system of the market-oriented economy allow competing manufacturers and traders to offer consumers a variety of goods in the same category. Often without any apparent differences for the consumer, they do generally differ in quality, price and other characteristics. Clearly consumers need to be given the guidance that will allow them to consider the alternatives and make their choice between the competing goods. Consequently, the goods must be named. The medium for naming goods on the market is precisely the trademark. By enabling consumers to make their choice between the various goods available on the market, trademarks encourage their owners to maintain and improve the quality of the products sold under the trademark, in order to meet consumer expectations. Thus trademarks reward the manufacturer who constantly produces high-quality goods, and as a result they stimulate economic progress.

#### **2.6.4 INDUSTRIAL DESIGNS**

Industrial design, in a general sense, refers to the creative activity of achieving a formal or ornamental appearance for mass-produced items that, within the available cost constraints, satisfies both the need for the item to appeal visually to potential consumers, and the need for the item to perform its intended function efficiently. In a legal sense, industrial design refers to the right granted in many countries, pursuant to a registration system, to protect the original ornamental and non-functional features of an industrial article or product that result from design activity. Visual appeal is one of the considerations that influence the decision of consumers to prefer one product over another, particularly in areas where a range of products performing the same function is available in the market. In these latter situations, if the technical performance of the various products offered by different manufacturers is relatively equal, aesthetic appeal, along with, of course, cost, will determine the consumer's choice. The legal protection of industrial designs thus serves the important function of protecting one of the distinctive elements by which manufacturers achieve market success. In so doing, by rewarding the creator for the effort which has produced the industrial design, legal protection serves as an incentive to the investment of resources in fostering the design element of production.

Historically, the emergence of protection for industrial designs is intimately connected with the growth of industrialization and methods of mass production. In the United Kingdom, the first law giving protection to industrial designs was the Designing and Printing of Linens, Cotton, Calicoes and Muslins Act of 1787, which gave protection for a period of two months to "every person who shall invent, design and print, or cause to be invented, designed and printed, and become the Proprietor of any new and original pattern or patterns for printing Linens, Cottons, Calicoes or Muslins." The contribution and importance of design in the growing textile industries was thereby recognized. Growing recognition of the expansion of industrialization

and of the possible application of methods of mass production to most areas of manufacture lead to the gradual extension of design protection to other fields of endeavor (notably sculpted figures used in the pottery and porcelain industries) up until the consolidation achieved in the Designs Act of 1842, which extended protection to “any new and original design whether such design be applicable to the ornamenting of any article of manufacture, or of any substance, artificial or natural, or partly artificial and partly natural, and that whether such design be so applicable for the pattern, or for the shape or configuration, or for the ornament thereof, or for any two or more of such purposes and by whatever means such design may be so applicable, whether by printing, or by painting, or by embroidery, or by weaving, or by sewing, or by modeling, or by casting, or by embossing, or by engraving, or by staining, or by any other means whatsoever, manual, mechanical, or chemical, separate or combined.” Design was thereby recognized as a fundamental element of all production and manufacture. A somewhat similar evolution of design protection took place in France.

### **2.6.5 INTEGRATED CIRCUITS**

Another field in the protection of intellectual property is that of layout designs (topographies) of integrated circuits. The layout designs of integrated circuits are creations of the human mind. They are usually the result of an enormous investment, both in terms of the time of highly qualified experts, and financially. There is a continuing need for the creation of new layout-designs which reduce the dimensions of existing integrated circuits and simultaneously increase their functions. The smaller an integrated circuit, the less the material needed for its manufacture, and the smaller the space needed to accommodate it. Integrated circuits are utilized in a large range of products, including articles of everyday use, such as watches, television sets, washing machines, automobiles, etc., as well as sophisticated data processing equipment. Whereas the creation of a new layout-design for an integrated circuit involves an important investment, the copying of such a layout-design may cost only a

fraction of that investment. Copying may be done by photographing each layer of an integrated circuit and preparing masks for its production on the basis of the photographs obtained. The possibility of such copying is the main reason for the introduction of legislation for the protection of layout-designs. A Diplomatic Conference was held at Washington, D.C., in 1989, which adopted a Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty). The Treaty is open to States Members of WIPO or the United Nations and to intergovernmental organizations meeting certain criteria. The Treaty has been incorporated by reference into the TRIPS Agreement of the World Trade Organization (WTO), subject to the following modifications: the term of protection is at least 10 (rather than eight) years from the date of filing an application or of the first commercial exploitation in the world, but Members may provide a term of protection of 15 years from the creation of the layout-design; the exclusive right of the right-holder extends also to articles incorporating integrated circuits in which a protected layout-design is incorporated, in so far as it continues to contain an unlawfully reproduced layout-design; the circumstances in which layout designs may be used without the consent of right-holders are more restricted; certain acts engaged in unknowingly will not constitute infringement.

Definition of Subject Matter of Protection Article 2<sup>23</sup> of the IPIC Treaty gives the following definitions:

- (i) 'Integrated circuit' means a product, in its final form or an intermediate form, in which the elements, at least one of which is an active element, and some or all of the inter-connections are integrally formed in and/or on a piece of material and which is intended to perform an electronic function,
- (ii) 'Layout-design (topography)' means the three-dimensional disposition, however Expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated

circuit, or Such a three-dimensional disposition prepared for an integrated circuit intended for manufacture.”

## **2.6.6 GEOGRAPHICAL INDICATIONS**

The term “geographical indication” has been chosen by WIPO to describe the subject matter of a new treaty for the international protection of names and symbols which indicate a certain geographical origin of a given product. In this connection, the term is intended to be used in its widest possible meaning. It embraces all existing means of protection of such names and symbols, regardless of whether they indicate that the qualities of a given product are due to its geographical origin (such as appellations of origin), or they merely indicate the place of origin of a product (such as indications of source). This definition also covers symbols, because geographical indications are not only constituted by names, such as the name of a town, a region or a country (“direct geographical indications”), but may also consist of symbols. Such symbols may be capable of indicating the origin of goods without literally naming its place of origin. Examples for such indirect geographical indications are the Eiffel Tower for Paris, the Matterhorn for Switzerland or the Tower Bridge for London.

On the other hand, the term “geographical indication” is also used in the EC Council Regulation No. 2081/92 of July 14, 1992, on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs and in the Agreement on TRIPS. In both texts, this term is applied to products whose quality and characteristics are attributable to their geographical origin, an approach that closely resembles the appellation of origin kind of protection. In other words, “mere” indications of source are not covered by the specific notion of geographical indication used in those two legal texts. However, this presentation, in trying to take into account all existing forms of protection of geographical indications, uses the term in its widest meaning. When considering geographical indications as a special kind of distinctive sign used in commerce and thus as a particular category of

intellectual property, it is important to distinguish them from trademarks: whereas a trademark identifies the enterprise which offers certain products or services on the market, a geographical indication identifies a geographical area in which one or several enterprises are located which produce the kind of product for which the geographical indication is used. Thus, there is no “owner” of a geographical indication in the sense that one person or enterprise can exclude other persons or enterprises from the use of a geographical indication, but each and every enterprise which is located in the area to which the geographical indication refers has the right to use the said indication for the products originating in the said area, but possibly subject to compliance with certain quality requirements such as prescribed, for example, in administrative decrees governing the use of appellations of origin.

#### **2.6.7 TRADE SECRETS**

A trade secret is information that is secret or not generally known in the relevant industry and that gives its owner an advantage over competitors. Trade secrets are not legislated rights. They consist of confidential or proprietary information that provide the owner of the information with a competitive advantage in the market place. This makes such information highly valuable not only to its owner but also to the owner’s competitors. As criteria for protection, trade secrets cannot be generally known information and cannot be ascertained readily. Instead, trade secrets are proprietary and can only be obtained by those authorized to receive them, and only by sanctioned means. Because trade secrets are not legislated rights, they can only be protected through contract law or by bringing a legal action based on anti-competitive behavior.<sup>24</sup>

Trade secret protection exists long as the information is kept secret or confidential by its owner and is not lawfully and independently obtained by others. Examples of trade secrets include formulas, patterns, methods, programmes, techniques, process or compilations of information that provide ones business with a competitive advantage. The owner of a trade secret may

recover damages resulting from the improper disclosure or use of its trade secret by another.

Trade secrets are not registered like other forms of intellectual property and are not creatures of statutes. Instead, the judicial system of each country determines the requirements for obtaining trade secrets protection. Protection for trade secrets is found in the TRIPS Agreement under the heading “Protection Of undisclosed test data for marketing approval of pharmaceutical products is particularly sensitive and is required in TRIPS Article 39(3). Some of the factors commonly considered include:

- The extent to which the information is known outside the business;
- The extent to which the information is known by employees and others involved in the trade secret owner’s business;
- The extent of the measures taken to guard the trade secrets;
- The value of the information to the owner and his competitors;
- The amount of money or effort expended by the trade secret owner in developing the secret; and
- The effort required by others to required by others to acquire or duplicate (through reverse engineering) the information.

The secrecy of an alleged trade secret is the most important factor to be considered. If the information claimed to be trade secret is available through any legitimate means and is obtained in this way. Then the information is no longer secret and may become ineligible for protection. However, if the owner has taken reasonable steps to protect the information, but the trade secret information none the less is publicly disclosed, the courts in many countries may still grant protection. Such reasonable steps may include requiring those persons who encounter the information as the result of normal business ventures to sign confidentiality and non-disclosure agreements.

## **2.6.8 PROTECTION AGAINST UNFAIR COMPETITION**

Protection against unfair competition has been recognized as forming part of industrial property protection for almost a century. It was in 1900, at the Brussels Diplomatic Conference for the Revision of the Paris Convention for the Protection of Industrial Property (here in after referred to as the Paris Convention), that this recognition was first manifested by the insertion of Article 10 (b) in the Convention. As a result of the subsequent revision conferences, the Article now reads as follows (in the Stockholm Act, 1967) of the Paris Convention:

The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

The following in particular shall be prohibited:

- All acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
- False allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
- Indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”

At first, there seems to be basic differences between the protection of industrial property rights, such as patents, registered industrial designs, registered trademarks, etc., on the one hand, and protection against acts of unfair competition on the other. Whereas those industrial property rights are granted on application by industrial property offices and confer exclusive rights with

respect to the subject matter concerned, protection against unfair competition is based not on such grants of rights but on the consideration—either stated in legislative provisions or recognized as a general principle of law—that acts contrary to honest business practice are to be prohibited. Nevertheless, the link between the two kinds of protection is clear when certain cases of unfair competition are considered. For example, in many countries unauthorized use of a trademark that has not been registered is considered illegal on the basis of general principles that belong to the field of protection against unfair competition (in a number of countries such unauthorized use is called “passing-off”). There is another example of this kind in the field of inventions: if an invention is not disclosed to the public and is considered to constitute a trade secret, the unauthorized performance by third parties of certain acts in relation to that trade secret may be illegal. Indeed the performance of certain acts in relation to an invention that has been disclosed to the public and is not patented or in respect of which the patent has expired, may under very special circumstances also be illegal (as an act of “slavish imitation”).

The above examples show that protection against unfair competition effectively supplements the protection of industrial property rights, such as patents and registered trademarks, in cases where an invention or a sign is not protected by such a right. There are, of course, other cases of unfair competition, for example the case referred to in Article 10b is (3)<sup>2</sup> of the Paris Convention, namely that of a false allegation in the course of trade of such a nature as to discredit a competitor, in which protection against unfair competition does not perform such a supplementary function. This is due to the fact that the notion of unfair competition covers a great variety of acts, as will be discussed in the analysis below.

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