

1-1-1993

Aspects of Intellectual Property Law in the European Community

Leslie Gail Williams

Follow this and additional works at: https://repository.uchastings.edu/hastings_international_comparative_law_review

 Part of the [Comparative and Foreign Law Commons](#), and the [International Law Commons](#)

Recommended Citation

Leslie Gail Williams, *Aspects of Intellectual Property Law in the European Community*, 16 HASTINGS INT'L & COMP.L. Rev. 527 (1993).
Available at: https://repository.uchastings.edu/hastings_international_comparative_law_review/vol16/iss4/4

This Article is brought to you for free and open access by the Law Journals at UC Hastings Scholarship Repository. It has been accepted for inclusion in Hastings International and Comparative Law Review by an authorized editor of UC Hastings Scholarship Repository.

Aspects of Intellectual Property Law in the European Community

By LESLIE GAIL WILLIAMS*

I. INTRODUCTION

Fundamental to the creation of a genuine common market between member states is the removal of any remaining nontariff barriers to the free movement of goods and services combined with an effective competition law that facilitates, rather than distorts, intra-Community trade. One type of nontariff barrier that has traditionally existed in the member states concerns the national territoriality of industrial and intellectual property rights. The differences in these laws as to their nature and scope, as well as certain commercial practices designed to ensure market share, have frequently given rise to trade barriers.

While ownership of industrial and intellectual property rights is not inherently anticompetitive, attempts to use such rights as a means of dividing up the internal market or maintaining partition along national borders have been consistently challenged under the European Economic Community (EEC) Treaty.¹

In seeking to limit the effect of such restrictions, the European Commission and the European Court of Justice have drawn distinctions between the existence and exercise of intellectual property rights. For example, if the essence of a trademark right is to identify

* Partner, Shaub, Williams, Regan & Wells, Los Angeles, California. The author wishes to thank Genevieve Ferone for her contribution to this article. This article was presented in March 1993 at the Hastings International and Comparative Law Review's Eleventh Annual Symposium on International Legal Practice, "The European Community in Evolution: Toward a Closer Political & Economic Union."

1. TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY [EEC TREATY]. The EEC Treaty contains the basic law relating to the European Economic Community. This Treaty, as well as those governing the European Atomic Energy Community [EURATOM TREATY], and the European Coal and Steel Community [ECSC TREATY], have been amended most recently by the Single European Act, 1987 O.J. (L 169). The Single European Act in part provided for the completion of the internal market by adopting and implementing proposed legislation by the end of 1992. These proposals included legislation concerning trademark, patent, and copyright law.

certain goods as emanating from a single source, the Community recognizes this origin function of the mark. However, the Community does not permit the mark's owner to prohibit the sale of the owner's trademarked product throughout the Community, once it has been placed on the market within the Community. This limitation on the exercise of the markholder's rights precludes the rightholder from continued control over the product in favor of free movement of goods throughout the Community.²

In this field, the Community has undertaken to create a Community proprietary rights regime, incorporating free movement principles of European Court case law and adopting measures to "harmonize" industrial and intellectual property laws of the member states in the trademark and copyright areas. Unitary Community rights in patent and trademark are also planned. This article will examine the state of European Community (EC) trademark law and copyright law as it pertains to the protection of computer software.

II. COMMUNITY TRADEMARK LAW

A. The Trademark Directive

Trademark law has remained a matter of member state law, despite the well-recognized disparities in these laws. The result is a less-than-uniform protection of rights and an impediment to the free movement of goods and services. While the European Court has undertaken to balance the interests of rightholders of national rights with the principles of free movement of goods and services among the member states, reliance upon only the case law holdings of the European Court has provided a less-than-satisfactory solution.

In the trademark context, the European Court has held that the functions of a trademark include providing the consumer with the ability to identify and distinguish products according to their origin, quality, and reputation, and guaranteeing to the markholder the exclusive right to market or sell, for the first time, any product bearing the owner's mark. On the other hand, once the mark's functions have

2. This limitation was developed in case law by the European Court and is referred to as the "exhaustion of rights" doctrine. Based on the Court's interpretation of articles 30 and 36 of the EEC Treaty, the doctrine applies, with minor differences, to all types of proprietary rights, including patent, trademark, and copyright.

been completed, the Community goal of permitting products and services to be fully traded across member state borders applies.³

However, the case law rulings have not resolved all disparities among member state laws. The Community's decision-making institutions, primarily the Commission and Council, have therefore proposed a dual system of trademark protection which takes into account the need to establish unitary protection throughout the Community, as well as to preserve the legislative regimes of the member states. As a result, the Community proposed a draft regulation for a Community Trademark and adopted a directive to harmonize the most glaring of the disparities in national laws, to promote free movement principles, and to avoid discriminatory treatment among the member states.

Council Directive 89/104 on the approximation of the laws of the member states relating to trademarks ("Directive") was adopted in December of 1988.⁴ The Directive was subsequently amended to require that member states implement the Directive's provisions by December 31, 1992.

1. Principal Features of the Directive

The purpose of the Directive is to make uniform those national provisions of law that most directly affect the functioning of the internal market. This can be done either by securing more uniform and, therefore, more effective protection for trademark holders, or by protecting Community consumers against the misuse of the rights granted. Moreover, the Directive is premised on a system of registration and subsequent use in order to acquire trademark rights.

a. Definition of a trademark

Article 2 of the Directive defines "a mark" for purposes of registration and use as a trademark as, "any sign capable of being represented graphically." This includes personal names, designs, letters, numbers, and shapes of goods in packing. Marks refer to marks used both on goods and services.⁵ The latter represents a novel concept for many member states.

3. See Case 102/77, *Hoffmann-La Roche v. Centrafarm* *Vetriebsgesellschaft Pharmazeutischer Erzeugnisse mbH*, 1978 E.C.R. 1139.

4. Council Directive 89/104, 1989 O.J. (L 40) 1. See *id.* annex 1.

5. *Id.* art. 2.

b. Registration

Registration follows after a determination as to whether the mark is registrable and whether it conflicts with existing third-party rights. There are a number of absolute grounds for refusing to register a mark based on the mark itself. One such ground is lack of distinctiveness; distinctiveness is a requirement with which the national trademark offices must comply. The Directive permits the member states to supplement the list of grounds for refusal and, therefore, make the grounds for refusal more stringent.⁶ A mark must also be compared to previously registered marks, and even applied-for marks under certain circumstances, to determine whether the mark is identical or confusingly similar.⁷

c. Infringement rules

Article 5(1) of the Directive provides that exclusive rights conferred on the holders of a registered trademark entitle them to prevent a third party from using an identical or similar mark on an identical or similar product within the territory of the relevant member state. This result is limited only if a third party has the consent of the trademark owner. This protection may also extend to dissimilar goods or services if the mark has gained such a distinctive character or reputation that use of the mark by the third party would cause detriment to the markholder. However, the registrant cannot prevent a third party from using the third party's own name or address, indicators of a product's quality or geographic origin, or even the owner's trademark if, in the latter case, such use is necessary to indicate the intended purpose of the product and such use takes place according to honest commercial practices.⁸

d. Exhaustion of rights

The Directive codifies the doctrine of the exhaustion of rights discussed above.⁹ In the trademark context, a trademark owner cannot prevent the further sale of his trademark for products or services once

6. *Id.* art. 3.

7. *Id.* art. 4.

8. *Id.* art. 6.

9. The European Court has held that it is incompatible with the free movement of goods to use trademarks in order to prevent the sale in one member state of a product which has already been marketed under the same trademark in another member state by the trademark holder or with the holder's consent. Case 16/74, *Centrafarm BV v. Winthrop BV*, 1974 E.C.R. 1183.

sold in the EC under the mark by or on behalf of the trademark holder.¹⁰

e. Licensing

In contrast to some member states' laws that do not expressly or adequately provide for licensing, article 8 of the Directive requires member states to recognize and permit a trademark to be licensed for some or all of the goods or services for which it is registered and for the whole or part of the member state concerned.

f. Use of trademarks

Another significant provision of the Directive imposes a requirement of compulsory use of trademarks in all member states. The holder of a trademark must genuinely use its registered mark within five years of the date of registration. If this does not occur, the mark may be revoked.¹¹ A nonused mark may not preclude registration of a later applied-for mark. This is one sanction for failing to comply with the use requirement.¹²

2. Implementation in Member States

Although implementation by all member states was to have occurred by the end of 1992, only France and Denmark have complied with this time frame. The French adopted Law 91-7 of January 4, 1991, concerning trade and service marks. The law, effective as of December 28, 1991, implemented the provisions of the Directive and also codified certain case law which had interpreted or supplemented the provisions of the prior trademark act.

The Danish Trademarks Act, adopted on June 6, 1991, entered into force on January 1, 1992. The Act repealed the prior Trademarks Act of 1959 and enabled Denmark to accede to the Protocol to the Madrid Agreement for the International Registration of Trademarks of June 27, 1989.¹³ Notable under the 1991 Danish Trademarks Act are the introduction of compulsory use of registered marks, the extension of protection to marks which have developed a reputation be-

10. Council Directive 89/104, *supra* note 4, art. 7.

11. *Id.* art. 12.

12. *Id.* art. 11.

13. The Madrid Agreement was signed by all member states, except the U.K., Greece, Denmark, and Ireland. The Madrid Protocol has been or will be signed by all member states.

yond the products and services for which use is registered, and the inclusion of the exhaustion doctrine.

Among the larger member states of the Community, the U.K., Germany,¹⁴ Italy, and Spain, draft bills have been or are in the process of being prepared in order to implement the Directive.

As for Belgium, the Netherlands, and Luxembourg, the Benelux Trademark Law of 1971 is in substantial compliance with the Directive. However, certain amendments will be necessary to fully implement the Directive. These amendments include the addition of a compulsory use requirement, the curtailment of the exhaustion doctrine to the territory of the Community, and the reinforcement of trademark holders' rights, vis-à-vis licensees. Draft amending laws are also being prepared in Portugal and Ireland. Greece has recently taken action to bring its law into compliance with the Directive.

3. The Community Trademark

The efforts to create a Community trademark began in 1976. The latest consolidated text with amendments of the draft regulation ("Regulation") was published in 1991.¹⁵ The main obstacles to its adoption are political, not technical.

When adopted, the Regulation will create a Community trademark system. This system will permit current or potential holders of marks to obtain unitary trademark rights coextensive with the territory of the Community in connection with the goods or services for which it is registered.

Since the Community Trademark is designed to coexist and complement member states' laws harmonized by the Directive, many of the provisions of the draft Regulation are similar or identical to those contained in the Directive. The Community Trademark will be based upon the same principles concerning qualification of trademarks, the grounds for refusal to register or to revoke, the permissibility of licensing, the compulsory use requirement, and the exclusive rights accorded the rightholder.

Other provisions of the draft Regulation and implementing regulations deal with the financing and establishment of the Community

14. Amendment of the German Trademark Law has been somewhat complicated by the reunification of the country in 1990. Effective as of May 1, 1992, laws were adopted in order to extend the territory of protection for marks registered in the former West Germany and the former East Germany to each other's territories.

15. Amended Proposal for a Council Regulation on the Community Trademark, 1984 O.J. (C 230). A consolidated text was more recently republished in 1991.

Trademark Office, the Appeals Court, and other mechanisms for resolving conflicts between earlier registered marks and applied-for marks at the Community or national level.

Currently, it is contemplated that a trademark application may be applied for in any official language of the Community, but that the proceedings of the Community Trademark Office will be carried out in one of three languages, as is the case with the European Patent Office. Those languages are English, French, and German. The nominee sites, one of which must be decided upon prior to the draft Regulation's adoption, are The Hague, Luxembourg, Munich, and Madrid.

III. COMMUNITY COPYRIGHT LAW

A. Background

As with trademark law, the Community has not undertaken to engage in a comprehensive reform of member state copyright law. Rather, the Community has chosen to deal with the specific and immediate problems in the copyright sector that impede Community goals of forming a single internal market for purposes of exploitation of rights protected by copyright. In May 1974, the European Parliament adopted a resolution requesting that the EC Commission examine the legal regimes concerning copyright law and neighboring rights of the systems of civil law countries.

More than ten years later, the European Commission adopted in June 1988 its Green Paper on "Copyright and the Challenge of Technology."¹⁶ The Green Paper identified those areas where the Commission felt action was necessary in order to guarantee the proper functioning of the Common Market with respect to authors and distributors of copyrighted goods and services. The Commission was especially concerned with problems raised by the introduction of new technologies, such as cable and satellite television, semiconductors, computer software, and audio-visual recordings.

While the Commission examined the need for copyright harmonization, the European Court reviewed and ruled on the application of free movement principles to copyright protection and limitations on the rights of exploitation by copyright owners. In essence, the European Court developed different rules depending upon whether the copyright owner treated a copyrighted work as a product to be "mar-

16. Copyright and the Challenge of Technology: Green Paper from the Commission to the European Parliament, COM(85)310 final.

keted" or as a service to be exploited pursuant to a license by performance or broadcasting. Broadly speaking, where copyrighted works are placed on the market in a member state by the copyright holder or with his consent, the copyright cannot be relied upon to restrict the free movement of the copyrighted good once the first sale or distribution occurs.¹⁷ However, because a copyright holder may otherwise be denied the rights to profits from commercialization (if certain restrictions in license agreements are not respected), the Court has recognized that an author/owner of a copyrighted work transmitted by broadcast is entitled to obtain royalties for transmission and may prevent rebroadcast by an unauthorized broadcaster in order to ensure that compensation is obtained.¹⁸

This dichotomy between treating copyrighted works as either products or services, to be used only subject to license, carries over into the area of computer programs. This subject is discussed below.

Of particular importance to high-tech industries is the Community's legislation on semiconductors and computer programs. Although not a major producer of semiconductors, the Community was subject to considerable pressure from the United States to provide protection for American made chips within the Community. As a result, a chip design directive was adopted in 1985 with respect to chip designs created within the Community, and thereafter extended to third countries, including the United States.¹⁹

B. Computer Program Directive

Following the chip design protection directive, the European Commission adopted a proposal in late 1988 for a Directive on the Legal Protection of Computer Programs (Software Directive). Between 1988 and 1991, when the Council finally adopted an amended version of this proposal, certain issues of the draft Directive were the subject of considerable debate. In particular, the debate centered on the restrictions computer program producers could impose upon users and the permissibility of reverse engineering under limited circumstances.

17. *Joined Cases 55 & 57/80, Musik-Vertrieb membran v. GEMA*, 1981 E.C.R. 147, 2 C.M.L.R. 44 (1981).

18. *See Case 62/79, Coditel v. Cine Vog*, 1980 E.C.R. 833, 2 C.M.L.R. 362 (1981).

19. *Council Directive 87/54, 1987 O.J. (L 24) 36* (on the legal protection of topographies of semiconductor products). *Commission Decision 90/541, 1990 O.J. (L 307) 22*, extended the rights relating to chip design protection for designs originating from member states to certain third countries, including the United States.

The text of Council Directive 91/250 on the legal protection of computer programs²⁰ follows the international trend toward protection of computer programs, principally by copyright law. Member states are, for example, required to protect computer programs as literary works within the meaning of the Berne Convention for the Protection of Literary and Artistic Works.²¹

1. Principal Features of the Software Directive

a. *Subject matter*

While a computer program is not defined in the articles of the Software Directive, the preamble notes that "programs" may be in any form. This includes those incorporated into hardware, as well as any preparatory design work leading to the development of a program, provided that the preparatory work is sufficiently developed to result in a computer program. On the other hand, the Software Directive stresses that protection cannot be extended to ideas or principles, particularly those which underlie the interface of a program. The "element of originality" is defined as that of the "author's own intellectual creation."²² The "level of originality" of a qualifying computer program is, therefore, intended to be more than an independent creation by the author, but is not to be determined by any qualitative merits.²³

b. *Ownership of computer programs*

In general, the Software Directive provides that exclusive rights of copyright are granted to the natural person(s) or, if the member state law permits, the legal person, who created the computer program.²⁴ However, where the author is an employee and creates the program acting within the scope of his employment duties, the exercise of the exclusive rights of the author will be attributed to the author's employer, unless the parties agree otherwise.²⁵ Other than the employee-created program, the determination of the author of a copyrighted work (including programs) is left to the member states.

20. Council Directive 91/250, 1991 O.J. (L 122) 42. *See id.* annex 2.

21. Through a Council Decision, all member states are required to accede to this version of the Berne Convention.

22. Council Directive 91/250, *supra* note 20, art. 1(3).

23. Existing German case law had required a standard of originality higher and thus more difficult to obtain than any statutory or case law of other member states.

24. Council Directive 91/250, *supra* note 20, art. 2(1).

25. *Id.* art. 2(3).

c. Exclusive rights and exceptions

The copyright owner has the right to preclude others from a) reproducing a program, including loading and running the program; and b) translating, adapting or otherwise altering the program. However, a lawful user of a program may both reproduce (for use) and change the program, unless these acts are specifically regulated otherwise in writing by the owner of the program.²⁶ Moreover, a lawful user may also make a backup copy of the program, despite any contractual provisions to the contrary.²⁷ The user need only show that the running or altering of a program or the making of a backup copy of a program lawfully acquired is necessary for the program's use. This requirement is not difficult to meet. Any license agreement prohibiting the use of a backup copy or the testing of the underlying ideas or principles of a program by a lawful user is deemed void.²⁸

The copyright owner also has the exclusive right to distribute the program in any form, including rentals. If the program or copies of it are sold, however, the exhaustion doctrine applies to prevent any attempts to restrict resale, unless the program is "rented," or otherwise licensed.²⁹

d. Reverse engineering

The Community adopted a policy of promoting interoperability by permitting decompilation of programs under specifically enumerated conditions. These conditions are designed to prevent prejudice to the copyright owner's legitimate interests.

e. Term of protection and application of the software directive

The minimum term of protection of programs is, for a natural person, the life of the author plus fifty years. If the author is a legal person, the term is fifty years from the date the program is first made available to the public. In either event, the term commences in January of the year following the creation or initial distribution.³⁰

The Software Directive provisions apply to programs created before the Software Directive's implementation date of January 1, 1993, provided such application is without prejudice to any acts con-

26. *Id.* art. 4(a), (b).

27. *Id.* art. 5(2).

28. *Id.* art. 9(1).

29. *Id.* art. 4(c).

30. *Id.* art. 8(1).

cluded or rights acquired before this date. This is presumed to mean that agreements concluded before January 1, 1993 would remain in effect, although they may contain restrictions which would not be enforceable if such agreements were first entered into after January 1, 1993.³¹

f. Remedies

At this stage of harmonization, the remedies for copyright infringement remain primarily a question of national law. The Software Directive merely defines what constitutes infringement for purposes of requiring that the member states provide a remedy. Infringing copies will be subject to seizure in accordance with member state law.

2. Implementation

By the time the Software Directive was adopted in 1991, national case law rulings in most member states had recognized copyright protection for computer programs. In addition, the U.K., France, Germany, Spain, and Denmark had adopted specific copyright protection legislation for computer programs. Italy, Belgium, the Netherlands, Portugal, and Ireland had draft legislation on software protection by copyright.

By January 1, 1993, at which time the Directive should have been implemented by all member states, the situation remained essentially unchanged. Those member states with relatively recently enacted copyright laws have provided for copyright protection of computer programs, but may need to further amend these laws in order to fully implement the Directive's provisions. Those member states with draft laws pending need to ensure their adoption as soon as possible.

IV. CONCLUSION

The framework for instituting an EC-wide uniform, if not yet unitary, system of proprietary rights for trademarks is well underway. The concept, coexistence of national and Community rights, has long been agreed upon. It is anticipated that with the Directive implemented in all member states, trademark owners and registrants will benefit from a greater degree of uniform treatment as to what marks may be registered, how they may be used, and what protection will be afforded. Once the decision on the location of the Community Trade-

31. *Id.* art. 9(2).

mark Office is made, the Community Trademark will offer a company doing business in two or more member states a far more advantageous means of acquiring and exercising trademark rights throughout the single internal market.

In comparison, the copyright field will continue to be based on national rights. However, this field will be harmonized by EC directives and international conventions to which member states are required to adhere. Together with supervising the enforcement and implementation of the semiconductor design and computer program directives, the Commission is currently working on a draft database directive. It has also taken measures in areas of a more peripheral interest to the computer industry, such as cable and satellite broadcasting, video rental, and the term of protection generally granted to copyrighted works.

Firms or companies seeking to acquire, protect, and exploit their proprietary rights in any part of the Common Market are well advised to acquire rights in as many member state jurisdictions as possible. This is advised even if business takes place in only one member state. It is further recommended that such firms or companies consider EC law when drafting their agreements or planning business transactions. Future planning should also include making use, when available, of the Community Trademark.