

Design rights and other special intellectual property rights: European best practices and examples of developments in Palestine

*Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.*¹

1. Introduction

Intellectual property differs from other property in that it is *intangible*, it cannot be seen or touched in the way that a car, a house or a painting can be. This means that also the legal regulation of it must be different than that relating to other forms of property, as many of the actions that lead to legal consequences for other types of property do not fit intellectual property. This includes that for other types of property possession of the object may be of relevance as evidence of ownership and handing over possession of an object may have legal consequences (like by sale of movable property). As intellectual property has special characteristics, different procedures and methods must be used to prove ownership, to transfer ownership or to undertake other actions related to intellectual property than those applying to tangible objects.

The understanding of what it actually is that is owned when somebody possesses intellectual property is also different. It is not a concrete thing that is the object of ownership: it is not the book, picture or piece of machinery that the intellectual property right refers to that is the actual object of intellectual property rights, but it is the *creative process* that led up to the creation of that object. At the same time, ideas as such cannot be owned by anyone, but it is only the *expression of the idea* in some form that can be subject to intellectual property. This is quite complex from the philosophical point of view and lawyers or others dealing with intellectual property in any form must get use to this special way of thinking. Without understanding this, it is very hard to decide on cases of possible infringement of intellectual property rights.

At the same time, in practice there are many international conventions as well as national laws that help to put these ideas into a concrete form and thus make it easier to understand what importance intellectual property has in practice and how to deal with it in everyday legal transactions. Intellectual property issues come up not only in cases about infringement of the rights but also in cases on trade, competition law, corporate law and in many other contexts. Modern technologies have affected intellectual property rights in many ways, both substantially and as far as the procedure is concerned. For the procedure, the possibility to make computerised searches has meant great efficiency gains. The substantive changes caused by modern technologies will be discussed further below.

¹WTO http://wto.org/english/tratop_e/trips_e/intel1_e.htm. On this web-site general information about different intellectual property **rights** can be found.

2. Different forms of intellectual property

There are many different intellectual property rights. Intellectual property is customarily divided into two main areas, namely copyright (author's rights) and rights related to this; and industrial property rights. These categories can be regarded as incorporating other rights, like design rights belonging to industrial property for example, but there are also challenges to the division, not least in the context of right in the modern information society.

Copyright means the protected rights of authors of literary and artistic works (books and other written work, music in different forms, paintings, sculpture, films, to some extent also computer programs) for a period of 70 (or in some countries) 50 years after the death of the author. Another form of copyright often referred to as *neighbouring rights* are the rights of performers (e.g. actors, singers and musicians), producers of phonograms (sound recordings) and broadcasting organisations. The main purpose of all kinds of copyright is to encourage and reward creative work.

Industrial property can be divided into two main areas, the protection of *trademarks* and the protection of *patents*. Trademarks are distinctive signs that distinguish the goods or services of one undertaking from those of others. There are also other forms of distinctive signs like geographical indications. The idea behind trademark protection is to ensure fair competition and to protect consumers, by enabling them to make informed choices between various goods and services. Such protection may last indefinitely, provided the sign in question continues to be distinctive.

Patents protect inventions including (with somewhat different protection) *industrial designs*. The reason for these rights is to stimulate innovation, design and the creation of technology. Another category is protection of *trade secrets*. All such rights are important to provide incentives for investment in the development of new technology. The protection of industrial property rights is for a limited term (typically 20 years in the case of patents). Trade secrets include different forms of undisclosed information which has commercial value and these are protected for as long as there is such value and the information is not spread.

In return for the above protection, the holder has to fully disclose the invention to the public.

Protection is granted:

- for a limited period, generally 20 years (which is also the period in the draft Industrial Property Rights Law of 2012 of the Ministry of National Economy for Palestine, 7 years for utility models – in line with international conventions as well as best international practice)
- for a specific geographic area (country where - or for which - patent was granted)

Once a patent expires, the protection ends, and the invention enters the public domain. The patentee no longer holds exclusive rights to the invention, which then becomes available for commercial exploitation by others.

There are also special rights under specific conventions for narrower types of products that for different reasons do not fit under the general categories or that need some specific rules as well. For example, plants cannot in some countries be patented but plant varieties may be protected by a special system such as plant breeder's rights.

The different rights protect different things, for different reasons. As mentioned briefly above, copyright is for artistic creation of different kinds, like music, pictures, sculpture, film, writing and so on. There has to be a certain level of creative effort, but there is no requirement of good quality as such. The idea is to reward creative efforts and give those that create something the right to decide over their creation, both in the sense of making money from it (if possible) and in the sense of deciding if and how it can be used. These are the economic and moral rights of copyright, to be discussed more later. Neighbouring rights protect performers and those who use artistic works by way of recording them, playing music or playing a theatre play.

Patents are intended to protect inventions that have some application and that can be reproduced. The time for patent protection is much shorter than for copyrights and one of the ideas behind the process is to bring the knowledge of the invention to the public. It is a time-limited protection to ensure a certain monopoly, which gives inventors a chance to make money on their inventions and through this, encourages investment in inventions.

Trademark protection protects signs that have been created in order to signify the origin and characteristics of a product and to distinguish it from other products. This is done so that producers can market their products or services; consumers know to distinguish between different producers or providers and a body of knowledge can be built up around a certain product or service. In some ways similar to trademarks is the protection of geographical origin or geographical indication, something to which more attention has been paid lately. This is when a place name is used to identify a product and identify its special characteristics, which are the result of the origin. Well-known examples include "Champagne" and "Roquefort" cheese.

Design rights as well as other special intellectual property rights (for plant breeders for example) resemble these main categories of rights but are more specific. Design rights can be seen as something in-between copyrights and trademarks, in that they protect a creative effort but do this for a specific purpose, to denote a product, like trademarks.

It is possible that different intellectual property rights apply to the same thing. A trademark may have artistic value and be protected by copyright. There are also other possible combinations. As will be seen in the detailed study of the different rights, the process for determining if there has been an infringement or violation of a right differs and what is protected differs. Usually one or the other element will be predominant and determine the procedure to be followed.

Apart from the fact that the different rights protect different things, there are also differences in how they come about and how they can be protected. Copyright (and neighbouring rights) occur automatically whereas industrial property rights need action by the right holder to come into

existence, namely they need registration. Before a patent has been applied for and registered, there is no value to such intellectual property. The creative effort that is behind the process is not protected until the person concerned has undertaken some measures to protect it. Trademarks normally are registered but there are some possibilities in some jurisdictions that they are protected by use only. Copyright however does not need registration but exists from the moment of the creative effort and does not need any extra measures by the creator to protect it.

3. The legal basis for intellectual property protection

Intellectual property legislation in all countries is based on very old conventions. This is one of the areas of law that has the most of old conventions still in force. Several of the main conventions are from the late 1800s. They have been amended many times and new conventions added, but the basic system is the same for more than 120 years. Another significant feature is that the legal area is very international. The same conventions form the basis for national legislation all over the world. This means that basic concepts are the same even in very different jurisdictions.

At the same time, even if there is this very international and global background, intellectual property rights are linked to specific territory. When registering a patent or a trademark, this is done for selected countries or areas and it is only valid in the territories selected. Also copyrights are linked to territory. However, apart from in the case of patent where there are fairly clear rules on what this means, it is often not easy to see exactly how this territoriality works in a situation with extensive international trade and communications. This is a challenge for lawyers dealing with these issues, in whatever capacity.

Countries in the Middle East like for example Palestine are in recent years working actively on updating intellectual property legislation. Supported by the Investment Climate Improvement (ICI) Project a draft Industrial Property Rights Law of 2012 of the Ministry of National Economy has been made that includes a comprehensive legal framework for all types of industrial property rights, including related legal and administrative enforcement measures. In addition, this draft law addresses the issue of legislative duplication between the West Bank and Gaza Strip in connection with industrial property rights. The draft Industrial Property Rights Law of 2012 of the Ministry of National Economy deals with the complexity of merging West Bank and Gaza records.

There are a number of treaties that govern different intellectual property rights. Some of the main ones are briefly described here.² The draft Industrial Property Rights Law of 2012 of the Ministry of National Economy builds on these international treaties.

The Paris Convention for the Protection of Industrial Property (1883) and other industrial property conventions

²The text of the conventions as well as summaries of the main points are available (also in Arabic) at <http://www.wipo.int/treaties/>. This is the source for this text on the conventions.

The Paris Convention applies to industrial property in the widest sense, including patents, marks, industrial designs, utility models, trade names, geographical indications and the repression of unfair competition. The substantive provisions of the Convention fall into three main categories:

- National treatment (each contracting State must grant the same protection to nationals of the other contracting States as it grants to its own nationals);
- Right of priority (on the basis of a regular first application filed in one of the contracting States, the applicant may, within a certain period of time apply for protection in any of the other contracting States; these later applications will be regarded as if they had been filed on the same day as the first application);
- Common rules (how different patents or trademarks shall be regarded and what minimum rights they give, the right to refuse patents or trademarks, the relationship between rights granted in the different countries, compulsory licensing).

The Paris Convention is open to all states. It was revised at Brussels in 1900, at Washington in 1911, at The Hague in 1925, at London in 1934, at Lisbon in 1958 and at Stockholm in 1967, and it was amended in 1979.

In addition, on industrial property there is a Patent Law Treaty (2000, in force 2005) to simplify procedures for obtaining patents and to make the procedure more user-friendly.

There is also a type of treaties called the Global Protection System Treaties. These ensure that one international registration or filing will have effect in any signatory State. The treaties are administered by the World Intellectual Property Organisation (WIPO). WIPO provides certain services under these treaties to simplify and reduce the cost of making individual applications or filings in all different countries in which protection is sought for a specific intellectual property right.

Trademarks are covered by the wide general definition of what the Paris Convention applies to. In addition, there is a Trademark Law Treaty (1994) and the Singapore Treaty on the Law of Trademarks (2006) to simplify and harmonise the procedure related to trademarks. For trademarks, the more recent rules introduced by the World Trade Organisation (WTO) in the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) (see more on this agreement below) entail that service marks must be protected in the same way as trademarks used for goods. Marks that have become well-known in a particular country enjoy additional protection, as an exception from the territorial protection of marks.

The Berne Convention for the Protection of Literary and Artistic Works (1886)

The Berne Convention is the main Convention for copyright. It includes three basic principles and a series of provisions determining the minimum protection to be granted, as well as special provisions available to developing countries.

The three basic principles are:

- National treatment (works originating in one of the contracting States - the author is a national of such a State or the works were first published in such a State - must be given the same protection as works of own nationals);
- Automatic protection (protection must not be conditional upon any formality);
- Independence of protection (protection is independent of the existence of protection in the country of origin of the work).

There are also minimum standards of protection related to the works and rights to be protected, and the duration of the protection. For example, rights included are the right to translate, to make adaptations and arrangements of the work, to perform in public or communicate to the public and to broadcast, the right to make reproductions and other linked rights. The Convention also provides for “moral rights,” that is, the right to claim authorship of the work and the right to object to any mutilation or deformation or other modification of, or other derogatory action in relation to the work which would be prejudicial to the author’s honour or reputation. Moral rights are independent from the economic rights and no financial loss must be suffered for there to be an infringement of moral rights.

The duration of protection rule of the Berne Convention includes the general rule that protection must be granted until the expiration of the 50th year after the author’s death, with exceptions for anonymous or pseudonymous works, for which the term of protection expires 50 years after the work has been lawfully made available to the public. In Europe and in many other parts of the world the period is 70 years, but the 50 years in the convention is a minimum period.

The Berne Convention, concluded in 1886, was revised at Paris in 1896 and at Berlin in 1908, completed at Berne in 1914, revised at Rome in 1928, at Brussels in 1948, at Stockholm in 1967 and at Paris in 1971, and was amended in 1979. It is open to all States.

The TRIPS agreement ensures that computer programs will be protected as literary works under the Berne Convention and outlines how databases should be protected. It also expands international copyright rules to cover rental rights for films, computer programs and sound recordings.

The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (1961) and other conventions on neighbouring rights

The Rome Convention extends specific rights to performers (actors, singers, musicians, dancers and other persons who perform literary or artistic works). They have the right to decide over broadcasting and the communication to the public of their live performance; the fixation of their live performance and the reproduction of such a fixation. Neighbouring rights mean that there are often different rights applying to the same artistic production, to different aspects of it.

Producers of recordings (phonograms) have the right to authorise or prohibit the direct or indirect reproduction of their phonograms. Phonograms are defined in the Rome Convention as

meaning any exclusively aural fixation of sounds of a performance or of other sounds, so it can cover different forms of recordings. Broadcasting organisations have rights over such matters as rebroadcasting or fixation of their broadcasts and reproduction of such fixations as well as the communication to the public of their television broadcasts if such communication is made in places accessible to the public against payment of an entrance fee.

The Rome Convention allows exceptions in national laws to the above-mentioned rights as regards private use, use of short excerpts in connection with the reporting of current events, ephemeral fixation by a broadcasting organisation by means of its own facilities and for its own broadcasts, use solely for the purpose of teaching or scientific research and in any other cases.

Protection must last at least until the end of a period of 20 years computed on different facts provided in the Convention. The Rome Convention is linked to the Berne Convention in that it is open to States party to the Berne Convention.

There is an additional special Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (1971).

Other special conventions

There are also other conventions on special matters from different periods. Two that may be mentioned are the Madrid Agreement on the Repression of False or Deceptive Indication of Source on Goods (1891) and the the Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (1974).

There are also important regional conventions. The most elaborate of these is the European Patent Convention from 1973, which sets up a European system for patent protection with harmonisation of rules and procedures. For trademarks there is a European Union (EU) trademark, in addition to national marks, handled as part of EU law. The EU is discussing common rules on patents but has not yet reached agreement on this. There has been some harmonisation on copyright rules in the EU, with for example the same periods applying in all Member States. Europe is the region in the world that has the most elaborate regional rules.

4. Legislation in Palestine

Intellectual property legislation in Palestine comes from different sources and is not consistent. It is based on the mentioned international conventions and in that respect does incorporate the same main principles as legislation around the world, but it lacks consistent implementation in national law. There are on-going efforts to draft new intellectual property legislation to better ensure application of international principles and best practices in the country. The mentioned ICI draft Industrial Property Rights Law of 2012 of the Ministry of National Economy includes a comprehensive legal framework for all types of industrial property rights, including related legal and administrative enforcement measures, which would clarify the legal situation regarding industrial property rights. In addition, the draft addresses legislative duplication

between the West Bank and Gaza Strip in connection with industrial property rights (like the question of different registries).

The draft Industrial Property Rights Law of 2012 of the Ministry of National Economy if adopted will support the position of Palestine in respect of WTO accession, which is a key element to enable Palestine to deal with the challenges of the new liberated economy including the elimination of tariff barriers. The background to drafting the law is that a solid intellectual property regime will create a business enabling environment, facilitate trade and private sector investment, and encourage the transfer of technology into Palestine.

At the time when the main intellectual property treaties entered into force, Palestine was part of the Ottoman Empire and this Empire passed intellectual property laws in line with the conventions. During the British Mandate certain Ottoman laws remained in force but on the intellectual property area, new laws were mainly brought in. Such British Mandate period laws on copyrights are still in force (from 1862 and 1906). For patents and trademarks the legislation is from 1952 for the West Bank and from 1938 and 1939 for Gaza. There are more recent decrees (from the 2000s) on specific issues and on procedure.

It is not the place here to go through general issues of Palestinian legislation but just to point out that the legacy of different periods has meant the application of different laws in various parts of the country and there has until now not been a consistent revision of such laws. The principles that apply are however those of the international conventions in the area.

5. Application and protection of intellectual property rights

Judges and lawyers need to be aware of intellectual property rights and their protection as such rights are increasingly important and may come up in different cases, also in cases that are not primarily about such rights. One reason is that the value of intellectual property rights may be very high. At the same time, it can be difficult to evaluate the value of such rights. This can be important in transactions such as sale of companies, bankruptcy but also divorce proceedings. There is also increasing attention to intellectual property rights in international trade with many states and international organisations paying a lot of attention to piracy and other forms of illegal use of intellectual property.

For Palestine to be regarded as a rule of law state, it is important to have proper implementation of intellectual property rights. A revision of the legislation to ensure that it is updated and consistent would also be important but even in the absence of such consistent legislation, it is possible to ensure proper interpretation and application of existing law, regulations and decrees.

Intellectual property protection has several different phases and many different authorities are involved in it, in different ways. For patents and trademarks, the procedure of registration is handled by specific authorities. There are specialists who deal with registration and offer their services to people. In cases of disputes, there may be a combination of a special procedure and court procedure – mainly eventually the disputes will go to the regular courts. This means that

judges as well as prosecutors and lawyers need at least a basic knowledge of intellectual property rights to be able to work with such cases. It may be necessary to involve experts in the process as well.

Intellectual property law is territorial in its application. One must look to the law of the jurisdiction in which the infringement is thought to have occurred if suing for an infringement. In terms of the substantive law, it is the law of the protecting nation that applies. This means that there will be issues of choice of law and a need to understand different legal regimes in different countries, if to protect the intellectual property right well.

There are many different types of agreements involving intellectual property rights that lawyers may come into contact with. Owners of copyrights, patents or other forms of intellectual property rights can issue licences for production or for use of the protected trademark or design.

Rules of the WTO as well as other agreements require that courts should have the right, under certain conditions, to order the disposal or destruction of pirated or counterfeit goods. Wilful trademark counterfeiting or copyright piracy on a commercial scale should be criminal offences. Governments should make sure that intellectual property rights owners can receive the assistance of customs authorities to prevent imports of counterfeit and pirated goods.

6. Modern technologies and intellectual property protection

Modern technologies have impacted intellectual property protection in many ways. One example is the speed and volume of new inventions, which puts a stress on patent systems and on applicants. There is a very large body of knowledge that one needs to be familiar with. Another issue is that modern technologies make it very easy to copy and download material, which has led to very many copyright infringements, which are very difficult to combat in the way which regularly is used to deal with such issues. Yet another issue is the question how software should be protected, if at all. There are also fears that in relation to modern technologies there are often so small differences between new developments so it is impossible to see what is an actual invention and not just the normal development, which cannot be patented or protected in other ways.

In general, there is no consensus on what the technologies mean: should laws be changed, not used at all or can they be interpreted so they still fit the new situation? To some extent, such discussion is not new, as there was a similar discussion when phonograms (recordings) became common. So far however, no country has abolished intellectual property protection and it would be against world trade rules to do so.

On the other hand, it is seen that modern technologies – namely use of automated data processing – has had a positive impact on procedures related to intellectual property protection, like for searches for patents or trademarks. Such searches rely very much on computerised data and this allows for a more rapid and more secure system.

7. Intellectual property and employment relations

It is quite common that creative work is done as part of the employment relations, that it is a part of work duties. This can be the case for artistic work as well as for inventions. Especially regarding inventions there may be expensive and complicated equipment and material involved that is provided by the employer. There may then be a question whether the creation, the invention, belongs to the person who made it or to the employer that made the development possible. Many patents are applied for by undertakings rather than private persons, even if it is possible both for undertakings and for individuals to apply for patents. As far as copyright is concerned, this belongs to an individual as the author of the protected work, but the economic rights may be handed over to an undertaking or another person.

As it may be difficult to determine who the rights belong to, for example in a situation where a team of persons as part of their work and supported by the undertaking develop new things or improve existing ones, it is common in any kind of profession that may lead to intellectual property being developed to set out details about the intellectual property rights in the employment contract. Such details can vary, there may be some rules in national labour laws but most commonly this is a matter for the parties to agree upon. As a general principle it can be said that if the undertaking provides important conditions for the creative work, they will have the rights to the result of such work. In most research intensive industries this will be the case. The pharmaceutical industry can be a good example. Drugs research and development needs special conditions, material, the correct environment and so on. Even if an individual may be responsible for a development this would normally not be possible without the support of the undertaking including work by a lot of other people there. It is thus correct that the benefit of the invention should go to the undertaking, while the person responsible gets part of this benefit through the employment contract and the conditions included in it. However, if the input of the employer is small (like use of a library) the creation may be the sole property of the person who created it. Generally, it is a negotiation point in employment relations how this should be handled, but many research intensive organisations (like Universities for example) have set policies on these matters.

8. Limits and exceptions to intellectual property rights

Exclusive rights given because of intellectual property protection are subject to a number of limitations and exceptions. This can be to protect interest of others, for example in avoiding monopolisation. It can however also be for reasons of social policy. In this respect, governments can decide on compulsory licensing for example of medicines if this is important for public health. There can also be compulsory licensing in other contexts if a patent owner abuses his rights by failing to supply the product on the market and this causes some harm. Compulsory licensing means that a competitor will be allowed to produce the product or the state can even do so itself, or it can oblige the patent holder to do so. There are however conditions in international conventions as well as in national for when and how this can be done. It should not be done too often, as otherwise the rights of the holder of the intellectual property right would be abused.

Not only can governments decide on compulsory licensing. They can also refuse to issue patents for inventions if commercial exploitation would be prohibited for reasons of public order or morality. Conventions make some special exceptions which include things like biotechnology, body parts or also diagnostic, therapeutic and surgical methods, plants and animals (other than microorganisms), and biological processes.

Another exception to the normal patent regime is that it is allowed under certain conditions for poor countries to manufacture medicines without having to pay for the use of the patent – to permit access to the medicines for people of poorer countries where otherwise the cost would be prohibitive. This has to be done under specific conditions so it is not abused.

9. Intellectual property and world trade

A functioning intellectual property regime should facilitate the transfer of technology in the form of foreign direct investment, joint ventures and licensing. There is a lot of international trade involving intellectual property. For many modern products, the real value is in the knowledge needed to produce the products rather than in the material. This is true for example for medicines or high technology products. It is also true for books, films and music or other artistic objects. For some products, it is the trademark (like a brand name) that is the valuable part of the object.

To some extent the intellectual property rights were similar in different parts of the world, as they come from international conventions. At the same time, specific matters like the extent of protection and enforcement of the rights varied widely around the world. With an increase in global trade as well as the mentioned increase in intellectual property of many objects of international trade, it has become more and more important to achieve harmonisation and rules on trade in intellectual property and dispute resolution mechanisms. This is behind the World Trade Organisation (WTO) and related rules on intellectual property. The most important such instrument is the Agreement on Trade Related Intellectual Property, the TRIPS Agreement. It establishes minimum levels of protection that have to be provided for intellectual property of any WTO member. A very important part of the TRIPS Agreement is the dispute resolution system.

The draft Palestinian industrial property law (as part of the ICI project) has as one of its important aims and foundations to ensure that Palestine meets WTO requirements, including TRIPS. The law sets out the practical and enforcement measures in Chapter 1, together with provisions on transition from the earlier legislation. It contains relevant definitions as well as the substance on different rights, in line with international conventions, as specified below.

One important principle of the TRIPS Agreement is that intellectual property protection should contribute to technical innovation and the transfer of technology. Both producers and users should benefit, and economic and social welfare should be enhanced. This is a way to at least

give attention to the important balance of different rights that is involved in intellectual property protection.

1. Sources of law regulating industrial design

International treaties

Treaties governing general standards of protection to be provided by States

The Paris Convention for the Protection of Industrial Property

Adopted	March 20, 1883
Members	174
Content:	Applies to industrial property in the widest sense, including patents, marks, industrial designs, utility models, trade names, geographical indications and the repression of unfair competition.

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

Adopted	15 April 1994
Members	all WTO members (157)
Content:	Establishes a new framework prescribing minimum standards of intellectual property protection. Covers copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits, and protection of undisclosed information (trade secrets).

Treaty governing registration system for obtaining protection

Hague Agreement Concerning the International Registration of Industrial Designs

Adopted	June 2, 1934
Members	60
Content:	Creates the system of international registration of industrial designs

Treaty governing international classification systems

Locarno Agreement Establishing an International Classification for Industrial Designs

Adopted	October 8, 1968
Members	52
Content:	Establishes a classification for industrial designs

National legislation

The national legislation is different in each country. It establishes rules and conditions to be complied with for protecting national industrial designs and must satisfy the minimum requirements that are established by international treaties with which the specific country has joined. In addition there is EU law, which will be referred to below as examples.

Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs

Adopted	13 October 1998
Members	all EU member states
Content:	Harmonises the national laws of the Member States relating to designs

Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs

Adopted	12 December 2001
Members	all EU member states
Content:	Establishes a unified system for obtaining a Community design covered by uniform protection in the internal market

2. Requirements for registered industrial design

The mandatory requirements of both design registration and validity are:

- the applied design must constitute a design;
- the design must be novel;
- the design must possess individual character;
- there must exist no circumstances excluding industrial design protection;
- the applicant shall have a right to apply the design under the law of the state concerned.

3. Definition of design

The definition of what is registerable as a design is extremely wide. A design may be fully integrated part of the product to which it is applied or an abstract design such as logo capable of application to any product. Some specific elements of which a design may consist have been enumerated in law. The enumeration, however, is normally not exhaustive. It shall be noted that a colour in itself or a material as such are not eligible for protection. But the choice of colour in combination with other design elements or the combination of colours in a graphic design can add the individual character to the design and may as such constitute a protectable element when applied to a specific product.³

The reason for the exclusion of “computer programmes” can be implied from the definition of “product”- a computer program cannot be seen whereas the other items listed in the definition

³ M. Franzosi. European Design Protection. Commentary to Directive and Regulation Proposals. The Hague; London; Boston: Kluwer Law International. 1996, p. 36.

of “product“ can be seen. Product is basically any item to which a design can be applied. Thus, anything which is capable of being seen can be registered as an industrial design. This includes visible objects that are usually protected under some other form of intellectual property:

- device trademarks or trademarks with a special typographical arrangements;
- artistic works such as paintings, appearances of books, etc.
- cartoon characters;
- layouts of parks.

Novelty and individual character

Novelty

A design shall be considered new if no identical design has been made available to the public before the **date of filing of the application for registration** or, if priority is claimed, the **date of priority**. Designs shall be deemed to be identical if their features differ only in immaterial details.

This requirement is an objective criterion. It is immaterial to establish whether the design is the result of an independent creation by the designer or has been copied. Novelty is to be assessed at the world wide level. If it has been registered or otherwise been made available to the public anywhere in the world it is not new. It is however, only identical or near to identical anticipations, which destroy the novelty, whereas an overall impression of similarity is not enough to have this effect.

Individual character

A design shall be considered to have individual character if the overall impression it produces on the **informed user** differs from the overall impression produced on such a user by any design which has been made available to the public before the date of filing of the application for registration or, if priority is claimed, the date of priority. In assessing individual character, the degree of freedom of the designer in developing the design shall be taken into consideration.

Assessment

The concept of novelty and the concept of individual character are interrelated, and novelty is included in individual character. Novelty requires a simple difference in comparison with previous works; individual character requires a qualified difference. As a consequence, all products having an individual character are necessarily also new.

In the assessment of the individual character of the designs at issue, its visible features and therefore the overall **impression on the informed user** of the design, as well as the designer’s degree of freedom in developing the challenged design must be taken into account.

Informed user

The European Court of Justice has explained that the concept of “informed user“ must be understood as lying somewhere between that of the average consumer, applicable in trademark matters, who need not have any specific knowledge and who, as a rule, makes no direct

comparison between the trademarks at issue, and the sectorial expert, who is an expert with detailed technical expertise. Thus, the concept of the “informed user“ may be understood as referring, not to a user of average attention, but to a particularly observant one, either because of his personal experience or his extensive knowledge of the sector in question. Thus, the qualifier ‘informed’ suggests that, **without being a designer or a technical expert**, the user knows the various designs which exist in the sector concerned, possesses a certain degree of knowledge with regard to the features which those designs normally include, and, as a result of his interest in the products concerned, shows a relatively high degree of attention when he uses them.

Furthermore, the Court has explained that even if it is true that the very nature of the informed user as defined above means that, when possible, he will make a **direct comparison** between the designs at issue, it still cannot be ruled out that such a comparison may be impracticable or uncommon in the sector concerned, in particular because of specific circumstances or the characteristics of the devices which the designs at issue represent.

Designer’s degree of freedom

The designer’s degree of freedom in developing his design is established, *inter alia*, by the constraints of the features imposed by the technical function of the product or an element thereof, or by statutory requirements applicable to the product. Those constraints result in a standardisation of certain features, which will thus be common to the designs applied to the product concerned. Therefore, the greater the designer’s freedom in developing the challenged design, the less likely it is that minor differences between the designs at issue will be sufficient to produce a different overall impression on an informed user.

Exceptions

Generally, any design that has been published, exhibited or used in trade prior to the relevant date forms part of the “prior art“. However, there are a number of exceptions to this:

- The disclosure could not reasonably have become known in the normal course of business to the circles specialised in the sector concerned;
- The disclosure occurred in a set period, often the 12-months period preceding the relevant date and was the result of an act by the designer, his successor in title or a third person who has obtained the design from the designer. This grace period allows the designer to evaluate the market's reaction to the design prior to incurring the expense of registering it. It also will prevent any third party from filing for the design in that period as it would represent prior art for the purpose of that filing. The grace period is for 12 months prior to the filing, or, if earlier, the priority date.
- The disclosure was the result of an abuse in relation to the designer or his successor in title. This exception covers situation where the designer tells someone of the design in confidential circumstances and the latter promptly publishes it.

1. Designs that cannot be protected as industrial designs

Designs consisting of features dictated solely by their technical function

Such provisions deny protection to those features of a product's appearance that were chosen exclusively for the purpose of designing a product that performs its function, as opposed to features that were chosen, at least to some degree, for the purpose of enhancing the product's visual appearance. The design as a whole will be invalid only if all the essential features of the appearance of the product in question are solely dictated by its technical function.

In order to determine whether all essential features of the appearance of the product into which the contested industrial design will be incorporated are solely dictated by the technical function of the product, it is first necessary to determine what the technical function of that product is.

The relevant indication in the application for registration of that design should be taken into account and also, where necessary, the design itself, in so far as it makes clear the nature of the product, its intended purpose or its function. The assessment shall be made objectively and not with regards to the perception of the informed user, who may have limited knowledge of technical matters. "It is not necessary to determine what actually went on in the designer's mind when the design was being developed. The matter must be assessed from the standpoint of a reasonable observer who looks at the design and asks himself whether anything other than purely functional considerations could have been relevant when a specific feature was chosen."⁴

Designs consisting of a mechanical interface

A design right shall not subsist in features of appearance of a product which must necessarily be reproduced in their exact form and dimensions in order to permit the product in which the design is incorporated or to which it is applied to be mechanically connected to or placed in, around or against another product so that either product may perform its function.

The application of such provisions is limited to mechanical connections and its purpose is to guarantee that the interoperability of products of different makes is not hindered by extending protection to the designs of mechanical fittings.

Designs contrary to public policy or morality

A design right shall not subsist in a design which is contrary to public policy or to accepted principles of morality. This exclusion appears also in the laws of patents and trademarks. There is no legal definition of "public policy" and "morality" and it must be suitable for the country in which the decision is made.

By way of example, designs that contain racist messages or images are not acceptable. At the same time, a poor taste manifested in a design is not a ground for non-registrability.

⁴ OHIM Board of Appeal decision of 29/04/2010, R 211/2008-3, 'Fluid distribution equipment', para. 35

2. Entitlement to apply for registration

According to the Estonian National Industrial Design Act, the right to apply for the registration of an industrial design and to become the owner of the industrial design is vested in the author or person who has acquired the right to apply for the registration of the industrial design from the author or by way of transfer of such right. To this general principle there are two exceptions:

- the right to apply for the registration and ownership of an industrial design that is created in the performance of duties of employment is vested in the **employer** unless the duties of employment prescribe otherwise.
- the right to apply for the registration and ownership of an industrial design that is created in the performance of contractual obligations is vested in the **person who orders**, unless the contract prescribe otherwise.

The **author** of an industrial design is the natural person who created the industrial design through his or her creative activities. If an industrial design is created by several natural persons through joint creative activities, such persons are **joint authors**. The application for the registration of an industrial design may also be submitted by several persons jointly and in the case of joint authorship, usually all rights are exercised by the authors jointly, unless they agree otherwise. From this it is clear that the person who first discloses the design to the public is not necessarily the person who has a right to apply for design protection.

Therefore, if a person who does not claim to be the proprietor of the design applies for registration, the Registrar shall refuse to register the application.

The **owner** of an industrial design is the person who has full legal control (exclusive right) over a registered industrial design and is entered in the register as the owner of the industrial design.

3. Rights conferred by a registered industrial design

Rights of the author of an industrial design

Personal moral rights:

- the right to request the disclosure of the author's name as the author;
- the right to prohibit the disclosure of the author's name as the author;
- the right to revoke at any time the prohibition on disclosure of the author's name.

Proprietary right:

- the right to a fair portion of the profit received from the industrial design.

While the authors have a right to transfer their proprietary right to third persons and such right also transfers to successors, the personal moral rights of the author of an industrial design are inseparable from the person of the author and cannot be transferred during the lifetime of the

author. The author, however, can issue licenses to third parties for the performance of its personal moral rights.

Rights of the owner of an industrial design

As already said, owner of an industrial design is the person who has full legal control over a registered industrial design and who is entered in the register as the owner of the industrial design. The owner of an industrial design has the following rights:

- the exclusive right to manufacture products according to the industrial design, and to distribute, sell, offer for sale, or import, export or store for the aforesaid purposes products which are manufactured according to the registered industrial design.
- the right to prohibit other persons from manufacturing without authorisation products according to an identical or confusingly similar industrial design and from distributing, selling, offering for sale or importing, exporting or storage for the aforementioned purposes products which are manufactured according to the registered industrial design.
- the right to demand from persons who violate the rights, termination of the violation of such rights, elimination of the consequences of the violation and compensation for damage caused by the violation.

As it can be seen from the definition of design, it refers to the appearance of a product, a notion that is broadly defined to include such things as graphic symbols. Just as a design requires being a product, so too infringement only occurs where a person deals with or uses a product. However, the infringer's use need not be on the same product as the designer's. That is, infringement is not confined to dealings with the same product to which the design had been applied. Instead, the rights are infringed by the use of a product – that is any product – in which the design is incorporated. So, a wallpaper design might be infringed by making curtains bearing a similar pattern, and a design for a car may be infringed by making toy version of the car.

The registered design holder will be able to enforce his right against any identical or substantially similar design, even where the infringing design has been developed in good faith.

The protection conferred is “absolute”: the rights are full exclusive rights like those conferred by patents, rather than qualified rights, of the sort given by copyright, that only control the use of reproductions of the registered designs. The effect is that the proprietor of a registered design need not be concerned with whether the defendant copied the design or arrived at the design independently.

When analysing as to whether the infringement of a registered design has taken place, the court should place itself in the shoes of the “informed user” and also take into account the “degree of freedom of the author in creating the design” and compare the designs. The court is required to assess, whether the designs being compared produce a “different overall impression”.

Limitation of the rights conferred by the design right

The rights conferred by a design right upon registration shall not be exercised in respect of:

- acts done privately and for non-commercial purposes;
- acts done for experimental purposes;
- acts of reproduction for the purposes of making citations or of teaching, provided that such acts are compatible with fair trade practice and do not unduly prejudice the normal exploitation of the design, and that mention is made of the source.

In addition, there may be other specific exception in law. For example, in the EU these exceptions include that the rights conferred by a design right upon registration shall not be exercised in respect of equipment on ships and aircraft registered in another country when these temporarily enter the territory of the Member State concerned or spare parts and accessories for the purpose of repairing such craft.

Acts done privately and for non-commercial purposes

Design law has traditionally been concerned with uses of designs in trade. However, since the delineation of rights does not confine their scope to commercial uses, such non-trade activities are excluded by way of a limitation.

Acts done for experimental purposes

Use of this ground may be rare, but it shall be applied for instance if a company tries to discover the optimal shape of a car chassis in terms of air resistance and they create several designs for testing, one of which falls within the design owner's protection. Such tests would be non-infringing.

Acts of reproduction for citation and teaching purposes

Even if reproduction of the three dimensional designs in a book or newspaper will rarely amount to infringement, the situation is completely different with respect to two dimensional designs such as cartoon characters or logos etc. As a general rule, such use may give the design owner the right to prevent the sale of products, such as books and newspapers, to which the design is applied. The citation defence allows such uses in the specified circumstances (namely that such acts are compatible with fair trade practice, do not unduly prejudice the normal exploitation of the design, and that mention is made of the source). The teaching limitation exempts reproduction for the purposes of teaching.

Optimal exclusions: equipment and spare parts

The exclusion on complex products, interconnections, and functionality go some way toward ensuring that many spare parts will not be protected (and thus that a competition in the production of such spare parts is possible). Still, it is clear that designs for things such as car doors, etc. where the designs are visible in use, but are not dictated by function, will often fall outside the functionality exclusion, and so are in principle protected.

4. Unregistered design rights

Requirements for unregistered industrial design

To qualify for protection, also unregistered designs must satisfy the requirements set with respect to registered industrial designs, i.e. the design must constitute a design in the meaning of the applicable law, it must be novel and possess individual character. The difference between the novelty and individual character of registered and unregistered industrial designs is in the date, from which the design must be novel and possess individual character. When the relevant date is the date of filing of the application for registration or the date of priority with respect to registered designs, then it is the date of first making the design available to the public in the case of unregistered designs. Unregistered Community design shall be considered to be new if no identical design has been made available to the public before the date on which the design for which protection is claimed has **first been made available to the public**. A unregistered Community design shall be considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public before the date on which the design for which protection is claimed has **first been made available to the public**. The required tests are similar as those described above. The unregistered industrial designs must also not fall under the exceptions.

Rights conferred by unregistered industrial design

The law will set out details of the protection. In the EU an unregistered design is protected for a **period of three years** as from the date on which the design was **first made available to the public**. The design shall not be deemed to have been made available to the public for the sole reason that it has been disclosed to a third person under explicit or implicit conditions of confidentiality.

In the EU an unregistered design shall confer on its holder the exclusive right to:

- to use it and
- to prevent any third party not having his consent from using it, provided that the contested use results from copying the protected design.

As it can be noticed, the unregistered design rights described here and which are common in many laws are limited to **copying** of the design first made available to the public. To this regard the scope of protection is identical, irrespective of whether the design is registered or not. As such, the notation of copying will include identical imitations of the protected design, as well as substantially similar copies of the design.

The contested use shall not be deemed to result from copying the protected design if it results from an independent work of creation by a designer who may be reasonably thought not to be familiar with the design made available to the public by the holder. Thus, unlike the registered design right holder, the unregistered design holder is only entitled to prevent any third party from using the protected design if he can show that there is a causal connection between the

protected design and the infringing activity: thus, the unregistered design will not extend to designs arrived at independently by a second designer, but only to such designs which have been the result of imitation.

Thus, it is insufficient for the design right proprietor to establish that the mere copying of the design by the third party has occurred; instead, the right holder must prove an additional element of bad faith on the part of the infringer.

5. Duration of protection

Registered design rights

Laws will set out the periods of protection. As an example, in the EU the registered design will be granted protection for an initial term of five years from the date of filing of the application. This initial term of protection may be renewed for one or more periods of five years, up to a total term of 25 years from the date of filing.

Unregistered design rights

Normally, if the design fulfils the criteria for protection, it will automatically be granted protection, without further formalities, for a period that commonly is three years from the date the design is first made available to the public. The guidelines for establishing this date of disclosure are identical to those in respect of novelty and individual character. The onus of proof will be on the design owner and it would be advisable to keep written records as to any event which may constitute a disclosure of the design.

6. Invalidation

Mandatory grounds

There are some different mandatory grounds upon which a design will be refused registration or declared invalid according to most legislation:

- the design is not a design within the meaning of the law (or the EU Design Directive);
- the design:
 - is not new or
 - does not possess individual character or
 - is dictated by their technical function and designs of interconnections or
 - is contrary to public policy or morality;
- if the applicant for or the holder of the design right is not legally entitled to it; or
- if the design is in conflict with a prior design which has been made available or with a registered design.

In general, the first two grounds of invalidity apply to designs which do not fulfil the criteria of protection or those which constitute excluded subject matter. The subsequent two grounds of

invalidity are specially aimed at rectifying situations where a design right is applied for or has been granted in the face of conflicting interests i.e. to wrong person or in conflict with earlier rights.

Optional grounds

In addition to the above grounds, there are optional grounds for invalidity, like if a distinctive sign is used in a subsequent design or if the design constitutes an unauthorised use of a work protected under the copyright law. Another possible ground is if the design constitutes an improper use of any of the items listed in Article 6b of the Paris Convention for the Protection of Industrial Property, or of badges, emblems and escutcheons. Countries can introduce further optional grounds for invalidation of registration.

Persons entitled to bring invalidation proceedings

In general, it must be assumed that any natural or legal person may request a declaration of invalidity of a registered design. There are four exceptions whereby proof of specific interests is required:

- where invalidity is invoked on the ground that the right holder is not entitled to the design right, only the person legitimately entitled to the right may invoke invalidation;
- where the design conflicts with a prior registered design right, only the holder of the conflicting right or appropriate authority may invoke invalidation;
- where the design constitutes unauthorised use of a protected distinctive sign or an unauthorised use of a copyright work, only the holder of the conflicting right may revoke the invalidation;
- where the design constitutes an improper use of an item listed in Article 6b of the Paris Convention, only the person or entity concerned by the use may revoke the invalidation.

F. Other special rights

1. Introduction

There are various special categories of intellectual property rights that are more or less closely linked with the main categories of rights, explained above. Sometimes such rights are seen as part of another type of right whereas sometimes they are seen as separate categories and specific rights of their own. It is not possible in this limited material to go into detail about all such rights, so they will be mentioned briefly.

It has already been shown in the text above that the limits between categories of rights vary. For example, neighbouring rights are sometimes referred to just as copyrights while to be more exact they should be seen as a special category. Both patents and trademarks are industrial property but are usually treated separately. Within rights one can also make distinctions, like between signs and trademarks for example.

For a judge or attorney, it is useful to have a general overview of different kind of rights in order to be able to decide how they relate to the general principles of intellectual property protection. Usually the main principles are similar to those of the main categories of intellectual property rights.

2. Plant breeders rights

These rights are sometimes called plant variety rights. They apply to different varieties of plants, developed by humans. As had been explained above, it is not a basis for intellectual property rights to discover a plant variety in nature as such natural matters do not belong to anyone and are not the creation of humans. But it is possible and common to develop plants in order to make new varieties, make existing plants more resilient and so on. This can be a totally natural process and does not have to include gene modification, which is another controversial matter in environmental and world trade law and not the subject of this study material. But even for the natural process of breeding plants, the standards vary between countries. Under the European Patent Convention, as discussed above, plant variety rights cannot be protected. The draft Industrial Property Rights Law of 2012 of the Ministry of National Economy for Palestine includes plant variety rights so that legal protection can be given to such rights, in accordance with international standards.

If plant breeders rights exist they are set out in law, establishing a system for registration of the plant variety for a limited time and with a possibility for renewal, usually for a fee. To be protected a variety must be new, stable, distinct and uniform. The main legal issue that arises in the context of plant breeders rights is the relationship to patents. In countries where plant varieties are not precluded from patentability, there is an overlap between the different types of rights. Such cases must be determined on a case by case basis, to see if and how the plant variety may meet patent requirements and what special rights may be given by the specific system set up in that country for plants.

Developing new or improved plant varieties is very important in many countries with large agricultural sectors, not least for special types of plants like grapes (wine producers), fruit, grain and cotton.

3. Databases

Databases are treated as a special category in many intellectual property books and texts, as the protection of these varies between countries and the kind of universal system of basic rights that exists for other categories of intellectual property. In some jurisdictions a database would be evaluated under copyright rules, whereas for example the European Union since 1996 has special rules for databases and the TRIPS agreement sets out how databases are seen in relation to the Berne Convention. These rules have been described above.

The effect of special (*sui generis*) rules is primarily that there is no requirement of originality and creative input for databases in the way there is for copyright, but the law sets out special criteria exactly tailored for databases. The importance of databases has increased with computerisation, which is why this issue has arisen. Previously, types of data collections

such as telephone books for example were evaluated under copyright provisions and what determined if they were protected was if there was creative effort in how the data was gathered and presented or not.

4. Trade Secrets

Trade secrets have been mentioned above so here just a brief mention will be made of this special category to highlight what is most significant. As mentioned above, trade secrets are included in the TRIPS Agreement and are thus to be seen as a category of intellectual property in the wide sense. They do vary from other rights in that there are no special conventions describing what these secrets are or setting up international systems for their protection. It would be against the nature of the secrets to have some form of registration or disclosure like there is for patents, so the protection of secrets has to be handled case by case and usually as a component of some other legal situation, such as an employment or corporate law situation.

As mentioned in the introduction, trade secrets include different forms of undisclosed information which has commercial value. Trade secrets are protected for as long as there is such value attached to the information and the information is not spread. If information is no longer secret, it loses its value as a trade secret. As it is very specific for each situation what kind of disclosure that may be needed to regard something as no longer secret, it is clear that it would be difficult to set out clear rules in law. There may be a link with other intellectual property rights like for example patents. Persons working in a laboratory will often have access to information that is essential for the patent and that is kept secret until such time that the development is ready enough to be subject to a patent application. Once the application is made, the main information has to be disclosed to the public but there may also be other developments that mean that information is no longer secret. Other firms may develop products based on partly the same procedures, information may be obsolete, it may be made public in unrelated circumstances like academic research or so on.

Even if the category appears vague and it is difficult to specify what kind of information that is protected and in what way, trade secrets may have great value and it is important to be able to calculate with such value as well as to have legal protection to ensure that secrets are not divulged. The draft Industrial Property Rights Law of 2012 of the Ministry of National Economy for Palestine includes trade secrets to provide protection for such secrets in line with best international practice.

1. Competition Law and Intellectual Property

Introduction

Research and development (R & D) leads to creation of new Intellectual Property. Such property can then be commercially exploited by its owner by means of production, distribution,

sales and/or licensing. Since an intellectual property right (IPR) is in essence a monopoly, its grant can run contrary to competition laws.

Intellectual Property laws and competition law have often been portrayed as each other's opposites. This is mainly because an IPR grants an artificial protection to companies and can sometimes give them an advantage over competitors, by way of dominance in a market or even a complete monopoly. On the other hand, competition law works towards promoting and enhancing competition between companies on the market. It must be noted however, that both have the same aim of enhancing consumer welfare, efficient allocation of resources and promoting effective competition through innovation and investment in product development. Presently several countries have competition laws, although few have developed a significant body of precedent regarding the application of those laws to Intellectual Property licensing transactions. Currently, the United States (US), the EU, and Japan remain the three jurisdictions with the most comprehensive and upto date laws in this area. It must be noted that the interplay of US, EU, Japan and other international licensing regimes is important because the ability of firms to license IPRs internationally is one of the cornerstones in the foundation of a strong global economy.

In recent times, IPRs are increasingly deemed to be crucial to business performance. IPRs are beneficial to all sectors of the economy and therefore the protection of such rights, once the Intellectual Property is created in any one country or region, is often made global through a crucial patchwork of bilateral and multilateral agreements. As increasing globalisation takes hold, firms manufacture and market their products worldwide. Therefore, licensing of the IPR they hold or need often proceeds on a global scale, and differences among nations' licensing rules have the potential to disrupt cross-border commerce.

There is an ever present need to create an environment in which innovation can flourish. The rules must work twofold – firstly they should provide the right basis for the diffusion of technology, and secondly their interpretation and application need to take into account the short to medium term effects (i.e., the static effects on competition) as well as the long run effects on the incentives to innovate (i.e., the dynamic effects on competition).

The topic of the interface between IPR and competition law will continue to stay in a state of flux as Intellectual Property continues to evolve. In this regard, it will serve us well to mark the following words: "Authorship and invention, the very acts to be rewarded by Intellectual Property law, may not be timeless concepts plucked from Heaven but may emerge in conjunction with - and be inextricably intertwined with - technology that makes them possible."

Competition laws and IPR

A brief introduction

IPRs generally comprise of trademarks, patents, copyrights, designs and other legally protected rights. Intellectual Property is, in essence, useful information or knowledge. Grants of patents, trademarks, copyrights and designs create monopolies. Intellectual Property laws confer

exclusive rights on holders of the above mentioned rights. The owner of Intellectual Property is entitled under Intellectual Property laws to prevent unauthorised use of his Intellectual Property and to exploit it, inter alia, by licensing it to third parties. Once a product incorporating an IPR has been put on the market by the holder or with his consent, the IPR is exhausted in the sense that the holder can no longer use it to control the sale of the product (principle of exhaustion). The right holder has no right under Intellectual Property laws to prevent sales by licensees or buyers of such products incorporating the licensed technology. The principle of exhaustion is in line with the essential function of IPRs, which is to grant the holder the right to exclude others from exploiting his Intellectual Property without his consent.

The above mentioned grants to patent holders run contrary to competition laws. In other words, what Intellectual Property law does is that it grants market power to its owners. On the other hand, competition law reins in the market power and or potential abuse of it. It is this, which creates the allegedly "great conflict" or "tension" between the two areas of law.

It must be noted that such a conflict between IPR and competition laws is not a new problem. It was pointed out by the US District Court that ever since a patent-antitrust conflict was considered by the English Court of King's Bench in 1602 in the first reported case on the subject (*Darcy v. Allein*), the issues arising in this field have yielded few clear or satisfying answers. The US District Court stated further, inter alia, that although economic arguments could be forwarded to the effect that the two statutes had a common goal of maximising wealth by means of facilitating the production of what the consumers desired at the lowest cost possible, however whatever their economic congruency, there was little doubt that these two sets of laws are judicially divergent.

Most countries treat IPR as special exceptions to their general laws prohibiting monopolies in order to balance the interests of consumers and the state with the rights of IPR owners. Further, the IPRs held by patent, trademark, and copyright owners are strictly construed and limited to the narrow confines of the grant. Licensing arrangements involving statutory grants therefore should, accordingly, be limited to the rights contained in the grant. Any attempt to go beyond the scope of the grant – such as trying to license an expired patent, trademark, or copyright – is deemed to be a misuse of the grant and is treated as being either without effect or illegal.

Thus it can be seen that the fact that Intellectual Property laws grant exclusive rights of exploitation does not imply that IPRs are immune from competition law intervention.

It is necessary to also stress the complementary role of competition and innovation policies. At the highest level of analysis IPR and competition law are complementary because they both aim at promoting consumer welfare and an efficient allocation of resources. Innovation constitutes an essential and dynamic component of an open and competitive market economy. IPRs promote dynamic competition by encouraging undertakings to invest in developing new or improved products and processes. So does competition by putting pressure on undertakings to innovate. Therefore, both IPRs and competition are necessary to promote innovation and ensure a competitive exploitation thereof.

It is generally agreed that the main objective of IPR laws is to promote technical progress, which will likely lead to the ultimate benefit of the consumers. For this, it is important to strike the right balance between over- and under-protection of innovators' efforts. The main aim of IPR laws is not to promote the individual innovator's welfare. Rather, the property right provided by IPR laws is awarded to try to ensure a sufficient reward for the innovator to elicit its creative or inventive effort. At the same time, the idea is to not delay follow-on innovation or to have unnecessary long periods of high prices for the consumers.

Unnecessary long periods of high prices will likely result when the innovation allows the IPR holder to obtain market power in the antitrust market where the IPR is exploited and where the IPR protects this market power position much longer than is generally required to elicit the innovative effort.

Therefore, competition policy aims at promoting consumer welfare by protecting competition. This is achieved by making it the driving force of efficient markets and innovation and by providing the best quality products at the lowest prices. The relevant question is therefore not one of conflict but of complementarity and possibly adjustment in the individual case. On the question as to what extent should competition policy intervene and try to improve the balance produced by IPR law, some general lines of agreement but also some marked differences exist between different jurisdictions. For instance, there is agreement on the small yet positive role that competition policy may play in forming IPR law.

Competition policy expertise comes handy in helping to decide on issues like the correct scope and duration to be awarded under IPR law, i.e. in deciding ex-ante on the balance to be found in IPR law. An efficient competition policy like an effective IPR policy is geared towards keeping the scope and duration limited to the minimum necessary to elicit the inventors' efforts. Further, competition policy has to play its normal role where IPR are used to produce an anti-competitive effect beyond the exploitation of the IPR, that is where the restrictions do not concern the exploitation of the IPR. For example, this can be seen in the case of the conditioning of licensing on the purchase of a non-patented product (tying) or on the imposition of a non-compete obligation (exclusive dealing), both of which should be dealt with under competition law. There is also general agreement that in such cases competition policy must take account of specific IPR characteristics in order to properly protect dynamic efficiency.

For instance, a non-compete obligation may be required to protect the confidentiality of the know how transferred or to prevent the know how benefiting competitors of the licensor. There is however less agreement as to what extent there should be interference by competition policy in respect to the exploitation of IPR. This is seen to be true in the case of exploitation and licensing by both dominant and non-dominant companies.

Competition Rules

The propriety of states adopting rules to regulate the anticompetitive aspects of Intellectual Property licenses is now specifically recognized in International law. Article 40, paragraph 1

of the Agreement on Trade-Related Aspects of Intellectual Property Rights, 1994, provides, inter alia, that the Members agree about the possibility that some licensing practices or conditions pertaining to IPRs which restrain competition may have adverse effects on trade. Further, the above may also impede the transfer and dissemination of technology. Accordingly, paragraph 2 provides, inter alia, that the World Trade Organisation members may specify in their national legislation licensing practices or conditions that may in particular cases constitute an abuse of IPRs having an adverse effect on competition in the relevant market. Thus, a member may adopt, consistently with the other provisions of this Agreement, appropriate measures to prevent or control such practices. The above practices are deemed to include, but are not limited to, exclusive grantback conditions, conditions preventing challenges to validity, and coercive package licensing.

Such competition rules are commonly found in longstanding antimonopoly legislation. For example, in the US the Sherman Act of 1890 covers this area. Similarly, Articles 101 (formerly Article 81) and 102 (formerly Article 82) of the Treaty on the Functioning of the European Union prohibit unfair competition.

Competition Law in the EU

The competition provisions of the European Union are used here as a model of the kind of competition provisions that exist in many advanced economies. Article 101 of the Treaty prohibits cartels and other agreements which could disrupt free competition in the European Economic Area's common market. Article 101 provides, inter alia, as follows:

1. The following shall be prohibited as incompatible with the common market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market, and in particular those which:

- (a) directly or indirectly fix purchase or selling prices or any other trading conditions;*
- (b) limit or control production, markets, technical development, or investment;*
- (c) share markets or sources of supply;*
- (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;*
- (e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.*

2. Any agreements or decisions prohibited pursuant to this article shall be automatically void.

3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:

*any agreement or category of agreements between undertakings,
any decision or category of decisions by associations of undertakings,
any concerted practice or category of concerted practices,
which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit,
and which does not:*

- (a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;*
- (b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.*

Article 101(1) applies only where the agreement has the object or effect of restricting competition. The “object” (purpose) of an agreement is determined by an objective assessment of its terms, not by the parties’ subjective intent. In cases where it is not clear that the object of an agreement is to restrict competition, then it is necessary to consider its effects and whether such effects are necessary to achieve a legitimate pro competitive business purpose. Where the “effects” standard applies, Article 101(1) prohibits agreements containing restrictions on competition which have an “appreciable” impact on competition or on inter-state trade. This rule of appreciability is in some respects comparable to the rule of reason analysis under the United States Sherman Act. It was ruled by White CJ that a standard of reason had to be applied in order to determine whether a restraint was within the Sherman Act, and that only undue or unreasonable restraints should be condemned. According to Article 101(2) agreements which fall within the prohibition of Article 101(1) are automatically void.

Under Article 101(3) of the Treaty, the Commission is empowered to exempt restrictive agreements from the prohibition of Article 101(1) if the agreement (or provision) at issue contributes to improving the production or distribution of the goods involved or to promoting technical or economic progress. Such contributions include savings in distribution costs, avoidance of duplicative development costs, promotion of technological innovation, and protection of the environment. Further, consumers must obtain a fair share of the resulting benefits.

Distinction between horizontal and vertical agreements

Although the distinction defies precise legal definition, horizontal agreements are agreements between undertakings at the same level of trade, whereas vertical agreements are between undertakings at different levels of trade. In the present context, the best example of a vertical agreement would be a copyright licensing agreement between an author and a publisher. On the other hand, an agreement between publishers in different countries to grant each other licenses in certain works in their respective countries would be regarded as a horizontal agreement, or as a mixed horizontal/vertical agreement.

Article 102 of the Treaty is aimed at preventing undertakings who hold a dominant position in a market from abusing that position. Its core role is the regulation of monopolies, which restrict competition in private industry and produce worse outcomes for consumers and society. It is the second key provision, after Article 101, in EU Competition law. The text of Article 102 provides the following:

- 1. Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market insofar as it may affect trade between Member States.*
- 2. Such abuse may, in particular, consist in:*

- (a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;*
- (b) limiting production, markets or technical development to the prejudice of consumers;*
- (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;*
- (d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.*

Article 102 of the Treaty deals with abuses of dominant market positions. Whereas Article 101 is primarily directed at restrictive practices between two or more undertakings, Article 102 aims primarily at the conduct of one powerful undertaking. Market share is the primary test for determining whether a firm has a dominant position. The dominance must be assessed in relation to the product market, the geographical market and the temporal factor, i.e. a firm may possess market power at a particular time of year, when competition from other products is low because of seasonal availability. Other factors the Commission may consider are the degree of vertical integration, economies of scale, technological advantages, the existence of a highly developed sales network, the absence of potential competition and whether the relevant market is mature or rapidly changing. The mere holding of a dominant position is not unlawful. Article 102 does not prohibit market power per se. It proscribes the abuse of market power. Examples of abusive conduct include tying, predatory pricing, use of discriminatory trading conditions within the common market, and conduct aimed at preventing entry of new competitors into a market or eliminating existing competitors. Abusive conduct must, of course, be distinguished from aggressive competition on the merits, since the purpose of Article 102 is to protect consumers, rather than particular competitors.

Although the traditional view is that the exercise of an IPR cannot be prohibited by Article 102, there are cases where the exercise of IPR by dominant firms has been held to violate Article 102 and has therefore been enjoined. It has been held that it may be an abuse of dominant position under Article 102 for a copyright collection society to seek from its members royalties which a court deems to be “excessive.”

The last condition of Article 101(3), according to which the agreement must not afford the parties the possibility of eliminating competition in respect of a substantial part of the products concerned, presupposes an analysis of remaining competitive pressures on the market and the impact of the agreement on such sources of competition. In the application of the last condition of Article 101(3) the relationship between Article 101(3) and Article 102 must be taken into account. Moreover, since Articles 101 and 102 both pursue the aim of maintaining effective competition on the market, consistency requires that Article 101(3) be interpreted as precluding any application of the exception rule to restrictive agreements that constitute an abuse of a dominant position. According to settled case law, the application of Article 101(3) cannot prevent the application of Article 102 of the Treaty.

2. Intellectual Property - Counterfeiting and piracy

Introduction

Counterfeit goods are defined as goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder's rights.

Pirated goods are defined as goods which are or contain copies made without the consent of the holder of a copyright or related right or design right. The term pirated goods also includes goods which infringe patents, supplementary protection certificates, national plant variety rights, designations of origin or geographical indications and geographical designations.

Counterfeiting and piracy has increased substantially over the last two decades. Today, counterfeit and pirated products can be found in almost every country in the world and in virtually all sectors of the global economy. As policymakers grapple with allocating resources across multiple public policy challenges, better information on the full scope, scale, costs and impacts of counterfeiting and piracy is necessary to ensure that the appropriate resources and prioritization are given to Combating counterfeiting and piracy.

Estimates of the level of counterfeiting vary but all estimates agree that counterfeiting represents a multi-billion Euro underground economy with hundreds of billions of Euros of counterfeit product being produced every year. Counterfeiting and piracy of goods which are protected by IPR cost governments and businesses billions of Euros in revenue each year, and the social and health risks they have on the public are alarming. In today's interconnected world, these risks are no longer isolated to one country, region, demographic or economic class.

Counterfeiting and piracy continue to generate massive economic and employment dislocations at a time when governments are most hard-pressed to maintain economic stability and create jobs. Despite more visibility, more programs and more cooperation among various stakeholders, the problem continues to escalate. The total impact of this illicit trade in fakes is staggering, with more than Euros 1-trillion in annual losses to global economies, governments and consumers and potentially more than 2 million jobs at risk.

Government efforts to stabilize the economy and stimulate economic growth, trade and employment must include the critical and pervasive role that Intellectual Property protection plays in driving, innovation, development and jobs. The massive infiltration of counterfeit and pirated products, or Intellectual Property theft, creates an enormous drain on the global economy – crowding out billions in legitimate economic activity and facilitating an "underground economy" that deprives governments of revenues for vital public services, forces higher burdens on tax payers, dislocates hundreds of thousands of legitimate jobs and exposes consumers to dangerous and ineffective products.

Reliable information on the scope, scale, costs and impacts of counterfeiting and piracy is critical for helping policymakers to better understand that the trade in fake goods is damaging their economies, threatening the health and safety of their citizens and stifling innovation and creativity. Policymakers with better information on how counterfeiting and piracy undermine Intellectual Property, innovation, economic growth and employment are better able to make the fight against Intellectual Property theft a higher public policy priority and take the actions needed to prevent the damage inflicted by counterfeiting and piracy.

Counterfeiting and piracy can have broad economy-wide effects on trade, foreign investment, employment, innovation, criminality and the environment. Concerning the microeconomic effects, the sales volume, prices and costs of rights holders are impacted, as are investment, royalties and brand value. For consumers, counterfeit and pirated products may offer cheap alternatives to genuine goods but are usually of inferior quality. For certain types of infringing goods, the health and safety of consumers may be put at significant risk. With respect to governments, counterfeiting and piracy have effects on tax revenues, government expenditures, and, when corruption takes place, the effectiveness of public institutions.

Counterfeiting and piracy are estimated to cost G20 governments and consumers over \$125 billion every year, of this, the G20 economies lose approximately \$77.5 billion in tax revenues and higher welfare spending, \$25 billion in increased costs of crime, \$18.1 billion in the economic cost of deaths resulting from counterfeiting and another \$125 million for the additional cost of health services to treat injuries caused by dangerous fake products; and a number of G20 economies may be missing out on higher FDI as a result of concerns over IPR enforcement. That lost investment could give rise to additional tax losses of more than \$6.25 billion across the G20.

Seizure by Customs authorities of counterfeits and pirated copies

Border Measures under TRIPS

The WTO's **TRIPS Agreement**, introduced Intellectual Property rules into the multilateral trading system for the first time. The TRIPS Agreement contains ``special requirements related to border measures'', (Articles 51 – 61) which are briefly as follows:

Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.

Any right holder initiating the above procedures shall be required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is *prima facie* an infringement of the right holder's intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall inform the applicant within a reasonable period whether they have accepted the application and, where determined by the competent authorities, the period for which the customs authorities will take action.

By way of indication and where known, right-holders should also forward any other information they may have, such as:

- the pre-tax value of the original goods on the legitimate market in the country in which the application for action is lodged;
- the location of the goods or their intended destination;
- particulars identifying the consignment or packages;
- the scheduled arrival or departure date of the goods;
- the means of transport used;
- the identity of the importer, exporter or holder of the goods;
- the country or countries of production and the routes used by traffickers;
- the technical differences, if known, between the authentic and suspect goods.

Details may also be required which are specific to the type of IPR referred to in the application for action.

The competent authorities shall have the authority to require an applicant to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.

Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout-designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other independent authority, and the period provided above has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer, or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue the right of action within a reasonable period of time.

The importer and the applicant shall be promptly notified of the suspension of the release of goods.

If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a

decision on the merits of the case have been initiated by a party other than the defendant, or that the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released, provided that all other conditions for importation or exportation have been complied with; in appropriate cases, this time-limit may be extended by another 10 working days. If proceedings leading to a decision on the merits of the case have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed.

Relevant authorities shall have the authority to order the applicant to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods or through the detention of goods released as above. Without prejudice to the protection of confidential information, Members shall provide the competent authorities the authority to give the right holder sufficient opportunity to have any goods detained by the customs authorities inspected in order to substantiate the right holder's claims. The competent authorities shall also have authority to give the importer an equivalent opportunity to have any such goods inspected. Where a positive determination has been made on the merits of a case, Members may provide the competent authorities the authority to inform the right holder of the names and addresses of the consignor, the importer and the consignee and of the quantity of the goods in question.

Where Members require competent authorities to act upon their own initiative and to suspend the release of goods in respect of which they have acquired *prima facie* evidence that an intellectual property right is being infringed:

- the competent authorities may at any time seek from the right holder any information that may assist them to exercise these powers;
- the importer and the right holder shall be promptly notified of the suspension;
- Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith.

Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods. In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.

Members may exclude from the application of the above provisions small quantities of goods of a non-commercial nature contained in travellers' personal luggage or sent in small consignments.

Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently

with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.

Border Measures in countries

In view of the above, many countries and also the European Union have enacted various regulations to counter the growing menace of trade in counterfeit and pirated goods. As an example, presently, the most important instruments applying to IPR in the Estonian context are:

- Basic EU Regulation concerning customs action against goods suspected of infringing IPR (1383/2003)
- EU implementing regulation concerning customs action against goods suspected of infringing IPR (1891/2004)
- Trademark Harmonisation Directive (2008/95/EC)
- Directive (2004/48/EC) on the enforcement of intellectual property rights (Corrigendum)
- Estonian Customs Act (Sections 39(4) to (7) and 97(4),(5))
- Estonian Trademarks Act
- Estonian Penal Code (Chapter 14, Sections 219 – 230)

For Palestine, it is important to note that the draft Industrial Property Rights Law of 2012 of the Ministry of National Economy on industrial property is in accordance with TRIP requirements and will thus be a basis for introducing similar relevant measures as those mentioned also in Palestine.

Excepted goods

The above rules and regulations do not apply to goods bearing a trademark with the consent of the holder of that trademark or to goods bearing a protected designation of origin or a protected geographical indication or which are protected by a patent or a supplementary protection certificate, by a copyright or related right or by a design right or a plant variety right and which have been manufactured with the consent of the right-holder.

It does not apply to goods which have been manufactured or are protected by another IPR under conditions other than those agreed with the right-holder. This appears to exclude over-runs and similar goods.

Finally, as permitted under TRIPS, there are exceptions to traveller's personal baggage and goods of a non-commercial nature within the limits of the duty-free allowance.

Liability of customs authorities and right holder

Unless differently provided by national laws, the acceptance of an application shall not entitle the right-holder to compensation in the event that such goods are not detected by a customs office and are released or no action is taken to detain them.

The exercise by a customs office or by another duly empowered authority of the powers conferred on them in order to fight against goods infringing an IPR shall normally not render them liable towards the persons involved or the persons affected by the measures for damages suffered by them as a result of the authority's intervention.

Liability of Carriers

In the global economy, counterfeiters find many ways to reach their consumers. Routing fake goods to end-consumers located in different countries is always possible, even if the counterfeits are produced in the most remote parts of the world. Counterfeiters are difficult to catch, not only since they avail themselves of false addresses or use bogus transport documents. Now the internet opens new dimensions to their activities: they can keep their identity anonymous, allowing atomization of the trade by sending parcels with only few pieces of counterfeit products.

Right-holders are facing the problem that consignors ordering the transportation of goods under a contract of carriage are often located in countries where it is difficult to enforce IP rights effectively because of the poor functioning of the judicial system, let alone the practical difficulties of serving cease-and-desist letters and court documents. Counterfeiters take great care in hiding their traces and take the same elaborate steps to conceal their assets.

That is why right-holders aim at using the legal system for controlling transportation and distribution to cut the link between counterfeiters and consumers. Often it is for practical reasons that right-holders decide to target the link-men, like carriers, freight forwarders, shipping, and trade agents, or similar service providers. Most of them operate a law-abiding business, they are easy to locate and they are perfectly solvent debtors. Additionally some right-holders believe that carriers are responsible for counterfeiting activities, or at the very least contribute to them, since they take their share from the counterfeiter's profits and accept to transport products without exercising any prior control.

There are no specific rules concerning the liability of carriers, freight forwarders, shipping agents, and other services providers regarding the infringement of trademarks, or other IP rights. This makes sense because of the large spectrum of different activities performed by these carriers: some are an integrated part of organized crime syndicates. Others cash in on long, uneconomic trade routes that serve to disguise the real origin of the fake goods, raising a strong suspicion that they participate in the distribution of infringing goods. Nonetheless, most carriers are totally respectable companies that merely fulfil their contractual obligations of transporting goods from one place to another.

It is understandable that respectable service providers are concerned about the recent tendency to extend the liability of carriers and the duty of care imposed on them.

The administrative burdens resulting from transporting infringing goods are enormous: customs inspections of consignments, detention of vehicles, and interrogation of drivers cause delays in transportation. Storage and splitting litigious shipments lead to additional costs for warehousing and human resources. Administrative and legal staff is required to follow up on the detention of suspect goods.

From a legal point of view, transporters may carry a certain liability both under international law and national law.

Generally:

- Carriers are accountable as intermediaries in trademark infringements.
- Carriers may be liable as infringers if they do not cooperate with enforcement authorities and right-holders.
- The general terms and conditions of carriers should include special provisions to allow them to abandon infringing goods under certain circumstances and to claim back costs from the counterfeiter or the consignor.

There is a practical and legal need for right-holders and carriers to cooperate, once goods suspected of infringing a trademark have been discovered in the freight: this will allow a reduction in the costs and other negative consequences of the detention and limit the liability of the carrier, at least as far as the right-holder is concerned.

The carrier does of course remain accountable to the consignor with whom he has entered into a carriage contract. It would be possible to limit this accountability to the consignor contractually, by general terms and conditions providing that the carrier is entitled to abandon the goods, if a claim is raised that they are counterfeit and if the consignor and the consignee do not react within a reasonable term. Some carriers use these terms and conditions, others are reluctant to do so, maybe because they fear that such conditions would not be competitive.

In case carriers do not cooperate with the rightholders, they trigger a reaction that can be compared to the domino effect: if carriers do not disclose information, they become actionable. The same applies if they do not agree to surrender goods for destruction. In these cases, they have to bear the legal costs arising because of their refusal and run the risk that they will be held accountable under national rules on civil liability and unfair competition laws. Furthermore, the risk of administrative and criminal penalties will in practice be reduced when carriers have a constructive cooperation with customs and right-holders.