INFORMATION LAW SERIES - 6

INTELLECTUAL PROPERTY AND INFORMATION LAW

Essays in Honour of Herman Cohen Jehoram

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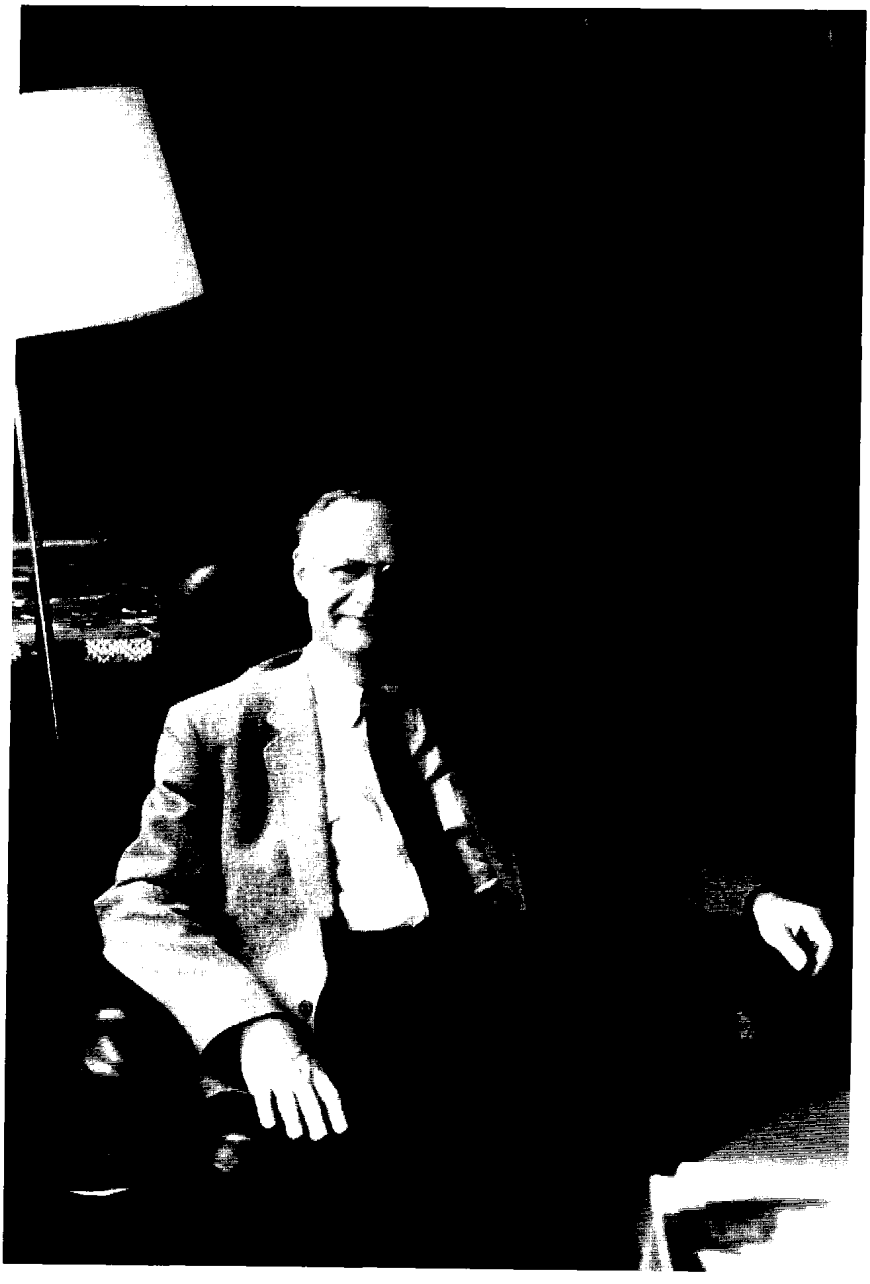

Herman Cohen Jehoram

Curriculum Vitæ

- born in Delft (21 September 1933)
- PhD from Leyden University (1963)
- public officer in the Ministry of Justice, Legislation Department New Civil Code
- since 1966: professor at the Faculty of Law of the University of Amsterdam
- since May 1969: president of the 'Vereniging voor Auteursrecht' (Dutch Copyright Association, the Dutch National Group of the ALAI)
- vice-president of the Association Littéraire et Artistique Internationale (ALAI)
- chairman of the Board of editors of 'Informatierecht/AMI', the Dutch magazine on copyright, media and information law
- chairman of the Board of the 'Stichting Auteursrechtmanifestaties' (Dutch Foundation for Copyright Promotion)
- chairman of the Benelux Study Group for Industrial Property
- member of the Copyright Committee (official advisory body to the Dutch Government on copyright matters)
- member of the Copyright Experts Group of the European Commission, DG XV
- member of the Board of the Institute for Information Law
- member of the Advisory Body of the Internationale Gesellschaft für Urheberrecht
- member of the Board and Scientific Council of the Max-Planck-Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht, Munich
- counsellor of the Juridical Student Academy for Intellectual Property 'Josef Kohler'

Preface

True achievements can be summed up in a few words, as is the case with those of Herman Cohen Jehoram, to whom this *Liber Amicorum* is dedicated. Abroad he represented the Netherlands; at home he represented 'abroad'. He familiarized the Dutch legal community with foreign – particularly international – copyright law. His achievements in copyright law in this country – apart from his professorship at the University of Amsterdam – lie particularly in chairing the *Vereniging voor Auteursrecht* (Dutch Copyright Association), the *Stichting Auteursrechtmanifestaties* (Dutch Foundation for Copyright Promotion) and the editorial staff of *Informatierecht/AMI*, the leading Dutch review on copyright law. On the other hand, it was Cohen Jehoram who put Holland on the international copyright law map through his organizational and academic work for the Association Littéraire et Artistique Internationale (ALAI), the World Intellectual Property Organization (WIPO) and the European Commission. There was a time when Cohen Jehoram was the voice of Dutch copyright law abroad.

His style, which according to a famous proverb, *c'est l'homme même*, is a mixture of irony and concern, merry when it concerns exposing political squabling, not altogether free from vanity, not swayed by the issues of the day, always with concern for the interests of genuine creators and constantly motivated by the urge to keep copyright law pure. The protection of non-original writings, neighbouring rights, the right of portrayed persons to cashable popularity, the problem of computer-generated works: these should remain outside copyright law proper as far as he's concerned, and in most cases his arguments on this subject are heeded – at home and abroad.

His liberal views on government interference in the media, particularly broadcasting, based on the fundamental right of freedom of expression, proved valuable at an early stage. Cohen Jehoram can be described as the founding father of the University of Amsterdam's Institute for Information Law.

It is probably less well-known that Cohen Jehoram is an authority on the eighteenth and early nineteenth-century codification history. Students who took his "Introduction to the science of law" course at Amsterdam during the sixties were brought up with the results of this knowledge: thus they learnt that laws can never be absolutely clear. Cohen Jehoram's talent for teaching is reflected particularly in the annotations he writes on almost all Dutch and European casebook judgments on intellectual property law in the law students' journal *Ars Aequi*, each of which could be described as a pocket guide to the subject in question. Cohen Jehoram has also shown his interest in his students by heading flourishing student associations in the field of law in general and intellectual property law in particular. Many people will

remember him brightening up the ALAI's second Aegean Sea Congress with his own students, for whom he, the wily Odysseus, managed to organize travel grants.

This collection is one worthy of Herman Cohen Jehoram, not only in terms of the worldwide provenance of the essays but also as regards the topics covered. To our surprise, there was no problem arranging the contributions. We hope we have succeeded in making the book not only a real *Festschrift* but also a work that gives the reader an understanding of some topical issues in the field of intellectual property, media and information law. Naturally, it includes many copyright law topics, but more general problems of intellectual property law and specific issues of industrial property, media and information law are also dealt with. Altogether these reflect Cohen Jehoram's broad academic interests, including his historical interests. The list of his publications given here – which does not include his works in Dutch – speaks for itself.

Amsterdam, August 1998
The Editors

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Chapter I

Intellectual Property

Exhaustion of Intellectual Property Rights: Worldwide or Community-(EEA-)wide?

Willy Alexander

Herman Cohen Jehoram and I have for many years shared an interest in the issue of international exhaustion of intellectual property rights. In discussing this matter, we sometimes agreed and sometimes disagreed, as it should be in the academic world.

This contribution will not so much deal with differences of opinion between authors on the subject. There is another dividing line: that between most of the learned world on the one hand, and the hard world of reality on the other hand. It reveals that the issue of exhaustion of intellectual property rights is not a neutral one, but a matter of political choices. Being extremely concerned about the choices that have been made, I feel it my duty to raise my voice against the developments that have taken place over the last twelve years.

So, although this paper will bear all the paraphernalia of a scientific one, the reader is warned that in reality it is a piece of legal activism. I do not pretend that there are any really new ideas in it; many of my main contentions have already been brought forward by other authors.[1]

National Exhaustion

Intellectual property rights serve different purposes. The most relevant distinction for the present subject matter may be that between trademark rights which protect a manner of identification of goods, and other rights – such as patents, copyright and neighbouring rights – which are designed to grant exploitation monopolies. But all these rights have a common structure. The law confers upon their proprietor the right to prevent all third parties not having his consent from dealing commercially within

1 I refer in particular to: I. Govaere, 'The Impact of Intellectual Property Protection on Technology Transfer between the EC and the Central and Eastern European Countries', *JWT* 1991, Nr 5, 57; Abdulqawi A. Yusuf and Andrés Moncayo von Hase, 'International Property Protection and International Trade – Exhaustion of Rights Revisited', 16 *World Competition* No. 1, 115 (1992); Stanislaw Soltysiński, 'International Exhaustion of Intellectual Property Rights under the TRIPs, the EC Law and the Europe Agreements', *GRUR Int.* 1996, 316; Frederick M. Abbot, *First Report (Final) to the Committee on International Trade Law of the International Law Association on the Subject of Parallel Importation*, April 1997.

their territory of application in the protected goods. From the wider range of activities covered by the exclusive right I shall, for the sake of simplicity, select the most essential one, that of selling.

In a number of countries, the case law has developed the rule that this exclusivity applies only to the first sale of the product on the national market. From that moment on the article is no longer subject to the legal monopoly. The explanation for this has varied.

The German *Reichsgericht* has decided that when a product to which the trademark has been lawfully affixed and which has thus been put into circulation by the owner of the mark or by a person who has been authorized to do so, the scope of the trademark law is exhausted. The *Reichsgericht*'s explanation was that the function of the trademark consisted in distinguishing the goods of its proprietor from other goods, and that trademark law did not guarantee a sales monopoly with respect to branded goods.[2] In France, the loss of control over further distribution was based on the idea that an article put on the market by the proprietor of the right or with his consent cannot be an infringing product.[3]

With respect to patents, it has been said that by the first sale of the product the patentee has received the consideration for its use;[4] that by this act the protection granted by the patent is exhausted.[5] The *Reichsgericht* added that the patentee who has manufactured the product and placed it on the market under this protection, which bars competition with other persons, has enjoyed the advantages that the patent granted him and has thus obtained the benefit of his right. A further extension of his rights would lead to an unacceptable burden on trade. Another explanation of such a limitation of the exclusivity right was based on the assumption that the conditions of sale imply the licence to use the goods wherever the purchaser pleases.[6]

In the meantime, in many countries acts in the field of intellectual property have provided explicitly that the exclusive right does not extend to the resale of products put on the (national) market by its proprietor or with his consent.

The Problem

The issue of international exhaustion deals with the question whether, and if so under what circumstances, that rule should also be applied to products marketed abroad by the proprietor of an intellectual property right or with his consent.

An affirmative reply to that question would mean that the owner of a national exclusive right cannot rely on it in order to stop a trader from reselling within its

2 RG 28.2.1902 (Kölnisch Wasser), *RGZ* 229.
3 Cass. 18.5.1987 (Guerlain), D. 1987 *Jur.* 558, 20 *IIC* 745 (1989).
4 In the USA: *Adams* v. *Burks*, 84 US 453 (1873).
5 In Germany: RG 26.3.1902 (*Guajokol-Karbonat*), *RGZ* 139. In the USA: *Univis Lens Company* v. *USA*, 316 US 241 (1942).
6 In the UK: *Betts* v. *Willmott*, [1871] LR 6 Ch. App. 239.

territory of application protected goods which he, i.e., the owner of the right, or some related company had marketed outside that territory.

A negative reply would result in granting to the owner of the national exclusive right protection against the importation of his own products and/or an import monopoly in that respect. He would be capable of preventing parallel imports, i.e., imports of his products by independent third parties.

I shall consider the solutions proposed within the European Union. In doing so three stages must be distinguished: (1) solutions without regard of EC law; (2) the case-law of the Court of Justice with respect to restrictions on trade between Member States; and (3) the treatment of imports from third countries by Community regulations and directives. In spite of the fact that they partly overlap chronologically, I shall refer to the first one as the pre-EC stage.

Pre-EC Law

Except, perhaps, with respect to patent law, the legal situation within the countries of the European Union is far from clear-cut. The relevant acts do not specify whether the owner of the exclusive right may sue parallel importers of products marketed abroad by him, by a related company or with his consent, and cases seem to be scarce. The following picture cannot give more than an impression of the situation in a few countries regarding some intellectual property rights.

With respect to trademarks, a range of solutions can be identified. Its extremes are found on the one hand in German law, which extended its rule of exhaustion to products marketed abroad by the owner of the national right, by a related company or by a licensee,[7] and on the other hand in Spanish law, where the 1988 Trademark Act limits this rule to the sole products placed on the national market by the proprietor of the mark or with his consent.[8] The Benelux, Austrian and Swedish laws are similar to the German position.[9] In Italy, the parallel importation of branded goods marketed abroad by the local trademark owner does not constitute an infringement if the Italian exclusive right belongs to the same person; but it does constitute an infringement if

7 BGH 22.1.1964 (Maja), *GRUR Int.* 1964, 202; BGH 2.2.1973 (Cinzano), *GRUR Int.* 1973, 562, 2 *CMLR* 21 (1974).

8 Art. 32 (1) of Law No. 32/1988.

9 Benelux: Explanatory Note to Art. 13A (3) of the Uniform law. Austria: Oberster Gerichtshof 30.11.1970 (Agfa), *GRUR Int.* 1971, 20. Sweden: High Court 17.10.1967 (Polycolor), *GRUR Int.* 1968, 22.

the national rights have been split up.[10] The position appears to be less clear in France and in the UK, due to judgments which are difficult to reconcile.[11]

With respect to patents, the laws of most Member States of the European Union allow the patentee to oppose imports of products marketed abroad by himself or with his consent.[12] Under English law he may do so if he had imposed proper limitations on what may be done with the patented product once it is sold.[13]

This latter solution seems to apply also under the copyright law of both the UK[14] and Germany. While German law adheres to the principle of exhaustion of the national exclusive right, if the protected product has been marketed by or with the consent of the proprietor in a foreign country where he is also the proprietor of a parallel right, the latter can render that principle inapplicable by excluding Germany from his licence.[15] In the Netherlands, the position with respect to neighbouring rights is that the exclusive right is exhausted if the reproduction has been put on the market by the owner of the right or with his consent, wherever in the world.[16]

Community-Wide Exhaustion

For the purpose of establishing a common market, Article 30 of the EEC Treaty prohibits all quantitative restrictions on imports and exports between Member States and all measures having an equivalent effect. Article 36 makes an exception for restrictions justified, *inter alia*, on grounds of the protection of industrial property.

The Court of Justice has affirmed that these rules concerning the free movement of goods within the Common Market prohibit the exercise of an intellectual property

10 Cassaz. 20.10.1956 (Palmolive), *Foro it.* 1957, I, 1021.

11 For France: on the one hand: Cass. (comm) 17.4.1969 (*Körting*), *RIPIA* 1970, 5: the assignee of the French right to the trademark cannot prevent parallel importation of goods marketed by the trademark owner in Germany; and, on the other hand: Cour d'appel de Paris 12.5.1995 (*Ocean Pacific*): when the product has been marketed outside the EEC, the owner of the trademark can prevent its unauthorized use within the French territory. For the UK: on the one hand: *Revlon Inc.* v. *Cripps & Lee Ltd.* [1980] *FSR* 85: members of an international group cannot prevent the resale in the UK of products marketed by the group in another part of the world; and, on the other hand: *Colgate-Palmolive Ltd.* v. *Markwell Finance Ltd.* [1989] *RPC* 497: the British subsidiary can prevent the parallel importation of toothpaste (of lower quality) marketed by another subsidiary in Brazil.

12 Germany: BGH 3.6.1976 (*Tylosin*), *GRUR* 1976, 579/582, 1 *CMLR* 460 (1977). The Netherlands: HR 25.6.1943 (*Philips/Mebius*), *NJ* 1943, 519; and a 1987 amendment of Art. 30 (4) of the 1910 Patent Act, reaffirmed in Art. 54 (4) of the 1995 Patent Act. France: Art. L. 613-6 of Law No. 92-597 on the Intellectual Property Code. Belgium: Articles 27 and 28 of the 1984 Patent Act. Spain: Art. 53 of the 1986 Patent Act. Denmark: Section 3(3) of the Patent Act. Sweden: Art. 3 of the 1967 Patent Act. Finland: Section 3 (3.2) of the Patent Act.

13 *Betts* v. *Willmott* [1871] L.R. 6 Ch. 239; *S.A. des Glaces* v. *Tilghmann* [1883] 25 Ch. D. 1, C.A.; *Roussel Uclaf* v. *Hockley International* [1996] 14 R.P.C. 441, 28 *IIC* 744 (1997).

14 High Court of Australia in *Time-Life* v. *Interstate Parcel* [1978] F.S.R. 251; W.R. Cornish, *Intellectual Property* (1996), pp. 12-15.

15 BGH 28.10.1987 (Schallplattenimport III), *GRUR* 1988, 373.

16 HR 25.10.1996 (Pink Floyd/Rigu Sound), *KG* 1996 No. 206C.

right conferred by the legislation of a Member State, to prohibit the sale in that state of a product which had been marketed in another Member State by the proprietor of the right or with his consent.

This rule has been applied to the exercise of trademark rights. If a trademark owner could prevent the import of protected products marketed by the same undertaking, by a company belonging to the same group, by a licensee or by an exclusive distributor in another Member State, he would be able to partition off national markets, in a situation where no such restriction was necessary to guarantee the essence of the exclusive right. The role of the trademark is to offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for its quality.[17]

The same rule has been applied to the exercise of patent rights, of copyright and of neighbouring rights. In the case of patents, the Court held that its specific subject matter – the safeguard of which could justify a derogation from the free movement of goods – is the guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties.[18] The Court of Justice deemed it irrelevant whether this first sale had occurred under the protection of a parallel patent or not.[19] With respect to copyright, it was stated that its commercial exploitation raises the same issues as that of any other industrial property right, because it is a source of remuneration for its owner, and it also constitutes a form of control on marketing by the owner.[20] In relation to neighbouring rights, the Court said that such an isolation of national markets would be repugnant to the essential purpose of the Treaty, which is to unite national markets into a single market.[21]

It is not surprising that the Court held in 1976 that neither the rules of the Treaty on the free movement of goods between Member States, nor the principles governing the common commercial policy prohibit the proprietor of a mark in all Member States of the Community from exercising his right in order to prevent the import of similar products bearing the same mark and coming from a third country.[22] But it was also held that the enforcement of copyright against the importation and marketing of gramophone records lawfully manufactured and placed on the market in Portugal by licensees of the proprietor of those rights was not contrary to the free trade agreement concluded between the EEC and Portugal, in spite of the fact that it contained provisions similar to Articles 30 and 36 of the EEC Treaty. The Court gave two reasons

17 Case 17/64 *Centrafarm* v. *Winthrop*, [1974] *ECR* 1183; Case C-9/73 *IHT* v. *Ideal Standard*, [1994] *ECR* I-2836.
18 Case 15/74 *Centrafarm* v. *Sterling Drug*, [1974] *ECR* 1183.
19 Case 187/80 *Merck-I*, [1981] *ECR* 2063; Joined Cases C-267/95 and C-268/95 *Merck-II*, [1996] *ECR* I-6285.
20 Joined Cases 55 and 57/80 *Membran* v. *Gema*, [1981] *ECR* 147.
21 Case 78/70 *DGG* v. *Metro*, [1971] *ECR* 487.
22 Case 51/75 *EMI* v. *CBS*, [1976] *ECR* 871.