INTELLECTUAL PROPERTY AND SOCIAL RESPONSIBILITY

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[I: Introduction. The meaning of IP]

By immaterial or intangible good I mean results of the human creativity or activity, that have an existence separable from a unique physical embodiment, and that with some requirements enjoy a tough legal protection through the so-called intellectual property rights (onwards IPR). Under the umbrella of "intellectual property rights" are covered a great number of different rights from patent, trademarks or copyright to design, trade secrets, or appellations of origin. There is no single generic term that satisfactorily covers them all, and therefore I use the term "intellectual property" that have acquired international acceptance even in international agreements like TRIP's, even though this term scarcely describes properly some of the intellectual property rights like trade marks and similar marketing devices. Summarizing and simplifying, we can conclude that intellectual property rights are legal tools to protect a potentially very valuable human product which is *information*. And according to the type of information provided we can distinguish between IPR protecting immaterial goods involving strictly *industrial information* (patents, petty patents, semiconductors chip protection, know-how), *commercial information* (trademarks, appellations of origin), or *aesthetic-industrial information (*copyright, design).

All kinds of intellectual property rights are different in their legal regime, in their effects on the market , and even in their historical roots. Nevertheless all of them have very much in common from the law perspective. First of all they provide the right-holder with the exclusive right to perform some defined activity excluding competitors and third parties; and this implies that sometimes IPR generate a monopoly with market power even though we must take into account that much intellectual property has very little capacity to generate market power. Secondly, generally speaking, IPR are enforced in similar ways. Third, they are regulated internationally by common Treaties like TRIP,s, and in many cases have common authorities like the International Office of the World Intellectual Property Organisation (WIPO) and the national patent and trademark offices. Fourth, all are dealt with by broad analogy to property rights in tangible goods, and therefore all IPR benefit from constitutional guarantee identical to that enjoyed by property on tangible goods. And this result comes from the modern idea that rights on immaterial goods should be "propertised"[1], that is , brought under a legal regime similar to that of property on physical goods, because "propertizing intellectual property may be necessary if there are to be adequate incentives to create it…"

Unfortunately, and beyond some economic discussion on the XIX century over patents protection, the construction and development of IPR historically was the work of jurist and lawyers. With the exception of some isolated and renown scholars like Machlup, it was not until the 1970's that sustained economic analyses of the various form of intellectual property began first in the USA and then in Europe. From that time the growth of economic analysis has ballooned indeed. And I agree with a well-known law scholar and friend, like Prof. Bill Cornish when he states that "no serious student of

[1] I take the idea and the expression from LANDES/POSNER, *The economic structure of Intellectual Property Law*, Harvard University Press, Cambridge 2003, 1

intellectual property law can today afford to ignore the economic arguments for and against the maintenance of these rights"[2]. But let me say that law experts, lawmakers and law scholars and researchers we still need help from economic studies. First, most of the economic studies are devoted to inventions and patents and to some copyrighted works like software. And the truth is that there is still a low number of economic studies on intellectual property rights that protect other intangible goods like design, trademarks, semiconductors, appellations of origins, or audiovisuals. Second, even in the field of inventions and patents, most of the studies and analysis start from a general view of the industry or from the positions of the firms, when in my view for a more accurate approach we would need separated studies for each branch of industry because the conclusions could be very different. Even from the juridical point of view, the interpretation of some provisions of the patent law we should bear in mind that a number of provisions and concepts of patent law were drafted originally thinking in mechanics and they, for example, does not fit in with biotechnological inventions.

[II: Expansion of IPR in the last 30 years]

The last 30 years have witnessed an amazing worldwide growth of the Intellectual Property never seen in history with, with a great though no uniform expansion in the extent of intellectual property rights. This development run parallel to exceptional political, technological, economic and social changes. Among the political changes may be cited the decline of the tension between blocks and the end of the cold war, the consolidation and expansion of the European Union from the 9 member States in 1974 to the 25 member States in 2005, and the rising of emerging powers like China. Technological changes are mirrored, for example, by the development of

[2] CORNISH, *Intellectual Property*, 5 edition, Thomson/Sweet & Maxwell, London 2003, 1-39.

microelectronic and informatics , the use of the World Wide Web, the advances in Biotechnology or the mapping and sequencing of human genome. From the economic point of view the last 30 years are dominated by the expansion of the capitalist economy of developed countries which, helped by the political, technological and social changes of this period came out into the so-called globalisation [3]. Finally, social changes of the period are exemplified by the free flow of information through the net, the massive migrations, the increasing gap between rich and poor countries, and the assumption of some social compromises in Treaties like Kyoto or the Convention of Biodiversity signed in Rio de Janeiro in 1992.

It would be impossible to describe the dramatic changes of Intellectual Property along these last 30 years. Let me simply mention some landmarks at international, Regional and Spanish level..

At international level it shine with special light the creation of the World Trade Organisation and the implementation of TRIP's in 1994.Its significance can not be denied, even though it is overprotective of the interest of developed countries and implies some kind of "blackmail" to underdeveloped countries[4]. Furthermore the scope of avoiding bilateral conflicts and retaliation if not hypocrite was at least unrealistic because the famous section 301 of the United States Trade Representative is still in force and operative and the USTR continues the praxis of including the countries in the feared "watch list" and imposing trade sanctions in bilateral relations. Also are worth to be mentioned the two copyright treaties drafted by WIPO and signed in December

[3] Linked with the rising of the global economy was also the "globalisation" of IPR, that I have called "mundialización" in Spanish, GOMEZ SEGADE, J.A. *La mundialización de la propiedad industrial y el derecho de autor*, in GOMEZ SEGADE, *Tecnología y derecho*. Marcial Pons, Madrid 2001. p. 33

[4] Among others, a general overview of TRIP's in GOMEZ SEGADE, J.A. *El acuerdo ADPIC como nuevo marco para la protection de la propiedad intellectual e industrial*, in ACTAS DE DERECHO INDUSTRIAL [ADI] XVI, 1994-95, Marcial Pons, Madrid 1966, 33.

1996 bearing in mind that they try to regulate some aspects of copyright in the digital environment.

At the regional level there were some regional agreements on Intellectual Property in Latin America, the most important and effective been the Andean Pact (Pacto Andino) which have produced different important Resolutions on Industrial Property and Copyright, in clear contrast to the malfunctioning of Mercosur. But without doubt the most remarkable example of growth of Intellectual Property at regional level in the last 30 years is the European Union. Initially the EU and its institutions were reluctant to the strengthening and effective enforcement of IPR's and this approach was crystal clear in the famous Decision "HAG 1" of the European Court of Luxemburg in the early sixties. But then it was a radical shift and the European Union (at that time still the EEC) played a decisive role in fostering and protecting intellectual property rights. A number of harmonisation Directives, the creation of new Community-wide intellectual property rights like the community trademark , the signing and adhesion to international treaties, are part of a broad fan of activities linked with the idea of tightening the protection of Intellectual Property. The huge amount of work in the field of Intellectual Property made by the EU, with failures like the frustrated community patent, was crowned by the creation of own authorities in some fields of Intellectual Property like the OHIM (Office for the Harmonisations of the nternal Market) at Alicante who grants and registers the Community trademarks and designs. Beyond the European Union everybody knows the spectacular success of the broader European Patent Convention signed in 1973 which originated the creation of the European Patent Office in Munich, who for the time being has granted more than 500. 000 European Patents.

At the Spanish level suffice it so say that the development of Industrial Property has been simple revolutionary, because in 1986 was still in force the outdated and useless Statute of Industrial Property of 1929, and indeed the Copyright Act of 1879!. But since 1986 the governments have speed up the pace of law amendments. Starting point of the changes was the negotiation to become a member State of the EEC. These negotiations were specially tough in the field of patent law, and Spain was forced to introduce radical changes in the drafted patent amendment,clearly described in the Protocol Nr8 to the Adhesion Treaty, and thereafter reflected in the Patent Act of 1986. Then came the Copyright Act of 1987, two Trademarks Act, and a number of legal and institutional changes until the last Design Act of 2003.

[**III. Risks of the unlimited expansion of Intellectual Property]**

The globalisation of the economy , the increasing power of big firms, political and social changes and broad overregulation have pushed Intellectual Property to boundaries where some concerns have arisen. In my view, the rationale behind Intellectual Property is based on the incentive to creation balancing the individual interest of the right-owner with the general interest of the society and the ordinary people. And in the last years there are signs that indicated that intellectual property rights are going too far in the line of great market individualism. Social interest that justifies rewarding the owner of intellectual property right is if not forgotten at least partially diluted ard and this could imply the alteration of the bedrock of Intellectual Property with the gradual erosion of the principles which legitimate the maintenance and protection of IPR's. And the dangerous effects of the excessive expansion of Intellectual Property by the broadening of the rights of the owners, creation of new exclusive rights, or expanding the lifespan of the IPR's may become lethal as far as

there is not in place world-wide effective antitrust-legislation. And it is significant that neither in TRIP's nor in other international legal instrument there is a regulation of competition, in contrast with the high standards of protection established and unfairly imposed even to less-developed countries.

The authors have denounced this danger [5], but without the aim of exhaust the catalogue let me list some risks of the expansion of Intellectual Property.

In the field of patents the last 5 years saw the explosion of the so-called "business method patents" which does not fit with the ordinary idea of patentable invention. Following the pattern of the USA Patent Restoration Act, the UE has regulated the supplementary protection certificates who "de facto" allows the lengthening of the lifespan of patents to pharmaceutical inventions; and in the USA there are voices who still claim for the lengthening of all patents to 25 year. There is also a trend to be "generous" in assessing the patentability of biotechnological inventions blurring the lines between invention and discovery that should be maintained and reinforced to enjoy de common science[6]. Finally the patentability of drugs and pharmaceutical imposed to all countries by TRIP's , as all you know have generate humanitarian nightmares in poor countries because of the impact of diseases like AIDS.

In the field of copyright we have seen the extension of the term to 70 years "post mortem auctoris". Even though this broadening of the lifespan of copyright was justified by the need of better protection of the author and their heirs, this argument was simply an alibi. The truth is that behind the extension of the term was the powerful entertainment industry with enormous interest in music, films , audiovisual and the like. Also in this field were created new property rights like the "sui generic" right of

[5] See, among others, the passionate book of GHIDINI, *Profili evolutivi del diritto industriale : proprietà intellettuale e concorrenza*, Giuffrè, Milan 2001.

[6] This is the reason why some authors ask if we can Project the Republic of Science through Patent Law, see NELSON, R., *The Market Economy and the Scientific Commons*, in "Droit et Economie de la Propriété Intellectuelle, LGDJ, Paris 2005, p. 42.

the databases producers, and here obviously there is no creation, no inventive activity; this new right is simply a reward for an investment into an industrial sector deemed strategic, but we are far away from the rationale behind copyright. But perhaps the best example of how exaggerated are the trends to monopolise through intellectual property rights, is the proposal of some USA author to protect sequences of genes as copyright, jumping over the concept of copyrighted work and over principles of copyright accepted world-wide [7]. But this is really too much, because this would imply the extension of the exclusive right up to 70 years after the death of the inventor, damaging further developments, competition and the improvement of collective welfare.

In the field of trademarks there are also trends to accept as trademarks whatever signs and to ease the acquisition of distinctiveness through secondary meaning, and this generate the risk of diminishing de number of generic or common signs available to everybody creating "de facto" a new barrier in the market to newcomers. A good example is the registration as trademarks of sound and smells admitted generally in the USA and in countries under the influence of the USA like small . So, in Septemberr 2004 the Patent and Trademark Office of Costa Rica granted a trademark which consist in the cry of an eagle for distinguishing a producer of beer. This resolution contrast with the Decision of the Court of Justice of the UE of 27 November 2003 (case "Shield Mark BV v. Joost Kilt"), where the Court states the possibility of admitting sounds as trademarks but only with tough requirements.

Finally, let me say that generally speaking when developed countries have vetoed the regulation of international exhaustion of IPR's in TRIP's they are allowing the rise of a new kind of protectionism. And for the sake of clarity it should be emphasised that in some cases this approach means to take one step backwards in

[7] See, for example, KAYTON, *Copyright in living genetically engineered Works,* in George Washington University Law Review 50, 1981, p. 191.

relation with the previous situation. For example, in some member States there was recognition of the international exhaustion at least of some IPR's by legislation or courts decision. Now harmonisation Directives and Regulations of the EU (and accordingly a number of decision of the European Court of Justice) expressly ban international exhaustion bringing on the table the problem of the so-called parallel imports.

[IV.- Intellectual Property Rights and social responsibility]

[A]

The idea of social responsibility

In my view time has come to refrain the unbridled running and the rampant up-grading of Intellectual Property. Creation of new IPR's should be delayed, and expansion or strengthening of IPRS's should be moderate. By one hand, this new approach should be present in international relations because the standard of protection in TRIP's is pretty high. And by the way, it is good to recall that the TRIP's standards reflect the level of protection achieved by developed western countries who got it only after many years. From the first modern Patent Law, the British Statute of Monopolies of 1624, to the industrial revolution have passed more than 200 years. It seems unfair and unrealistic the wish that underdeveloped or less-developed countries reach the same level in 10 , 15 or 20 years. On the other hand., even within the boundaries of developed countries there is need to consolidate and moderate IPRS to avoid heavy damages to competition in market economies and also to avoid hostility of broad sectors of the population which increasingly have great feeling for social values like clean environments, energy saving , health quality and so on. As fare as these developed

countries mostly are consolidated democracies and welfare states, they must take into account these social values even though they could imply that growing of costs.

And for achieving the above purpose could very useful the concept of social responsibility , understood as the whole of means or steps taken to rely in depth IPR's with social values and to restore the balance between private interest of the IPR's owner and society who grants him or her a reward for improving the general welfare by providing a new information product.

Social responsibility may be divided in public and private. Public social responsibility includes compulsory measures coming from States, International Organisations, national or international authorities as well as from binding decisions of courts. Private social responsibility includes behaviour patterns adopted voluntarily by the firms because of its suitability to respect or achieve scopes of economic and social welfare quite foreign to the economic scopes of the firm[8].

[B]

Public social responsibility

Among the steps taken internationally and related with public social responsibility they are worth to be mentioned the legal provisions to make possible the supply of medicines to poor countries with dramatic health problems. A proposal to alleviate the problem comes from de Doha Declaration on the TRIPS and Public Health adopted on the Fourth Ministerial Conference held in Doha in November 14th 2001, and from the Decision adopted by the General Council of WTO adopted in 30 August 2003 on the implementation of Paragraph 6 of the cited Doha Declaration. I want not come

[8] My concept of social responsibility is broader that the used by my colleague and friend, the Italian Professor Vincenzo di Cataldo, who relies social responsibility only with the private social responsibility, see DI CATALDO, *Responsabilidad social de la empresa y propiedad intellectual*, in " Actas de Derecho Industrial" (ADI) XXV 2004-2005, Marcial Pons, Madrid 2005 (in press).

back to the this subject that all of you know very well and even was discussed in previous EPIP meeting. I simply want to recall that in October 29th 2004 the Commission of the European Communities made public a proposal for a regulation of the European Parliament and of the Council on compulsory licensing of patent relating to manufacture of pharmaceutical products for export to countries with public health problems[9]. According to the explanatory Memorandum, it was needed a uniform implementation of the Decision Community-wide to guarantee that the conditions for the granting of compulsory licences for export are the same in all EU Member States, to avoid distortion of competition for operators in the EU single market, and to apply uniform rules to prevent re-importation into the territory of the European Union of pharmaceutical products manufactured under this special compulsory licence. Specially relevant is article 8 of the proposal which list the requirements of that licence that for example shall be non-exclusive and non-assignable.

Also at international level but focusing now in European Union, public social responsibility should imply, for example, legislative measure to ease and accelerate the introduction of generics into the market immediately after the end of lifespan of the patent. As producers of generic also need the authorisation of the health authorities and therefore clinical and pre-clinical tests, patents may be used to block or at least to delay the commercialisation of generics. The incorporation of the so-called Bolar exception into the EU law by Directive 2004/27/EC[10] is a tool that can help to fight these practices. According to article 10.6 of the Directive:

> *"conducting the necessary studies and trials with a view to the application of paragraphs 1,2,3 and 4 and the consequential practical requirements shall not be regarded as contrary to patent rights or to upplementary protection certificates for medicinal products".*

[9] Document COM (2004) 737 final/ 2004/0258 (COD).

[10] DIRECTIVE 2004/27/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 31 March 2004 amending Directive 2001/83/EC on the Community code relating to medicinal products for human use, OJEU L/136 page. 34, 30 April 2004

But this legal provision should be accompanied by other measures of public social responsibility like the accurate decision of the health authorities when assessing of the bio-equivalence in order to restrict as much as possible in order to avoid that the patent monopoly can be maintained "de facto" beyond the end of the patent's legal life. Another obstacle to the increase of generics drugs and its effective expansion on the market, is the registration by the patent owner of the "name" of the product" as trademark. The generic remains hidden and the consumers ignore it. Public social responsibility would imply measures taken by legislators or courts, like the courageous use of the institute of the so-called "vulgarisation" of trademarks, or the use of the rule (included in the First Trademarks harmonisation Directive of 1988) that allows the use of another's trademark with the purpose of describing the own product[11]; other legal measures taken until now were not completely effective.

The interface intellectual property-antitrust provisions is other branch of law where we need public social responsibility actions, that could come mainly from antitrust authorities applying strictly antitrust provisions, A good example in the right way is the Decision taken by the European Commission on 15th June 2005. On this date the European Commission has fined Anglo-Swedish group AstraZeneca € 60 million for misusing the patent system by giving misleading information to several national patent offices in order to extend patent protection for its drug "Losec" (used to fight ulcer) through supplementary patent certificates. The Commision has decided that AstraZeneca actions constitute serious abuses of its dominant position, and the Competition Commisioner Neelie Kroes underlined that beyond strong intellectual protection for innovative products "it is not for a dominant company but for the

[11] Same approach by DI CATALDO, *supra* footnote 8.

legislator to decide which period of protection is adequate" For the time being no further comments are needed.

Finally public social responsibility decisions should come also from the courts when interpreting the legal provision. In my view the courts should use a principle common to other branches of law, stating that in case of doubt the decision should be interpreted in favour of the weaker part. So in criminal law we have the classical principle "*in dubio pro reo"*, and in civil and private law we have the same principle that has crystallised in the principle of the so-called "*favour debitoris"* with the presumption that normally debtor is weaker that creditor specially in mass relation; and this is the reason why in modern consumer law the classical principle has become "*in dubio pro consumatore"*. In the balance of interest between the IPR's owner and the society we also may assume that the IPR's owner is the stronger part and the society the weaker part, because IPR's generate a exclusive right of the owner, a legal but temporary monopoly whether or not it has market power which has effect on the market. Therefore in case of doubt in my view the legal provisions should be interpreted against the exclusive right of the IPR's owner and in favour of the general interest of society in common and free use of any kind of creations, signs, forms and work, that is, the principle "*in dubio pro societate"*. If this principle would be accepted and applied we could get adequate restrictive interpretations of concepts like "equivalence" in the field of patents or "well-known trademarks" in the field of distinctive signs, or we could fight more effectively against the business method patents, or restrain the concept of patentable inventions maintaining the difference with discovery and preserving the common science specially in some industrial sector like biotechnology.

[C]

Private social responsibility

As I stated above private social responsibility includes behaviour patterns adopted voluntarily by the firms because of its suitability to respect or achieve scopes of economic and social welfare quite foreign to the economic scopes of the firm. This is a new perspective with a broad fan of problem that remain unexplored. Only some authors have proposed positive actions to be done in this line[12].

In the field of distinctive signs a good example of private social responsibility could be the firm compromise to avoid the use of misleading signs, because in that point the legal sanctions like the lapse of the trademark are less effective than the voluntary measures because the misleading effects of the sign remain on the market even after the lapse of the trademark. But beyond the legal provisions, the compromise of the firm make possible to avoid the use of signs that in some way are misleading but do not have legal sanction. In the medium and long run this conduct could be perceived and appreciated by consumers .

Also it is open the possibility and convenience of creating special signs to inform the market that the firm has adopted patterns of conduct socially responsible, like avoid pollution, energy saving, improving labour conditions beyond the legal requirements, etc. Of course it would be impossible a common or general sign and only could be useful a sign for different industrial sectors . These should be no confusion with certifications trademarks and the like, because certification trademarks and similar institutions are devoted to announce the quality of the good and services, and the proposed signs would announce the quality of the firm. Any way, as pointed by DI CATALDO[13] we should be careful in dealing with these signs, because the difference

[12] DI CATALDO, *supra* footnote 8.
[13] DICATALDO, ibidem.

between industries, and even between firms within the same industrial sector. Social responsibility implies a burden to do something not needed and /or not linked with higher economic benefits. When this preconditions are not fulfilled there is no social responsibility and would be unfair and misleading the use of signs like these. For example energy saving in some industrial sector could imply difficulties to the firm and therefore would merit a high level of approval from the point of view of social responsibility. But it has no merit into an industrial sector where is easy to reduce the consume of energy, and therefore even should be deemed misleading that the firm in that case claim that it is making efforts to save energy.

In the field of patent and innovations the social responsibility action may be a number and of a very different nature, covering actions in each of the 3 steps or phases of the innovation process: time previous to invention, invention and patent, and innovation trough the working of the patent. Let me simply underline that in the first step of the innovation process there is already a decision which implies social responsibility, and this is the allocation of resources to research in on or another field. And obviously it is not the same and it has not the same social value to research in the therapy of cancer or AIDS that to research in the removal of cellulitis. In the same way would be an action of social responsibility the research on "orphan" drugs for strange diseases[14]. In all this case the firm should have a recognition by public authorities and consumer; in the long run this recognitions could even imply a economic reward because the products and/or services of the firm are preferred in the market.

[14] Strange disease is called that which have 5 cases every 10.000 person according to EU legislation. There more than 5.000 strange diseases world-wide, and about 750 in Europe. World-vide one man or woman every 2.000 has a strange disease.