VI. Conclusion

Expert opinions based on empirical legal research in different population groups have gained great importance for jurisprudence, not only in the German legal system. By measuring factual circumstances and by taking these empirical research results into due consideration in the decision-making process, there is a significantly improved basis for judgment. This does not only apply to surveys regarding trade acceptance/secondary meaning within the context of the registration or cancellation of trademarks or to those being the basis for the determination of the risk of confusion, but also to expert opinions dealing with the misleading of the public. This enables judges to base their decisions on representative data and on legally relevant facts instead of the normative way of making assumptions about the possible opinion of the public.

Opinions

*Christopher Heath**

Harmonisation of International Patent Law? – A Reply to Straus and Klunker**

In 38 IIC 907 (2007), Joseph Straus and Nina-Sophie Klunker published an article on "Harmonisation of International Patent Law" that, apart from describing the various initiatives of world-wide patent harmonisation between 1991 and to date, also makes suggestions on the desirable level and direction of such harmonisation efforts. This author has some reservations.

1. The first issue relates to the notion of Straus and Klunker that *harmonisation* is a desideratum as such (at 936). This, at least in the context of patent law, is questionable. For one thing, harmonisation is often a battle over existing standards. Such a goal, however, remains doubtful where the world's major patent systems in their current form have been called into question.[1]

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** The following text represents the private opinion of the author.

1 For the US, *see* Jaffe & Lerner, "Innovation and its Discontents" (Princeton 2004). The text currently before the US Senate (as of 7 September 2007) is available at http://www.jonesday.com/patentlawreformupdates/; comment on these developments in Patent World, November 2007, at 22; for Europe, apart from the ongoing discussions on a Community patent, *see* the suggestions of A. Brimelow for the EPO in: "Managing Intellectual Property", July/August 2007, at 44. On a more general level, doubts about the appropriateness of the current system have also been voiced in the EPO-commissioned project

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In addition, the significant differences in the actual granting practice of patents amongst major Patent Offices despite already harmonised criteria of patentability[2] may well mask greater differences in underlying policy equations than the article by Straus and Klunker suggests. Third, the implicit understanding that harmonisation must mean "more patent law" (at 908, 936), presumably meaning broader protection and an extension of patentable subject matter, is not backed up by evidence as to its economic effect, and is rather a *déjà vu* of such calls in the past that emanated from the lobbying efforts of vested interest groups.[3]

2. "Harmonisation" to internationally binding standards particularly for *developing countries* mean a significant loss of freedom to determine patent protection levels in accordance with economic development. While Straus and Klunker show themselves convinced that "[harmonisation of] patent protection [for hitherto excluded categories of inventions] mainly brings advantages and few disadvantages ... per se",[4] there is significant evidence

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"Scenarios for the Future" (Munich 2006); for the UK: CIPR, "Integrating Intellectual Property Rights and Development Policy" (London 2002); for Germany: German Ministry of Economy and Technology, "Patentschutz und Innovation", http://www.bmwi.de/BMWi/Navigation/Presse/pressemitteilungen, did=205080.html; and at an international level by the World Bank, "Global Economic Prospects: Trade Regionalism and Development 2005" (World Bank Publications).

2 Straus and Klunker themselves mention the differences in granting practice in the US and Europe despite (formally) harmonised criteria for grant, yet do not discuss the reasons for such differing practices of grant. The issue is aggravated in the US by the lack of an opposition system and significant hurdles to attack patents in litigation, all issues mentioned by Jaffe & Lerner, *supra* note 1, and partly addressed by the attempts of reforming the US patent system, *see supra* note 1.

3 A. Koury Menescal, "Those behind the TRIPS Agreement: The Influence of the ICC and the AIPPI on International Property Decisions", [2005] I.P.Q. 155, has listed the efforts of members of ICC and AIPPI in lobbying on behalf of a patent system strongly in favour of patent holders: "[After 1964], ICC and AIPPI members, especially prominent professors and academics, patent attorneys or IP experts, began to publish many articles and books emphasising the importance of the patent system for the economic development of developing countries, repeating arguments ... almost like a mantra" (at 175). TRIPS is evidence that these efforts were not entirely successful, as TRIPS was not introduced by most countries due to the recognition that the highest common denominator of the major industrialised countries around 1990 was beneficial to their economic development, but in order to obtain those benefits associated with the WTO free trade system.

4 P. 921 If taken further, the same argument could be made against the EPC in the case of computer-related inventions, methods of medical treatment or business methods. Yet, what alleged benefits these should be is not further explained. It is notable that, in the past, such claims were voiced with considerable conviction (*e.g.* F.K. Beier, "The Significance of the Patent System for Technical, Economic and Social Progress", 11 IIC 563 (1980): "[T]he patent system, in its historically developed and currently practised form, constitutes a proven, indispensable instrument for technical, economic and social progress.") despite a considerable lack of empirical evidence. Well into the 1990s, the only empirical evidence on the benefits of patent systems was equivocal at best: F. Machlup, "An Economic Review of the Patent System" (Washington 1958), concluded: "No econo-

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that the ideal level of IP protection for any given country depends on the capacity of a country to make use of the benefits normally associated with patents: the capacity to innovate by an access to knowledge.[5] Yet such

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mist, on the basis of present knowledge, could possibly state with certainty that the patent system, as it now operates, confers a net benefit or a net loss upon society. . . . If we did not have a patent system, it would be irresponsible, on the basis of our present knowledge of its economic consequences, to recommend instituting one. But since we have had a patent system for a long time, it would be irresponsible, on the basis of our present knowledge, to recommend abolishing it. This last statement refers to a country such as the United States of America – not to a small country and not a predominantly non-industrial country, where a different weight of argument might well suggest another conclusion." Later, similar conclusions were drawn for developing countries by A. DEARDORFF, "Should Patent Protection be extended to all Developing Countries" ("I do not see how this case can credibly be made"), in: R. STERN, "The Multilateral Trading System: Analysis and Options for Change" 447 (Ann Arbor 1993). *See also* the following footnote for more recent studies.

5 This is the unanimous conclusion of the following studies: CIPR (*supra* note 1); UNCTAD, "United Nations Conference on Trade and Development. Trade and Development Report, 2004" 96, UNCTAD/TDR/2004 (UNCTAD, Geneva 2004); According to D. GERVAIS, "The Changing Landscape of International Intellectual Property", in: HEATH & KAMPERMAN SANDERS, "Intellectual Property and Free Trade Agreements" 63 (Oxford 2007): "A simple equation cannot be drawn between an increase in trade following the introduction of TRIPS-compatible intellectual property protection, on the one hand, and economic development on the other, especially when measured in terms of welfare increases (Reference: FINK & PRIMO BRAGA, "How Stronger Protection of Intellectual Property Rights Affects International Trade Flows", in: FINK & MASKUS, "Intellectual Property and Development" 21 (2004)). As Falvey, Foster and Greenaway stated in their 2004 study (R. FALVEY, N. FOSTER & D. GREENAWAY, "Intellectual Property Rights and Economic Growth" (2004), Internationalisation of Economic Policy Research Paper No. 2004/12, http://ssrn.com/abstract= 715982, at 2.): "the overall effects of stronger IPRs on technology acquisition and aggregate growth are in general ambiguous". Differences in the level of economic development of each country matter greatly. One must also make appropriate distinctions between the various types of intellectual property protection (patents, trade marks, copyrights, plant varieties, etc.) or within a subsystem (patents for industrial machines compared to patents for pharmaceutical products, computer software or chemical agricultural inventions). A study by Thompson and Rushing showed that IPRs were unlikely to generate positive effects below a certain minimum threshold of economic development. Thompson and Rushing had set that level at US$3,400 (in 1980 dollars) (M.A. THOMPSON & F.W. RUSHING, "An Empirical Analysis of the Impact of Patent Protection on Economic Growth", (1996) J. of Econ. Dev. 21, at 61–79) or more than $8,300 in 2005 dollars. An interesting 2004 study by Falvey, Foster and Greenaway (above), which used a different regression model, demonstrated the non-linearity of the relationship between IPRs and economic growth and identified "threshold effects". Essentially, the level of the positive effect of IPRs depends on whether a developing country is capable of imitating and innovating. Otherwise, IPRs may merely reinforce the market power of exporters. According to the World Bank (*supra* note 1, at 111): "The general conclusion is that countries have to develop an IPR strategy appropriate to their level of development, and then analyse carefully which, if any, IPR provisions ought to be contained in trade treaties or RTAs". C. JUMA & L. YEE-CHEONG in their report "Innovation: Applying Knowledge in Development; Task Force on Science, Technology and Innovation;

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capacity is absent in lesser and least-developed countries,[6] and tellingly Straus and Klunker refer to the cases of India and China, two countries that have a significant capacity to absorb technical information, imitate and innovate.

3. The benefits Straus and Klunker accord to the patent system are based on the assumption that a harmonisation of patent systems leads to an *increased*

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Millenium Project" 112–114 (2005), propose a three-tiered system of IPR and enforcement to take into account different development levels, a suggestion already voiced by the CIPR report (*supra* note 1). Last but not least, P. Beattie in 38 IIC 6, 20, 23 (2007) states that "there does not seem to be much of a case for expanding strong IP protection uniformly across the developing world; rather, differentiated levels of IP protection should be applied with sensitivity toward levels of economic and technological sophistication". After all, "technological innovation in developing countries is minimal and an insignificant source for productivity gains", for which reason "developing countries may be better off investing in education than in stronger IP rights".

6 According to P. Drahos, "Interview to EPO Scenarios task force" (http://documents.epo.org/projects/babylon/eponet.nsf/0/0D1732B4859249D5C12572DC0030B78A/$File/Interview_Drahos.pdf), "Developing countries will have to look at patent administration and ask themselves: How can we administer our patent system in ways that are consistent with our economic needs? And so, perhaps, those patent offices will develop databases for pharmaceutical products that will help their generic industries understand what the patent position is in a particular country. One of the problems for generic companies in developing countries is that, because the system is non-transparent, they sometimes have very little idea of what is patented or not." A joint EPO-WHO project to establish a database for a list of substantial drugs patented in developing countries was confronted with similar difficulties. But if patent information can be accessed or absorbed by local players in least-developed countries only with great difficulty, how could an increase in the protection level be beneficial? Gervais (*supra* note 5, at 67) also notes: "It is essential to consider the diversity of developing countries in respect of their social and economic circumstances and technological capabilities. Altogether more than 60% of the world's poor live in countries that have significant scientific and technological capabilities, and the great majority of them live in China and India. China and India, along with several other smaller developing countries, have world class capacity in a number of scientific and technological areas including, for instance, space, nuclear energy, computing, biotechnology, pharmaceuticals, software development and aviation. By contrast, 25% of poor people live in sub-Saharan Africa (excluding South Africa), mainly in countries with relatively weak technical capacity. It is estimated that in 1994 China, India and Latin America together accounted for nearly 9% of worldwide research expenditure, but sub-Saharan Africa accounted for only 0.5% and developing countries other than India and China only about 4%. Thus developing countries are far from homogeneous, a fact which is self-evident but often forgotten. Not only do their scientific and technical capacities vary, but also their social and economic structures, and their inequalities of income and wealth. The determinants of poverty, and therefore the appropriate policies to address it, will vary accordingly between countries. The same applies to policies on IPRs. Policies required in countries with a relatively advanced technological capability where most poor people happen to live, for instance India or China, may well differ from those in other countries with a weak capability, such as many countries in sub-Saharan Africa. The impact of IP policies on poor people will also vary according to socio-economic circumstances. What works in India, will not necessarily work in Brazil or Botswana."

knowledge transfer (at 917, 920 and 923). If this was ever true,[7] one should take into account that

> the very nature of knowledge is changing. Patents have traditionally conferred exclusive ownership for 20 years, but society now questions this monopoly ownership. The rate of technological obsolescence and the clogged IP system make it harder to achieve value from traditional patent usage. And technology now makes information more accessible and counterfeiting simpler, eroding the control a patent holder once exerted. Heavy-handed IPR enforcement is also likely to alienate the public. The transformation of data into information and then into knowledge – information that can be utilised to build capabilities – is also far from being straightforward. . . . This raises the question: *As information becomes increasingly abundant, what knowledge has value?* Complex issues of knowledge access, search, management, production and ownership force us to question the equation: "more information equals more knowledge". . . . *If the rules around access, management, production and ownership of knowledge are not chosen properly, more information could even equal less knowledge – and less innovation.*[8]

Particular attention in this respect is drawn to the blocking effect of unclear patents in patent thickets.[9]

4. On p. 916, 919 *et seq*., Straus and Klunker voice concern about the *discriminatory treatment of intellectual property rights compared with physical goods*. They thereby mean that differences in the level of patenting in different countries may leave goods patented in one country devoid of such protection in another, unlike tangible property. Straus and Klunker see this point in connection with the diminishing importance of the principle of territoriality and the increasingly global interests of business, namely multinational companies (917). There are several answers to this point. First, the ideal level of patent protection must necessarily be a process of discovery in the absence of empirical evidence on what the optimum level of protection is. Second, the answer to the ideal level of protection is likely to be different for countries at different stages of development, or with different industrial strengths and weaknesses, making harmonisation not the ideal answer from the point of view of public interest (see above at 2.). And third, the above discriminatory treatment merits attention in the context of parallel importation. Discriminatory treatment as understood by Straus and Klunker may prevent the patentee in one country from obtaining monopolistic profits in

7 Critical already the 1974 UNCTAD Study on "The Role of the Patent System in the Transfer of Technology in Developing Countries" (Geneva 23 April 1974). The CIPR Report (*supra* note 1) actually concludes that "[c]ountries which have a weak scientific and technological infrastructure will have less reason to adopt extensive patent protection, given that most of their technology is imported" (at 113). The increase in imports associated with stronger patent protection, mentioned by Straus and Klunker (924), may well be due to the higher costs of importing patented (rather than unpatented) goods. The issue thus seems ambivalent at best.

8 EPO, "Scenarios for the Future", *supra* note 1, at 27–29.

9 "Patentschutz und Innovation", *supra* note 1, at 13.

another country, but that is not a barrier to trade that should be of concern in world trade agreements. In the opposite case, however, it may become one when the owner of physical goods is prevented from (parallel) importing these due to the exercise of patent rights.[10] The English courts have tried to solve this issue by the doctrine of implied licence,[11] but an international solution that avoids trade discrimination has not been proposed by those who advocate harmonisation.

5. Finally, on p. 920, Straus and Klunker write "a number of developing countries do not respect patent protection for certain categories of inventions, and instead *appropriate the inventions free of charge* at the time when they cross the border". One should read this twice: "appropriate the inventions". "Developing countries" of course could be replaced by "the EPC" in that the latter does not "respect" patent protection for certain categories of inventions such as computer programs, medical methods or business methods. The EPO may also not "respect" patent protection by rejecting applications that have been patented in the US. "Appropriate" seems to suggest that there is a "natural" property right in any invention regardless of the patentability criteria, and this is rather incorrect. Property in a patent is defined by the domestic criteria of patentability and nothing else. The above phrase might be of hapless wording, or it might be

> the pervasive rhetorical use of the language of "theft" in intellectual property discourse … [and the] manipulative power of the language of theft to affect rational decision-making about the socially optimal balance between intellectual property rights and ordinary freedoms.… The language of theft, in short, reduces a difficult policy debate … to a crude and simplistic drama.[12]

10 Judge Braendle in his decision of the Zurich District Court, 23 November 1998, 1999 GRUR Int. 555, 561 put it this way: "If, to take an example based on the subject matter of this case, an English commercial photographer bought the Kodak films in question in England, he would not be allowed to use them for shooting in Switzerland. In order not to commit a patent infringement, he would have to buy the films here. Then, however, he would not be allowed to export them for development to England, as he would have to do this here. The same for further copies. He could only sell the negatives in the country where the film was bought. And if one further imagines that such photographer was following, e.g., the Tour de France that for one *etappe* comes to Switzerland and that all patented products (helmets, glasses, gloves, tools, wireless devices, film and photo cameras, medicinal products, doping products, etc.) that were not purchased in Switzerland and do not come under Art. 5ter(2) Paris Convention would have to be left at the border and purchased again in Switzerland to be used, it becomes clear that such a scenario is not in conformity with the purposes of patent law." Judge Braendle's decision was overturned on appeal by the Swiss Supreme Court, decision of 7 December 1999.

11 *Roussel Uclaf v. Hockley International*, Patents Court, 9 October 1995, (1996) RPC 441. In favour of a world-wide solution on this basis: H. Cohen Jehoram, "Prohibition of Parallel Imports Through Intellectual Property Rights", 30 IIC 495 (1999).

12 P. Loughlan, "Intellectual Property and the Language of Theft", (2007) E.I.P.R. 401, 405.

Summarising, despite the undoubted benefits of harmonisation in some areas or for some IP players,[13] harmonisation is not an end in itself and should not be pursued unless there is clear evidence of its purported benefits.[14] Currently, there is little evidence to conclude that a uniform patent system beyond TRIPS would benefit developed or developing countries: "It is important for the intellectually honest observer to note that international harmonisation of IP law is *not* the best solution for the developing world, [and] one cannot in good faith argue that it is the ideal regime for the developing world to adopt."[15] In order to reduce barriers for legitimate trade and avoid a discrimination between property and intellectual property, an appropriate regime of international exhaustion should be agreed upon.