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EDITORIAL NOTE ON THE VOLUME 7, ISSUE 2, 2019

Editorial Note

Dr. Chih-Yuan Chen

Assistant Professor,

Graduate Institute of Intellectual Property, National Taipei University of

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This journal has been included in the SCOPUS and WESTLAW citation databases since 2015. This record shows our continuous efforts in maintaining the standards and quality of our academic publications and increases the visibility of the articles published in it. We would like to express our appreciation to all the authors, reviewers, editors, and advisors of this journal. The editorial board welcomes submissions from legal, managerial, or interdisciplinary areas related to IP issues from all over the world. In order to cover all aspects of IP issues, we do not limit the scope of this journal to any single jurisdiction.

In this issue, the selected articles are derived from different jurisdictions and areas of intellectual property rights. In Prof. ChinLung Lin's research, he takes Taiwan, the US, EU, and China as examples to explore and analyze the national legal provisions with regard to experts' participation in trial proceedings, the jurisdiction of courts and the consistency of verdicts, the recognition of equitable arbitration, and judge-made law. Furthermore, that article indicates that the judge-made law of case law shall comply with the principles of equitable law and the fundamental human rights of the constitution, and also that the judge-made law of common law shall not violate civil law, public order or good morals. In the article by Dr. Giuseppe Emanuele Adamo and Dr. Eduardo Carlos Dittmar, they present a detailed analysis based on the ABC model on the antecedents of participation. Their results show that the consumer's brand responses are driven, in the attitudinal and behavioral aspects, more by participation than by identification. From a managerial point of view, the paper suggests the importance of distinguishing clearly between participation and identification: by leveraging identification, companies could manage brand community membership and access, modeling brand community size and structure; and by leveraging

participation, they might increase the quality of the relationship with the brand, the socialization among customers, and the customer's loyalty to both the brand and the company. On the other hand, focusing on the EU trade mark system, Prof. Maria Markova identifies and clarifies the EU trade mark as an effective legal instrument for obtaining exclusive rights for a wide territory, the 28 EU countries. Moreover, she also provides a complete introduction to various types of EU trade marks, the most critical registration requirements and the corresponding legal effects of registration. Finally, Dr. Debora Gottardello explores the correlation between possible interrelation and conflicts between intellectual property law and human rights, with particular attention to the right of health, as well as their impacts on social acceptability and the effectiveness of legal norms.

In addition to expressing our gratitude to all the contributors, who made this issue possible, we hope you continue to support us and maintain efforts to achieve the goals and desired quality of this journal.

Dr. Chih-Yuan Chen

Assistant Professor

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CALL FOR PAPERS

NTUT Intellectual Property Law and Management is a multidisciplinary journal which concerned with legal, economic and social aspects of IP issues. This journal is included in the SCOPUS, WESTLAW, WESTLAW HK, LAWDATA, AIRITI LIBRARY citation databases, and it welcomes contributions to address IP topics at national, regional and international level.

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An Exploration of Taiwan's Legal System in Regard to Patent Dispute Resolution under the Globalization Trend

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Abstract

With the development of the globalization trends, the value of a multi-cultural society is threatened by the mainstream view of globalization; thus, the sovereignty of national laws is also facing the challenges of transnational law. Unfortunately, under the impact of globalization trends, the legal systems are unable to keep up with the speed of industrial changes. Obviously, Taiwanese legal system is facing rapid changes in the high-tech industries, and providing effective legal remedies for patent disputes have become an important subject for transnational law. Actually, the patent dispute cases often involve industrial and legal considerations in Taiwan's high-tech industry, such as professional technology, short product life, time to market, uncertain patent claims, court judgments at different trial levels, and the conflicts between national and transnational laws. Accordingly, in order to connect with transnational law and enrich Taiwan's judicial culture, this article takes Taiwan, the US, EU, and China as examples to explore and analyze the national legal provisions with regard to experts' participation in trial proceedings, the jurisdiction of courts and the consistency of verdicts, the recognition of equitable arbitration, and judge-made law.

Keywords: National Law, Transnational Law, Patent Disputes, Equitable Arbitration, Judge-Made Law

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I. Introduction

With the trend towards knowledge-based economies and globalization, knowledge innovation is updating and changing every minute. As a result, technology related to intellectual property rights, management and legal protection mechanisms has become the core of business competition. However, because legal systems are unable to keep up with the speed of industrial development, intellectual property rights are being improperly used as tools of competitive business strategy and causing the conflicts brought about by a knowledge gap to increase. As a result, this further creates a constant imbalance in the legal system. In view of the changing high-tech innovative technology day after day and the existing law's inability to comply with the appropriate needs, the law is incapable of achieving synchronicity with the high-tech development and advances with the times. In order to seek fair competition on international economic and trading development, as well as to make the intellectual property rights protection mechanisms become globally consistent legal norm standards, the legal norms and legal dispute solving mechanism must be beyond the scope transnational law by integrating different World Trade Organization (WTO) member nations under the TRIPS regulated by WTO. Meanwhile, the intellectual property rights law and fair trade law especially offer consistent global legal norms and dispute solving mechanisms.

Actually, the judgments of patent infringement in patent dispute cases often involve multidisciplinary aspects; they include not only business, industrial, and legal factors, but also technique factors, such as professional technology, short product life, time to market, uncertain patent claims, court judgments at different trial levels, and the conflicts between national and transnational laws. Therefore, the scope of the intellectual property right features uncertainty, especially in regard to the infringement of the patent right. Thus, to decide whether an invention and creation meet the novelty, industrial applicability and usefulness, and inventive step or non-obviousness elements, there will be different judgment standards among different court judges. Obviously, the experts' technical judgments are better than general judgments in patent dispute cases. In view of this situation, this article takes a comparative approach to explore and discuss the national legal provisions with regard to expert participation in trial proceedings.

The legal relief mechanism for patent dispute resolution is not only concerned with national performance in science, technology and innovation, but it is also crucial to overall economic growth and industrial competitiveness internationally. In general, when it comes to the method of the legal relief mechanism for patent dispute resolution, the parties may claim compensation in regard to all losses and damage through litigation, arbitration, issuing injunction orders, mailing warning letters, etc. In order to promote legal efficiency in patent proceedings, the Intellectual Property

Case Adjudication Act ¹ and the Intellectual Property Court Organization Law ² were announced and passed by the Taiwan legislature on March 28, 2007. With regard to the patent dispute resolution in Taiwan, the legal system of patent litigation inherited the dual parallel track of civil law, which includes common litigation (criminal case and civil case) and administrative litigation. There is a great possibility that the judgments among different courts and the IP Office will be inconsistent with each other. The influence of these laws after they come into force, how to build a new legal system for patent litigation and how to promote the competitiveness of Taiwan's high tech industries in a global market and within the legal system are issues worth further examination and discussion. Therefore, consistent verdicts are also a core concept to be explored and analyzed in this article.

As we know, litigation and arbitration entail alternative decisions, not linear decisions.³ Under the trend of a knowledge-based economy and globalization, international commercial arbitration crosses national boundaries and acquires the characteristics of transnational law. Nevertheless, arbitral awards have the characteristics of transnational law, and decision making over arbitral awards comes from local arbitration courts. Arbitral awards are brought into force according to national law only. Reaching a balance between national law and transnational law requires a new way of thinking that is quite different from the traditional considerations of national sovereignty. As a result, determining how to integrate the relationship between international commercial arbitration and national arbitration law has become an interesting issue. In view of the above delineation, the recognition of equitable arbitration becomes a key point. In view of this, this article uses the patent equity of Anglo-American law to explore and compare whether it is possible for a Taiwanese arbitration court to cite equitable arbitration in the future.

In view of the rapid change in innovation in hi-tech industries, the US Federal Court uses the Anglo-American equity law to solve the cases concerning patent law, and it also uses the judge-made laws to fill legal loopholes. Usually, the US Federal Court not only creates the doctrine of equivalence, but also the exhaustion doctrine, estoppel, inequitable conduct and patent misuse, which are all applied to fill in legal loopholes. In contrast, while Taiwan laws are made by the legislature to make judgments, due to the rapidly changing times, this may not suit the current situation very well and may cause legal loopholes to occur. Hence, the courts have been inspecting legal loopholes not only with the traditional civil law system, but also with judge-made laws recognized

¹ Intellectual Property Case Adjudication Act promulgated on March 28, 2007 by Presidential Order Hwa-Tzong-1-Yi-Tze No. 09600035711. *Data available at:* <http://law.moj.gov.tw/Eng/LawClass/LawHistory.aspx?PCode=A0030215>(Visit Date: 2018.05.30)

² Intellectual Property Court Organization Law promulgated on March 28, 2007 by Presidential Order Hwa-Tzong-1-Yi-Tze No. 09600035701. *Data available at:* <http://law.moj.gov.tw/Eng/LawClass/LawHistory.aspx?PCode=A0010090> (Visit Date: 2018.05.30)

³ See Anika Gill, Jason Gray, Martin Skitmore & Stephen Callaghan (2015), *Comparison of the effects of litigation and ADR in South-East Queensland*, *The International Journal of Construction Management*, Volume.15, Issue 3, 2015, pp.254-263.

by Anglo-American equity law and the others derived from it. The judges use Anglo-American equity law as the top criterion to fill in legal loopholes and keep the situation at a dynamic equilibrium. Accordingly, this is a major reason why the judge-made law is a core issue to explore and analyze in this article. In view of this, this article uses the patent equity of Anglo-American law to explore and compare whether it is possible for a Taiwan's arbitration court and Taiwan's Intellectual Property (IP) court can cite the judge-made laws.

II. A comparative analysis of experts' technical judgments

Patents and other forms of intellectual property are intangible assets; therefore, the scope of the intellectual property right has the feature of uncertainty, especially in regard to the infringement of the patent right. The principle of claim construction includes the doctrines of central definition and peripheral definition. In general, civil law system countries such as Germany, Japan, the Netherlands and other countries, uphold the doctrine of central definition, while the common law system countries such as the UK take the doctrine of peripheral definition. Since 1870, in terms of the infringement of the patent right, the US Patent Act has been amended; the doctrine of revised patent is changing from the central definition to the peripheral definition.⁴ In theory, the principle of compromise is supported, but the scope of patent rights is still not easy to clearly define, such as paragraph 3, article 58, Patent Law of the ROC (Taiwan) providing that the scope of the patent "invention is to the claims contained in the manual. And when necessary, there should be some demonstrations and diagrams."⁵ However, the application scope of the patent specification in practice may be unable to clearly point out the boundaries, which is difficult even for the experts to define, not to mention non-experts. Different appraisers for the same patented technology may also lead to totally different identifications and results. Similarly, the judgments for invalid patent and infringement may sometimes totally diverge. Since the scope of the patent is considerably uncertain, to obtain the trust of both parties of the patent litigation, it is essential to involve experts in the judgment of invalid patent and patent infringement. As for the legal provisions regarding expert participation in trial proceedings, different countries have different interpretations and regulations.

⁴ 35 U.S.C § 112(2): "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicants regards as his invention."

⁵ Article 58 (3), ROC (Taiwan) Patent Act: "The scope of an invention patent right shall be determined based on the claim(s) set forth in the specification of the invention. The descriptions and drawings of the invention may be used as reference when interpreting the scope of the claims in the patent application."

A. The United States of America

In general, to make judgments on patent litigation, knowledge related to patent skill and professional knowledge in various areas of the industry are definitely necessary. For example, for U.S. patent litigation, the judgment on the elements for judging patent and patent infringement requires people who are familiar with the "person skilled in the art." First, among the substantive aspects of the patent elements, according to article 102, U.S. Patent Law, novelty requirements specify the difference between the "Prior Art" and patent request. In article 103, U.S. Patent Law for non-obviousness of the regulations, the appealing party is often comprised of those who are familiar with the patent request and also with the technology skills; they are called "Person Having Ordinary Skill in the Art." Therefore, if the case concerns skills that are quite plain to see, the patent case is not applicable. Moreover, for the form of the elements in U.S. patent terms, according to article 112, U.S. Patent Law states that a patent specification should include a text description of the invention and its narrative manufacturing, using methods and procedures to inform any person skilled in the art or the most relevant associated personnel, with complete, clear, correct wording, and these people can then manufacture and use said product. Moreover, the best way to record their instructions should be in written form for the best envisaged invention manner.

In view of the patent law disputes involving a highly technical nature, in the cases of *Markman v. Westview Instrument, Inc.* in 1996, United States, the Supreme Court considered in the first stage of patent infringement lawsuit the scope of patent belonging to "a matter of law" and being under the charge of the court of the functional responsibilities. The second phase of a patent infringement lawsuit for allegedly infringing goods or method falls within the scope of the disputed patent remains a question of fact, also called "a matter of fact." If the party claims for the trial proceedings, the decision is then in the hands of the jury. However, in 1997, in the case of *Hilton Davis Chem v. Warner-Jenkinson Co.*, the Supreme Court considered whether the equality in the patented method remains part of the legal rights for the jury to decide, which then leads to the fact that it narrows the judgment scope of the judge to apply based on the doctrine of equivalents. Thus, whether the recognition of the scope of patent belongs to the judge or jury in the first stage of patent litigation shall depend on whether the case belongs to common law or equitable nature. According to article 7 of the Federal Constitution, the amendment states that the law applicable to the general nature of the lawsuit is: if the subject of litigation is valued at more than 20 dollars, then the parties have the right to call for a jury. However, in a litigation case with the trait of equity law, it is not applicable to article 7 of the Federal Constitution (amendment), which means that judges have the right to make judgments and the parties concerned have no right to select the jury.

In the selection of the jury members, in accordance with the article 5 of the Federal Constitution (amendment) related to the "due process of law", the jury must have the ability to make a rational decision; thus, they are qualified to take up the responsibility. In view of this, in regard to the practical cases of US Federal Court, the court holds that the cases should be left to the expert juries with professional knowledge (so-called Expert Jury/Blue Ribbon Jury), which meets article 7 of the Federal Constitution Amendment, and thus gives the right of parties to request a jury, and to request the due process of law according to article 5 of the Federal Constitution Amendment. If the jury does not possess adequate knowledge, understanding of the evidence, and the relevant legal standards, then the court should not permit the jury trial raised by the parties concerned.⁶ Accordingly, if we compare the judgments made by an expert jury (persons skilled in the art), to those made by a judge or non-expert jury, the judgments made by the former may be based on much more specific knowledge. Therefore, the judgment of an expert jury can meet the requirements of justice, and also acquire trust from both parties to achieve the effect of settling disputes. In summary, in the U.S. federal court, while dealing with patent litigation, the decision making of judgment results from a professional judge when there is no technical judge to attend the trial. As a result, the main purpose of an expert jury is to compensate for professional judges in specific technical areas, and it is regarded as a remedy.

B. European Union (EU) and its member countries

The situation of the inconvenience of cross-border litigation between parties and courts also arises among EU and non-EU member countries, with different countries applying the same transnational law. The European Parliament passed a unified patent system bill on December 11, 2012, which was expected to be implemented in 2014. The Unified patent system bill contains two protocols: The Unitary European Patent (UEP) and The Unified Patent Court (UPC).⁷ Under the planning, the Unified Patent Court is composed of the Court of First Instance and the Court of Appeals, to process the judgment of patent disputes related to patent invalidation and patent infringement.

⁸ Furthermore, the Court of First Instance includes the central division, local division

⁶ U.S. v. Potter, 552 F. 2d 901 (9th Cir. 1977). U.S. v. Kelifgen, 557 F.2d 1293 (9th Cir. 1977). In re Japanese Electronic Products Antitrust Litigation, 631 F.2d 1069 (3d Cir.1980). See Jordan M. Halle (2014), *Comments: Avoiding Those Wearing Propeller Hats: The Use of Blue Ribbon Juries in Complex Patent Litigation*, University of Baltimore Law Review: Volume.43: Issue.3, Article 4, 2014, pp.435-459.

⁷ Implementing enhanced cooperation in the area of the creation of unitary patent protection. (REGULATION (EU) No 1257/2012) of The European Parliament and of The Council of the 17th of December 2012, Official Journal of the European Union. *Data available at:* <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32012R1257> (Visit Date: 2018. 03. 03). Implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (COUNCIL REGULATION (EU) No 1260/2012) of the 17th of December 2012, Official Journal of the European Union, *Data available at:* <http://eur-lex.europa.eu/legal-content/EN/AL/L/?uri=CELEX%3A32012R1260> (Visit Date: 2018. 05.30)

⁸ Article 6 (1), Agreement on a Unified Patent Court and Statute (document 16351/12, of 11.01.2013)

and regional division.⁹ The central division is located in Paris, and the branches in London and Munich, with the appeals court located in Luxembourg.¹⁰

Under the provisions of the Unified Patent, the judges of the three levels of courts comprise the following: ¹¹

1. Local Division:
No more than 50 cases per year, and comprised of 1 native judge and 2 foreign judges. If there are over fifty cases per year, then it will be comprised of two native judges and one foreign judge.
2. Regional Division:
It is composed of one native judge and two foreign judges.
3. Central Division:
It is made up of two foreign judges and one judge with expertise background.
4. Appeals Court:
It comprises three foreign judges and two judges with expertise background.

The Netherlands

The Netherlands is a member state of the European Union. According to the provisions of Dutch patent law, the court of first instance and the appeal court are concerned with the patent dispute of administrative matters, while the patent disputes of civil matters are under the jurisdiction of the Hague court.¹² The judges of the Hague court in patent litigation comprise experts with legal and technical background; they serve as a remedy for judges with inadequate technical knowledge.¹³ Usually, the technique experts are qualified to be judges in trials of patent litigation. In addition, the rights of the technique expert are also the same as those of other professional judges without any difference, including the rights of full participation and equal voting in the trial of patent litigation.

⁹ Article 7 (1), Agreement on a Unified Patent Court and Statute (document 16351/12, of 11.01.2013)

¹⁰ Article 7 (2), Agreement on a Unified Patent Court and Statute (document 16351/12, of 11.01.2013)

¹¹ Articles 8 & 9, Agreement on a Unified Patent Court and Statute (document 16351/12, of 11.01.2013)

¹² The article 80 (1), Patent Act 1995 (Netherlands): "The District Court of The Hague shall have exclusive jurisdiction in the first instance." *Data available at:* <https://www.ivir.nl/syscontent/pdfs/163.pdf> (Visit Date: 2018.03.03). Willem Hoorneman, Patent Litigation in Netherlands- International Patent Litigation Guide, pp.61, *Data available at:* <http://www.cmslegal.com/patentswithoutborders> (Visit Date: 2018.05.30)

¹³ Willem Hoorneman, Patent Litigation in Netherlands-International Patent Litigation Guide, pp.62, *Data available at:* <http://www.cmslegal.com/patentswithoutborders>. (Visit Date: 2018.05.30)

The Federal Republic of Germany

In Germany, one of the EU member countries, the Federal Patent Court is in charge of patent dispute cases and is mainly composed of a professional judge and technically qualified judges; it serves as a remedy for judges with inadequate technical knowledge. As a result, in the patent litigation trials, the rights of technically qualified judges are the same as those of other professional judges, including the rights of full participation and equal voting.¹⁴

C. The People's Republic of China (PRC)

In general, for the patent litigation in the PRC, in the first instance proceedings, it is permissible to hire non-legal background persons or technical experts as the people's jury with the panel of judges, and all the trial activities of the people's jury in the people's court have to comply with the law. In fact, non-legal background persons or technical experts in the people's jury with the judge panel cannot act as chief judges; however, they have the same rights as judges do.¹⁵ As for fact-finding, the people's jury in court trials has the right of applicable law to exercise their voting with independence.¹⁶ It is obvious that although they are called a jury, the people's jury in the PRC is more similar to "assessors". The people's jury has the right to share the judgment of judges through their participation as assessors. Therefore the rights of people jurors include: case hearing, investigation, mediation, inquiry, and file inspection. In addition, the people's jurors have the legal rights to find facts, determine the applicable law, participate in council, express independent opinions with dissent, and participate in the full trial.

¹⁴Section 65 (2) & 67 (1) (2), German Patent Act (as amended by the Act on Improvement of Enforcement of Intellectual Property Rights of the 31st of July 2009)

¹⁵Article 38 (2), Law of the People's Republic of China on the Organization of the People's Courts: "During the period of the exercise of their functions in the people's courts, the people's assessors shall be members of the court divisions in which they participate and shall enjoy equal rights with the judges." See Yifan Wang, Sarah Biddulph and Andrew Godwin (2017), *A Brief Introduction to the Chinese Judicial System and Court Hierarchy*, Asian Law Centre briefing paper, Volume.6, Asian Law Centre, Melbourne Law School, The University of Melbourne, 2017, pp.1-35. Data available at: http://law.unimelb.edu.au/_____data/assets/pdf_file/0004/2380684/ALC-Briefing-Paper-6-Wang,-Biddulph,-Godwin_5.pdf. (Visit Date: 2018.05.30)

¹⁶Article 7, Provisions of the Supreme People's Court on Several Issues Concerning People's Assessors' Participation in the Trial Activities: "When participating in the collegial bench to review cases, the people's assessors have the right to make comments independently on facts and laws, and exercise the right to vote independently." See Yifan Wang, Sarah Biddulph and Andrew Godwin (2017), *supra* note 15, at 1-35.

D. Taiwan

According to article 4 of Intellectual Property Case Adjudication Act of the ROC (Taiwan), the legal status and authority, and the duty of technique review officers in patent dispute hearings only include asking some questions to the parties, witnesses and appraisers, to express their point of view to the professional judge and to assist the judge in the investigation of evidence. In brief, the legal status of the technical review officer in the trial of patent litigation is that of only offering assistance.¹⁷ In theory, the legal status of the technical review officer is neither that of a witness nor an appraiser in the trial of patent litigation, so how their technical opinions are exercised in the cross-examination in court and in the debate of the parties remains unknown. Furthermore, if the opinion of the judge differs from the statement of the technical review officer, and the judge still insists on his/her opinion to make the judgment, it obviously violates the goal of the establishment of the IP professional court in the Taiwan.

E. Concluding Remarks

There are both advantages and disadvantages in any legal system, as it is impossible to make a perfect one. The judgment of expert judges can gain the trust of the parties more easily; therefore, both the expert judges with technical background and the expert jury with technical background are better than the judges with legal background only. Based on the above discussion, the following cases are worth amending Taiwan IP law for reference, such as the U.S. federal court composed by expert jury; the European Union's Unified Patent Court (UPC) using judges with expertise background; the Netherlands, with the judges of the Hague court in patent litigation composed of possessing legal background and technical experts; Germany, the Senates of the Federal Patent Court composed of a professional judge and technically qualified judges. The duty of the technical review officer in Taiwan patent dispute hearings is limited to asking some questions to the parties, witnesses and appraisers, to express their viewpoint to the professional judge, and to assist the judge only in regard to the evidence of the investigation.¹⁸ An interesting question is which one should be believed by the parties if the judgment differs between the professional judge and the technical review officer. According to article 4 of the Taiwan Intellectual Property Case Adjudication Act, the duty of the technical review officer is just to states his/her opinions to the judges; the technical review officer does not have the legal capacity to make any decisions in IP courts. As a result, this is not only against the goal of the establishment of the IP professional court, but also ignores the parties' demands in IP

¹⁷ Article 4 of Taiwan Intellectual Property Case Adjudication Act: "The court may, whenever necessary, request Technical Examination Officers to perform the following duties: 1. Ask or explain to the parties factual and legal questions based on their professional knowledge, in order to clarify the disputes in action; 2. ask questions directly to witnesses or verification experts; 3. state opinions on the case to the judge and 4. assist in evidence-taking in the event of preservation of evidence."

¹⁸ Article 4 of Intellectual Property Case Adjudication Act, R.O.C (Taiwan)

courts. This article posits that the technical review officer shall uphold the legal rights to make the judgment decision at least for the IP dispute cases. In this way, the judgment of the judiciaries will gain the trust of both parties.

III. Analysis of the jurisdiction of courts and verdict consistency

The purpose of designing intellectual property law is based on the trade-off relationship between public law and private law; thus, patent right theory enables a nation to approve exclusive rights for patentees during the pre-stage of the trade-off; the relationship between the parties falls under public law. In the later stage of the trade-off, the patentee exercises the exclusive rights, and the relationship between the parties falls under private law. As a result, the nature of patent law includes both public law and private law. In the pre-stage of the trade-off (the public law relationship), the administrative sanctions of patents are related to granting, invalidation and revocation, and involve judgments of high technique. Therefore, the correctness of the judgment relies on the technique-related statements of the Intellectual Property Office (administration). In the later stage of the trade-off (the private law relationship), the patentee exercises the exclusive rights related to patent validity and patent scope, while patent infringement involves judgments of high technique. Therefore the correctness of the judgment relies on the technique-related judgments of the Intellectual Property Court (judiciary). In order to reach consistent judgments between the Intellectual Property Office (administration) and Intellectual Property Court (judiciary), the Intellectual Property Court shall require the Intellectual Property Office to participate in the patent proceedings in the same case. Thus, the different judgments of patent dispute related to the patent scope, patent validity and patent infringement will work toward achieving consistency between both.

Patent examination involves judgment of technology. Along with the rapid development of technology, determining whether the application for an invention patent has the trait of novelty, an inventive step and utility varies. It depends on different standards at different stages. In view of what was mentioned above with regard to the patent grant and the judgment of patent infringement, either the Intellectual Property Office (administration) or the Intellectual Property Court (judiciary) usually cites the technology from previous cases as the judgment standards of technology to evaluate the technology applying for patent right. In particular, when the legal element is regulated with uncertain concepts, either the Intellectual Property Office (administration) or the Intellectual Property Court (judiciary) is provided with the judgment margin of appreciation. In addition, the administrative sanctions and the court's judgment always differ; thus, the presence or absence of patent validity is often difficult to predict for patentees. In the countries applying a dual track system in the trials of litigation, it includes public law and private law. In order to reach settlements of patent disputes, the legal system is provided with a dual and parallel track in the same case at the same time. Either the patent civil case or patent criminal case belongs to the jurisdiction of

the common courts, but the patent administration case belongs to the jurisdiction of administrative courts. In general, patent litigation related to patent validity may involve administrative proceedings. In addition, patent litigation related to patent infringement may involve common litigation (civil and criminal cases). Therefore, it will lead to the situation that the same patent cases are under the charge of the different courts, and that different judgments result. Based on the reasons mentioned above, for the judgment standards related to the patent validity, patent grant and patent infringement, the IP Office (administration) and the IP Court (judiciary) must reach judgments with consistent standards, so that in the patent hearing trial, it can help increase the predictability of patent dispute resolution for the parties.

A. The United States of America

In the U.S.A litigation system, public law and private law are rolled into one. In general, the cases arise from different US states, and belong to the courts of each US state. Accordingly, the cases can be reviewed by the US federal court if the case involves federal law. The US federal litigation system can be divided into Federal District Court, Federal Court of Appeals and the Supreme Court. The patent law in the US belongs to federal law; thus, the jurisdiction of cases can be governed and reviewed by the US federal court according to the Title 35 of the United States Code. Anyway, whether the patent case is one of invalid litigation or infringement lawsuit, the federal district courts are the first instance court.¹⁹ The patent litigation of the second instance is within the jurisdiction of the Federal Circuit Court of Appeals (CAFC) exclusively,²⁰ and the U.S. Supreme Court is the final court of appeal in patent litigation.

In the *Ethicon Inc. v. Quigg* case of the U.S. Federal Circuit Court in 1988, the defendant was charged with infringement; the defendant not only proposed the invalidation of the patent in patent infringement litigation, but also filed for retrial to the

¹⁹ 28 U.S.C. §1338. Patents, plant variety protection, copyrights, mask works, designs, trademarks, and unfair competition: “(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases. (b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.” See Jiwen Chen (2009), *The Well-Pleaded Complaint Rule and Jurisdiction over Patent Law Counterclaims: An Empirical Assessment of Holmes Group and Proposals for Improvement*, Northwestern Journal of Technology and Intellectual Property, Volume.8, No.1, Northwestern University School of Law, Fall 2009, pp.94-115.

²⁰ 28 U.S.C. § 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit: “(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction: (1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except a case involving a claim arising under any Act of Congress

United States Patent and Trademark Office (USPTO) at the same time. In the *Ethicon Inc. v. Quigg* case, the U.S. Federal Circuit Court expressed that the court and the Patent and Trademark Office hold different standards of proof, and the judgment of the Patent and Trademark Office is not binding on the courts. On the contrary, the court's judgment of patent litigation has absolute validity; the legal effects are not only binding to the parties, but also binding to the others.²¹ Clearly, the U.S. adopts the single litigation system consisting of public and private law, and the exclusive jurisdiction of the court; therefore, no different judgments will be made by the exclusively ruling courts.

B. European Union (EU) and its member countries

As mentioned above, the inconsistent judgments in patent disputes between the Intellectual Property Office (administration) and the Intellectual Property Court (judiciary) usually arise within the scope of national law. However, contrasts and contradictions may occur not only in the national law, but also in the transnational law. For example, according to section 138 (1) of Convention on the Granting of European Patents (EPC) in 1973, with regard to the judgment of patent disputes related to patent invalid reasons, the court jurisdiction and litigation process depend on substantive law and procedural law relevant to regulations in each EU country. In view of the points mentioned above, the European Patent Convention (EPC) now has more than 38 members countries; therefore if patent conflicts occur, there may be more than 30 kinds of different legal proceedings of application. Without doubt, different member countries in accordance with the relevant provisions of their national substantive law and procedural law may produce several different trial results. As a result, the contradictions between transnational law and national law are bound to lead the applicable law to uncertain results.

After discussions for more than three decades, the European Parliament finally passed a unified patent system bill on December 11, 2012, which was expected to be implemented in 2014; it includes Unitary European Patent (UEP) and Unified Patent Court (UPC). Under the Unified patent system bill, each EU member country can write in English, German or French to propose the single application form, and the 25 EU member countries will then automatically provide patent protection (except for

relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338 (a) shall be governed by sections 1291, 1292, and 1294 of this title;..." See James F. Holderman & Halley Guren (2007), *The Patent Litigation Predicament in the U.S.*, University of Illinois Journal of Law, Technology & Policy, 2007, pp.1–20.

²¹ *Ethicon Inc. v. Quigg* 849 F.2d 1422-1428 (1988). See Jonathan Statman (2015), *Gaming the System: Invalidating Patents in Reexamination after Final Judgments in Litigation*, UCLA Journal of Law & Technology, Volume.19, Issue.1, 2015, pp.1-36.

Italy and Spain with objections), and the patentee does not need to re-apply.²² The Unified Patent Court is composed of the Court of First Instance and Court of Appeals, for processing the judgment of patent dispute related to patent invalidity and patent infringement.²³ In addition, the Court of First Instance includes the central division, local division and regional division.²⁴ According to the plan, the central division is to be located in Paris, the branches in London and Munich, and the appeals court in Luxembourg.²⁵ Nonetheless, it is a shame that the unified patent court system cannot help to mend the legal uncertainty; the main reasons are as follows:

1. Spain did not yet ratify the agreement of the unified patent court, so that it will not help to mend the legal uncertainty.
2. Germany adopts the dual litigation system of public law and private law; the resolution of patent dispute related to patent infringement and patent invalidity can thus be divided into two systems, creating a parallel track between patent court and civil court in the same case. As a result, the judgments of different courts will cause inconsistency, such as the local division in Munich. On the contrary, the UK adopts the single litigation system consisting of public and private law, and the exclusive jurisdiction of the court; therefore, patent infringement and patent invalidity are in the same litigation system. As a result, in the local division in London, there will be no different judgments between the exclusively ruling courts.
3. In theory, the Unified Patent Court (UPC) set up three levels of courts: the court of first instance, local division and appeals court. If the judgment standards of patent grant or patent infringement among them differ, different judgments will possibly arise in the same case.

The Netherlands

The Netherlands is an EU member. The Hague District Court has exclusive jurisdiction at first instance with respect to patents²⁶, mainly dealing with the dispute

²² Implementing enhanced cooperation in the area of the creation of unitary patent protection. (REGULATION (EU) No 1257/2012) of The European Parliament and of The Council of the 17th of December 2012, Official Journal of the European Union. *Data available at:* <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32012R1257> (Visit Date: 2018. 05.03). Implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (COUNCIL REGULATION (EU) No 1260/2012) of the 17th of December 2012, Official Journal of the European Union. *Data available at:* <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32012R1260> (Visit Date: 2018. 05.30)

²³ Article 6 (1), Agreement on a Unified Patent Court and Statute (document 16351/12, of 11.01.2013)

²⁴ Article 7 (1), Agreement on a Unified Patent Court and Statute (document 16351/12, of 11.01.2013)

²⁵ Article 7 (2), Agreement on a Unified Patent Court and Statute (document 16351/12, of 11.01.2013)

²⁶ Article 80 (1), Patent Act 1995 (Netherlands): The District Court of The Hague shall have exclusive jurisdiction in the first instance. <http://www.ivir.nl/legislation/nl/patentact1995.html>.

of patent application, patent scope, patent infringement and patent licensing,²⁷ with the first instance court dealing with patent dispute cases according to the patent regulations. As disputes of the patent administrative matters and civil matters in the first instance court and the appellate court level are specific to The Hague District Court,²⁸ the court decision is unlikely to be inconsistent.

The Federal Republic of Germany

As mentioned above, Germany adopts the dual litigation system with public law and private law. Therefore, the resolution of patent dispute relating to patent infringement and patent invalidity can be divided into two systems; becoming a dual and parallel track between the patent court²⁹ and the civil court.³⁰ However, the patent court is composed of both legal and technical judges, whereas the ordinary civil court is only composed of legal judges, who lack the professional and technical abilities to judge. As a result, it leads to inconsistent judgments between the patent court and the ordinary civil court.

C. The People's Republic of China (PRC)

On March 12, 1984 China promulgated its first patent law. The Chinese court accepted five cases involving patent disputes of intellectual property law: 1. Administrative Patent. 2. Patent infringement. 3. Patent rights disputes. 4. Patent agreement disputes. 5. Other patent disputes. Patent dispute cases include administrative patent cases that should not be patentable for an invention, the invention patent which is declared invalid or maintained for patent invention disputes, or implementation of compulsory licensing disputes and other compulsory licensing disputes, with the Beijing First Intermediate People as the court of first instance court, and the Beijing Higher People's Court as the court of second instance.³¹ Besides the two cases mentioned above, the rest of the patent disputes cases shall be governed by each province, autonomous region, municipality, special economic zone, and their own people's intermediate court as the first instance court. In addition, the jurisdiction of patent litigation shall be

²⁷ Article 80 (1) (a) (b) & Article 80 (2) (a) (b), Patent Act 1995 (Netherlands): The District Court of The Hague shall have exclusive jurisdiction in the first instance. *Data available at:* <https://www.ivir.nl/syscontent/pdfs/163.pdf> (Visit Date: 2018.05.30).

²⁸ See Willem Hoorneman (2013), Patent Litigation in Netherlands-International Patent Litigation Guide, May 2013, pp.61. *Data available at:* <https://cms.law/en/NLD/Publication/International-Patent-Litigation-Guide> (Visit Date: 2018.05.30).

²⁹ Section 65 (1), Germany Patent Act (as amended by the Act on Improvement of Enforcement of Intellectual Property Rights of the 31st of July 2009)

³⁰ Section 143, Germany Patent Act (as amended by the Act on Improvement of Enforcement of Intellectual Property Rights of the 31st of July 2009).

³¹ Supreme People's Court issued Regulations Governing Allocation of Administrative Cases Involving Intellectual Property Rights with Respect to Licensing and Affirmation of Patent and Trademark Rights: According to the Regulations, the first and second instances of the following cases shall be adjudicated by the Intermediate and High Court of Beijing Municipality, and the intellectual property tribunals of the Supreme People's Court.

governed by each province, autonomous region, municipalities, special economic zone, and their own Higher People's Court as the court of second instance.³² Obviously, the jurisdiction of patent litigation separately belongs to different courts, such as the administrative court and judiciary court, so the courts' judgments will possibly be inconsistent with each other.

D. Taiwan

As mentioned above, there are two types of patent law: public law and private law. Either the pre-stage relationship (the public law relationship) or the later stage relationship (the private law relationship) relies on technical experts to participate in the patent proceedings to achieve correct judgment. In theory, according to article 17 of Taiwan (ROC) Intellectual Property Case Adjudication, the intellectual property courts have the legal right to require the intellectual property office to participate in the patent proceedings and to express their own opinions.³³ Thus, the different judgments of patent dispute related to the patent scope, patent validity and patent infringement will maintain consistency between each other. However, due to Taiwan's litigation system's dual and parallel track, including common litigation (criminal and civil) and administrative litigation, the parties present the validity of the patent as a defense, according to article 182 of the Civil Procedure Law³⁴ and article 90 of Patent Law.³⁵ In that case the ordinary civil courts in patent infringement litigation have to stop the trial proceedings, and wait for the verdicts of the administrative court. As a result, it not only violates the principle of economic litigation but also leads to justice delay, even if any party wins the final lawsuit in patent litigation. In order to avoid any delay in the judicial proceedings, in pursuit of economic efficiency for one-off dispute resolution, paragraph 1 of article 16 of Intellectual Property Case Adjudication Act states that: "when a party claims or

³² Rule 86 (1), Implementing Regulations for the Patent Law of the People's Republic of China: "Any party concerned in a dispute over the ownership of the right to apply for a patent or the patent right, which is being mediated by the administrative authority for patent affairs, or is sued to the people's court, may request the Patent Administration Department under the State Council to suspend the relevant procedures." See Implementing Regulations of the Patent Law of the People's Republic of China (2010), China Patents & Trademarks, Statutes & Rules, No.2, 2010, pp.77-98. *Data available at:* <http://www.cpahkld.com/UploadFiles/20100412141415703.Pdf> (Visit Date: 2018.05.30).

³³ Article 17 (1) of Taiwan (ROC) Intellectual Property Case Adjudication Act: "To rule on the claims or defense raised by a party pursuant to the first paragraph of the preceding article, the court may, whenever necessary, order the competent intellectual property authority to intervene in the action."

³⁴ Article 182 (1) of Taiwan (ROC) Civil Procedure Code: When the decision on an action, in whole or in part, is premised upon the existence or non-existence of certain legal relations to be determined in another action, the court may by a ruling stay the proceeding until that action is concluded. Article 182 (2) of Taiwan (ROC) Civil Procedure Code: "Except as otherwise provided, the provision of the preceding paragraph shall apply mutatis mutandis to cases where the existence or non-existence of a legal relation is to be determined by an administrative proceeding."

³⁵ Article 90 (1) of Taiwan (ROC) Patent Act: "For any civil proceedings pending in a court in connection with an invention patent, the court may suspend the trial process until a decision on the patent application, invalidation, or revocation action related thereto has become irrevocable." (2003.02.06 Amended, Noncurrent).

defends that an intellectual property right shall be cancelled or revoked, the court shall decide based on the merit of the case, and the Code of Civil Procedure, Code of Administrative Litigation Procedure, or other applicable laws concerning the stay of an action shall not apply.”³⁶ Nevertheless when dealing with the judgment of patent validity, the Intellectual Property Court (Court) cites the applicable laws without the “theory of issue preclusion” such as the Code of Civil Procedure; therefore, the Intellectual Property Court (Court) decides the verdict of the individual case for relative efficacy, and without the universal case for absolute efficacy, according to paragraph 2 of article 16 of the Intellectual Property Case Adjudication Act.³⁶ Consequently, the verdict of the Intellectual Property Court (Court) in the judgment of the Intellectual Property Office (Administration) does not have any binding force; the parties may put a claim again to the Intellectual Property Office (Administration) for the same case in spite of the fact that the evidence and reason remain the same: therefore the possibility of inconsistency may finally arise between the Intellectual Property Court (Court) and the Intellectual Property Office (Administration).

E. Concluding Remarks

The legal justice comprises procedural and substantive justice. The maintenance of “procedure justice,” must go through a number of processes at various levels of trial courts. In fact, patent dispute cases often involve professional technology, but the rule of law and litigation emphasize the protection of procedural justice, which may be time-consuming and often leads to late justice. Even if each party wins the case, the victory may come too late for the viability of the product or procedure that has been fought for. After all, during the whole time spent fighting in court, the parties are losing business opportunities due to the shortness of product shelf life; even if the parties eventually win the case, the only prize may be a debt certificate with an apology for “delayed justice.” According to the article 16 (2) of the ROC (Taiwan) Intellectual Property Case Adjudication Act it allows the patent judgment of the intellectual property court to only have relative effects case by case, and not absolute effects in most cases. Obviously, this can block situations such as that in which the party pursuant deliberately files tiresome proceedings on the civil and administrative sides simultaneously simply to hamper and wear down the opponent, waste their time, and keep them and their product out of the market. Especially when the evidence and reasons are slightly different, the judgment on patent right effects may be inconsistent, leading to a tangled and complex legal predicament that could become even more difficult and time consuming to resolve. Therefore, in this way the parties concerned might not be able to settle the two disputes at the same time.

³⁶ Article 16 (2) of Taiwan (ROC) Intellectual Property Case Adjudication Act: “Under the circumstances in the preceding paragraph, the holder of the intellectual property right shall not claim any rights during the civil action against the opposing party where the court has recognized the grounds for cancellation or revocation of the intellectual property right.”

With regard to the patent dispute resolution in Taiwan, the legal system of patent litigation inherited the dual parallel track of civil law, which includes common litigation and administrative litigation. There is a great possibility that the judgments among different courts and the IP Office will be inconsistent with each other. In the case of Royal Dutch Philips Electronics Ltd. v. Princo Corporation of Taiwan, Philips not only filed a civil petition to Taiwan Hsinchu District Court, but also appealed to the Intellectual Property Court and the Supreme Court. Besides, they reported to the Fair Trade Commission through administrative procedure and filed an administrative lawsuit with the Taipei Supreme Administrative Court and the Supreme Court, respectively. In the patent litigation, the two parties of this case pleaded based on civil and administrative procedure; in the same case the legal understanding of the civil court and administrative court differed, which caused inconsistent judgments. In view of the shortcomings mentioned above, either the Intellectual Property Case Adjudication Act or the Intellectual Property Court Organization Act shall put the provisions of exclusive jurisdiction in writing so as to put an end to the disputes stemming from the chosen court and the judgment differences.

In most legal systems, such as USA federal law, the EU Unified patent system bill, and the patent legislation of Netherland civil law, the IP court puts on trial disputes of patent litigation under the principle of exclusive jurisdiction, in order to effectively solve the situation of inconsistent verdicts and delayed verdicts, as well as to save the litigant cost of the parties.³⁷ On the contrary, Taiwan's and China's legal systems are based on German civil law, which is different from English common law; thus, in regard to whether the IP cases belong to administrative case, civil case or criminal case in the first instance court, if the parties are unwilling to accept the judgment of first-instance court, the parties of IP cases may appeal to the civil court or criminal court as the second instance court due to the lack of exclusive jurisdiction. Consequently, the great possibility of inconsistent judgments may arise among IP Court, civil court, and criminal court; thus, it would be better if either the Intellectual Property Case Adjudication Act or the Intellectual Property Court Organization Act would put the provisions of exclusive jurisdiction down in writing, to put an end to the deficiencies of different judgments.³⁸

³⁷ 28 USC § 1338 (a) of the Federal Rules of Civil Procedure: "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights. For purposes of this subsection, the term "State" includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands." See Jiwen Chen (2009), *supra* note 19, at 94- 115.

³⁸ See Chung-Hsin Chang (2007), *The Progress Toward the Establishment and Operation of Taiwan Intellectual Property Court*, Taiwan Bar Journal, Volume.11 (4), Taipei: Taiwan Bar Association, pp.61-76. (in Mandarin).

As mentioned above, the inconsistency of the judgments at different levels of trial courts is obviously disadvantageous to the parties in patent litigation, based on the opinions of judicial economy. In addition, the inconsistency of the judgments will result in the parties' distrust and doubts regarding patent litigation, and difficulty in solving patent disputes. In brief, in order for the legal judgment to obtain the trust of both parties, and under consideration of judicial economy, Taiwan's IP legislation or revision may refer to the experience from USA federal law, the EU's Unified patent system bill, and the patent legislation of Netherland's civil law. Especially, the provisions of exclusive jurisdiction should be put down in writing in order to eliminate the deficiency of different judgments. It's worth mentioning here, according to the EU's Unified patent system bill, that the EU's IP court puts on trial disputes of patent litigation under the principle of exclusive jurisdiction, in order to solve inconsistent or delayed verdicts. Although Germany is an EU member country, it adopts the dual litigation system, with a dual and parallel track between the patent court and the civil court. Unfortunately, it leads to inconsistent judgments between the patent court and civil. In view of this, determining how to balance this difference between the EU and Germany is an interesting issue deserving more attention in the future.

IV. The comparative analysis of the recognition of equitable arbitration

As mentioned above, in terms of the equitable arbitration system, if the arbitrator can engage in judge-made law of case law, then the arbitral awards of the arbitrator will be more flexible in the arbitration court hearing.³⁹ In addition, the disputes between the parties shall be entitled to fair treatment with goodwill, and thus with more ability to deal with the current diversified types of international business transactions. In general, international patent disputes have the trait of the cross-border and timely process of commercial products. As mentioned earlier, when the arbitration courts apply for equitable arbitration, it can acquire the parties' trust by expert judgments to avoid the disputes of judicial sovereignty. In addition, it can save more time and costs, as well as facilitate the calculation of huge damages.⁴⁰ However, it is still doubtful whether the arbitral awards of the arbitrator are used in most countries. In general, the common law countries mostly recognize the equitable arbitration of foreign arbitral award unless the equitable arbitration does not comply with international public order or *ultra vires* judgment, so that the relative party can make a defense.⁴¹ Nevertheless, since the equitable arbitration of foreign arbitral award is involved in national judicial sovereignty, the legislation of each country for the equitable arbitration of foreign arbitral award has different requirements.

³⁹ See Wei Ming Liao (2001), *Amiable Composition on International Business Arbitration*, Arbitration, The Arbitration Quarterly Volume. 61, Taipei: The Chinese Arbitration Association, pp.69-91. (in Mandarin).

⁴⁰ See Jiun Yi Lin (2000), *A Legal Study on Amiable Composition*, Unpublished Doctoral Dissertation, College of Law, National Cheng Chi University, Taipei, Taiwan R.O.C, pp.98-108. (in Mandarin).

⁴¹ See Jack Graves (2011), *Arbitration as Contract: The Need for a Fully Developed and Comprehensive Set of Statutory Default Legal Rules*, William & Mary Business Law Review, Volume 2, Nov. 24, 2011, pp.225-287. See ARBITRATION the international journal of arbitration, mediation and dispute

A. The United States

America is one of the common law countries; the arbitrators in arbitration court can make the arbitral award based on their own sense of justice and equity for the arbitration decision for the cases of domestic or international arbitration. In other words, it is unnecessary for the arbitral award of the arbitrator to comply with the binding laws⁴²; they can make the arbitral award according to their own sense of justice and equity. Actually, the provision of American Arbitration Act is very similar to the "amiable composition" of continental law.⁴³ In the practice of arbitration, in order to avoid the dispute of arbitral award between each party, the majority of the arbitrators considered it best if the arbitral award cites the applicable law. Therefore, the majority of the arbitrators are in the habit of seeking the guiding principles of law.⁴⁴

B. European Union (EU) and its member countries

1. The European Convention on International Commercial Arbitration 1961

Article 7 (I), European Convention on international arbitration provisions of Commerce in 1961 states that: The parties shall be free to determine, by agreement, the law to be applied by the arbitrator to the substance of the dispute. Failing any indication by the parties as to the applicable law, the arbitrators shall apply the proper law under the rule of conflict that the arbitrator deems applicable. In both cases the arbitrator shall take account of the terms of the contract and trade usages. Besides, article 7 (II), European Convention on international arbitration provisions of Commerce in 1961 states that: The arbitrators shall act as amiable compositors if the parties so decide and if they may do so under the law applicable to the arbitration. As a result, according to the regulations mentioned above, under the express authorization of both parties and the governing law of arbitration expresses applying equitable arbitration⁴⁵, the arbitrator can make the arbitral award based on principles of equity.⁴⁶

management, Volume.74, No. 4, Sweet & Maxwell, November 2008, pp.347-478.

⁴² See Howard M. Holtzmann & Donald Francis Donovan (1999), Reports on United State, International Handbook commercial Arbitration Supplement 28, pp.44.

⁴³ See Jiun-Yi Lin (2000), *supra* note 40, at 235. Howard M. Holtzmann & Donald Francis Donovan (1999), *supra* note 42, at 44.

⁴⁴ See Howard M. Holtzmann & Donald Francis Donovan (1999), *supra* note 42, at 45.

⁴⁵ See Dominique T. Hascher (2011), *European Convention on International Commercial Arbitration of 1961*, Yearbook Comm. ARB'N XXXVI, 2011. Data available at: http://www.arbitration-icca.org/media/4/49305067580462/media113534204360520hascher_commentary_on_the_euro_pean_convention_1961.pdf (Visit Date: 2018.05.30).

⁴⁶ See Dominique T. Hascher (1990), *Commentary: European Convention on International Commercial Arbitration 1961*, in Yearbook Commercial Arbitration, Volume.15, pp.648.

2. The European Convention Providing a Uniform Law Arbitration 1966

According to article 21, European Conventions Providing Uniform Law Arbitration 1966 states that: Except where otherwise stipulated, arbitrators shall make their awards in accordance with the rules of law. In addition, according to Annex II, European Convention Providing Uniform Law Arbitration 1966 states that: Any Contracting Party may declare that it reserves the right to provide that it is only after a dispute has arisen that the parties may, in pursuance of article 21 of the uniform law, exempt the arbitrators from deciding in accordance with the rules of law. In view of the above considerations, the principle of arbitrators' decision is mainly based on legal arbitration and views the equitable arbitration as the exception.

The Netherlands

In the Netherlands, the arbitral award is stipulated under the first and second parts of the Civil Procedure Law, and includes Arbitration in the Netherlands and Arbitration outside the Netherlands. In addition, paragraph 1, article 1954, Civil Procedure Act states that: "The arbitral tribunal shall make its award in accordance with the rules of law", which is legal arbitration. Moreover, paragraph 3, article 1954, the Civil Procedure states that: "The arbitral tribunal shall decide as amiable compositor if the parties by agreement have authorized it to do so", which is the equitable arbitration. Thus in principle, the arbitrator must make an arbitral award in accordance with the rules of law; in exceptional circumstances when it is authorized by the arbitrator, people can make equity arbitration (amiable compositor).

However, in regard to the scrutiny standard of arbitration award, whether or not it should apply to the legal arbitration or equitable arbitration, the Netherlands in the field of domestic and international arbitrations has different paradoxical rules. The principle of domestic arbitration is mainly based on equitable arbitration, with legal arbitration as an exception according to paragraph 1, article 45, Arbitration Law. On the contrary, the principle of international arbitration is mainly based on legal arbitration and equitable arbitration as an exception in accordance with paragraph 2, article 45, Arbitration Law.⁴⁷

The Federal Republic of Germany

In Germany, the arbitral award is stipulated under section 1051 - Rules applicable to substance of dispute.⁴⁸

⁴⁷ See Pieter Sanders (1981), *National Report on The Netherlands*, in Yearbook Commercial Arbitration, Volume.VI, pp.60. International Handbook on Commercial Arbitration Supplement 7, Apr 1987, Annex1.

⁴⁸ Section 1051 - Rules applicable to substance of dispute, The New German Arbitration Law (English).

1. The arbitral tribunal shall decide the dispute in accordance with such rules of law as are chosen by the parties as applicable to the substance of the dispute. Any designation of the law or legal system of a given State shall be construed, unless otherwise expressed, as directly referring to the substantive law of that State and not to its conflict of laws rules.
2. Failing any designation by the parties, the arbitral tribunal shall apply the law of the State with which the subject-matter of the proceedings is most closely connected.
3. The arbitral tribunal shall decide *ex aequo et bono* or as amiable compositor only if the parties have expressly authorized it to do so. The parties may so authorize the arbitral tribunal up to the time of its decision.
4. In all cases, the arbitral tribunal shall decide in accordance with the terms of the contract and shall take into account the usages of the trade applicable to the transaction.
5. Thus informed, Germany views legal arbitration as the basic principle, unless the concerned parties clearly state that arbitrators can make the arbitral award based on the concerned regulations.

C. The People's Republic of China (PRC)

In China, the arbitral award was stipulated under Rule 47 of China International Economic and Trade Arbitration Commission provisions in 2012; the main provisions are as follows:

1. The arbitral court shall make the arbitral award based on facts and the contract, in accordance with the law, with reference to international practices, fair and reasonable judgment independently and impartially
2. The parties to the case have agreed on the use of physical things stated. If the parties have not agreed or agreed with the mandatory provisions of national law, the arbitral court shall decide the case by a legal entity to apply.

As mentioned above, according to Rule 47 of China International Economic and Trade Arbitration Commission in 2012 which emphasizes the principle of legal arbitration, equity arbitration is being dealt with. Since there are no clear and specific regulations related to it, it may be divided into positive and negative theories.

1. The positive theory

According to Rule 47 of China International Economic and Trade Arbitration Commission in 2012, the reference to international conventions and the principle of fair and reasonable made it clear that the arbitrator may give an arbitral award pursuant to equity arbitration.⁴⁹

⁴⁹ See Zhi-Shi Chen (1998), *International Commercial Arbitration Law*, Beijing: Law Press China, pp.14. (in Mandarin).

2. Negative theory

For the non-judgment of the parties to determine the rights and the obligations, responsibility range, number property must have a uniform standard; the arbitrator cannot ignore the law and arbitrate by his own will.⁵⁰

D. Taiwan

Whether the cases of patent dispute are suitable for equitable arbitration, article 31 Arbitration Act of ROC (Taiwan) provisions states that "If expressly authorized by the parties, the arbitral tribunal may apply the rules of equity to determine", which results in the fact that whether arbitrators can judge regardless of the law still diverges into different opinions. Generally, based on the opinions of the parties concerned, as long as it conforms to the due procedures of law, the moral order of society, and stays within the empowerment range, arbitrators can make judgments.⁵¹

E. Concluding Remarks

In practices of patent dispute resolution, the business managers base their decisions on economic rationality and legal rationality; in considering the substantive justice and procedure justice, they may consent to apply arbitration to solve patent disputes. This business strategy obviously may control the time, budget, and transaction cost efficiently, to avoid time consuming proceedings and delayed justice. In theories of patent dispute resolution, arbitration is made by experts, in contrast to the judgment made by a general judge; as they are more objective on judgment, and they are trusted by the both parties. Moreover, arbitration is not a public action so the business secrets will not be revealed. Besides, arbitration is a matter of mutual agreement aiming to maintain a harmonious and trust relationship, and form industrial self-regulation inside the industry as business ethics. As the international business trading contract has something to do with national sovereignty, choosing arbitration may avoid unnecessary political interference; therefore, arbitration judgment, rather than court judgment, is more substantive and certain.⁵²

In the cases of patent dispute resolution, the arbitrator may adopt equitable arbitration if it is based on the agreement of the both parties and complies with the principle of the autonomy of will, or the principle of contract of freedom. Compared with legal arbitration, equitable arbitration remains to be challenged, although based on the agreement of both parties, and complying with the principle of autonomy of will, or the freedom of contract. However, besides its advantages, equitable arbitration still has

⁵⁰ See Han-sheng Lee, Hao Yuan, Chao-Yang Liou, Ching-Hua Chang, Chin Hsu (1995), *Judicial Interpretation of Arbitration Law*, Beijing: Law Press China, pp.26. (in Mandarin).

⁵¹ See Jiun Yi Lin (2000), *supra* note 40, at 378-400.

its own disadvantages, such as lack of stability or predictability; it doesn't comply with the rule of law, and the arbitral awards of arbitrators are arbitrary decisions. Especially, the equitable arbitration of foreign arbitral awards is involved in national judicial sovereignty; this is the major reason why equitable arbitration remains to be challenged.

Even so, the development of equitable arbitration is still dynamic in international society. Currently, both common law and civil law countries have already recognized equitable arbitration, such as the U.S.A, Canada, the UK, Germany, and the EU. Besides, many international arbitration organizations have recognized equitable arbitration, such as UNCITRAL Arbitration, UNCITRASL Model Law on International Commercial Arbitration, and the World Intellectual property rights organization (WIPO). Obviously, equitable arbitration is more capable of currently dealing with the diversified types of international business transactions. In view of this, Taiwan may take this experience from the U.S.A, Canada, the UK, Germany, and the EU, to revise article 31 of the Arbitration Act, and it shall expressly apply equitable arbitration, in order to avoid disputes between both parties.

V. A comparative analysis on the judge-made law

For the establishment of legal order, in the course of the development of jurisprudence, there are two main theories: natural law school and legal positivism school. The natural law school mainly explores the moral, political, religious and other provisions of law beyond legal positivism; therefore, it refuses to recognize the legal validity if the provision of law violates the natural law and justice (i.e. evil law is not viewed as law). On the contrary, the legal positivism school mainly emphasizes the empirical aspect of laws, excluding the moral, political, religious and other provisions of law, so it has to be complied with, even if it lacks the legitimacy of the law (i.e. even evil has rights).

While the core ideas of natural law and legal positivism differ, they have similar beliefs regarding the principle of equity law. The scholars of natural law think that in order to avoid the strict trait of the explanations of law-related language, which may lead to unfair results, the court has to make several additions to the interpretations of the law to realize justice. In addition, the scholars of legal positivism think that laws established by the legislative authorities represent the orders of the power holders; therefore, while making judgments, the judgment of courts must comply with the law. But sometimes the legal wording of provisions may seem ambiguous, and the courts have to make additional explanations in accordance with the principles of law or the purpose of public policy.⁵³ So, whether it is natural law that advocates recognition

⁵² See Chin-Lung Lin (2012), *The Equilibrium Strategies of High -Tech Industrial System: An Empirical Research of Taiwan's Patent Disputes Solutions*, Unpublished PhD Dissertation, National Central University, Taiwan, pp.63.

⁵³ See T. Ian, McLeod (2010), *Legal Theory*, 5th Edition, Basingstoke: Palgrave Macmillan Limited, pp.78-80.

of the legal status within and outside the law, or legal positivism, which limits the recognition of the legal provisions, both agree that the court can try to fill the gap; however, the legal loophole arising under the principle of judge-made law, under the general principle of the law and public policy, was due to the vague definition of the law.

In the current era of globalization, the social environment and mainstream values are changing as well; therefore, how judges will be able to cite the applicable law to fill the legal loophole has become an important issue to explore. The traditional civil law system emphasizes the principle of the separation of powers. That is to say, the judges cannot establish law on their own; otherwise, it would violate the principle of separation of powers. In addition, whenever doubts related to the legal provisions arise, the judge can only explain it by legal syllogism and the meanings of the law in theoretical ways to ensure the stability and predictability of the law. However, due to the rigid legislative process, the legal norms often cannot contain all of the aspects related to social life. Consequently, the law may not be able to follow the rapid changes of the social environment. In contrast, in order to avoid the rigorous interpretation of legal provisions, the legal system of common law emphasizes the principle of judge-made law. In general, the judge in a court hearing can use precedents to fill in loopholes, giving novel interpretations of the law. In addition, the judge in a court hearing can derive a series of sub-principles from equity law. On the other hand, the legal system of civil law emphasizes that the "legislators make laws." Due to these two different legal systems, there are different requirements for the legislation of each country, as listed below:

A. The United State of America

The contemporary U.S. legal system is composed of case law and substantial law, and they are complementary. That is to say, the mechanism of judge-made law is still the foundation of the U.S. legal system. Richard Allen Posner, a judge on the U.S. Court of Appeals, in regard to *The Problems of Jurisprudence*, believes that case law is judge-made law, and that the judge is also a legislator.⁵⁴ In addition, in Posner's book, *How Judges Think*, he claims that judges are not a vending machine, in spite of the majority of judicial decisions being driven by legalism, indicating that judges just mechanically apply the existing rules or legal reasoning mode in accordance with the established law of doctrine.⁵⁵

In view of the uniqueness of high-tech industries and the rapid change of professional techniques, the existing law can never be able to meet people's needs; consequently, the law now can never keep up with the times. Therefore, for patent disputes, the U.S. federal court often takes equity law as a standard, and the judge of

⁵⁴ See Richard Allen Posner (1990), *The Problems of Jurisprudence*, Cambridge, Mass: Harvard University Press.

⁵⁵ See Richard Allen Posner (2008), *How Judges Think*, Cambridge and London: Harvard University

a court hearing can derive a series of sub-principles from the judge-made law, such as patent validity, patent infringement, etc. By so doing, equity law will be able to connect with the modern high-tech industries, and thus enrich the judicial culture of intellectual property.

Currently, in the practice of patent dispute cases, the U.S. Federal Circuit Court and the Federal Supreme Court usually cite equity law as the superordinate concept in response to the rapid changes of the socioeconomic environment. Accordingly, the judge of a court hearing can derive a series of sub-principles from the patent equity to fill the legal loopholes, such as the doctrine of equivalents, estoppel doctrine, exhaustion doctrine and patent misuse, to integrate successfully with contemporary social justice.

B. European Union (EU) and its member countries

Italy failed to implement article 215 of the EC Treaty regarding State liability, but the European Community (EC) Treaty does not clearly state the specific consequences of member states regarding the violation of EU Community law. Therefore, in order to fill the legal loopholes on the relief rights of EU law, the judgment of the *Francovich v. Italy* case (C-6/90) on November 19, 1991, the European Court of Justice established a principle of state liability in EU law according to judge-made law.⁵⁶ Thereafter, the principle of state liability was further developed in the case of *Brasserie du Pêcheur and Factortame* (Cases C-46/93 and C-48/93, 1996). The Judgment of the European Court of Justice held that: “Since the Treaty contains no provision expressly and specifically governing the consequences of breaches of Community law by Member States, it is for the Court, in pursuance of the task conferred on it by article 164 of the Treaty to ensure that in the interpretation and application of the Treaty, the law is observed, to rule on such a question in accordance with generally accepted methods of interpretation, in particular by reference to the fundamental principles of the Community legal system and, where necessary, general principles common to the legal systems of the Member States.”⁵⁷

In view of the fundamental principles of the EU community legal system mentioned above, including the case of *Erich Stauder v. City of Ulm* in 1969⁵⁸, *Nold* in 1974⁵⁹, the *Wachauf* in 1989⁶⁰, *ERT* in 1991⁶¹ and the case of *Netherlands v.*

Press.

⁵⁶ EuGH, Slg. 1991, I-5357 = NJW 1992, S.165 ff.

⁵⁷ EuGH *Brasserie du Pêcheur und Factortame v.* 05.03.1996, verb. Rs. C-46/93 u. C-48/93, Slg. 1996, I-1029, EuZW 7/1996, 205 ff., Tz. 27.

⁵⁸ Case 29/69, [1969] ECR 419.

⁵⁹ Case 4/73, [1974] ECR 491.

⁶⁰ Case 5/88, [1989] ECR 2609.

⁶¹ Case C-260/89, [1991] ECR I-2925.

case in 1998⁶², the European Court of Justice has always put great emphasis on the protection of fundamental human rights, which every member state must comply with. For instance, from the standpoint of the EU member states (Germany is one of the EU member states), in the Kloppenburg case, the Federal Constitutional Court of Germany posits that the European Community (EC) has formed a legal tradition and legal culture; therefore, the European Court of Justice should not just interpret the law but also engage in judge-made law. Since judge-made law has developed over more than one hundred years⁶³, the European Court of Justice has the power to apply judge-made law. To sum up, according to article 220 of the EC Treaty and the cases mentioned above⁶⁴, the EU not only authorizes the European Court of Justice to engage in judge-made law, but also provides a legal basis for the legitimacy of judge-made law.⁶⁵

The Federal Republic of Germany

Germany applies the legal system of civil law, emphasizing “legislators make laws”, based on the principle of separation of powers. Thus, judges can only apply the interpretation of logic and semantics or the argumentation of jurisprudence. In other words, the judges cannot cite the precedents; otherwise it would breach the principles of separation of powers. A famous saying by German jurist Westermann goes: “Justice in terms of its very nature values the use of the law, rather than the independence of judges judged”. Even though, the legislators did not give an explicit provision for the application of the law to be used.⁶⁶ In practice, paragraph 1 of article 97 of the Basic Law of the Federal Republic of Germany states that “Judges shall be independent and subject only to the law”. So, it clearly reveals the fact that the judges must be free to make their own judgments on cases fairly and impartially, relying only on the facts of the specific case and the applicable law.

However, with the rapidly changing social environment, the legislation cannot keep up with the times, which often leads to loopholes in the legal provisions. Arthur Kaufmann, a German jurist and legal philosopher, posits that the provisions of law, in the people’s belief, have gotten rid of no legal loopholes, which gives the judges the creative responsibility to help fill legal loopholes, and judges shall not refuse judgment just because there are no relevant provisions of law.⁶⁷ In addition, Karl Larenz, a German jurist, further distinguishes judge-made law into judge-made law of extra and

⁶² Case C-377/98, Netherlands v. Parliament and Council, [2001] ECR I-7079, para. 70.

⁶³ BVerfGE 75, 223 (242 f), Kloppenburg - Richtlinien – Beschluß v. 8. 4. 1987; BVerfGE 89, 155 (209. f).

⁶⁴ Article 220, the Treaty on European Union: “The Court of Justice and the Court of First Instance, each within its jurisdiction, shall ensure that in the interpretation and application of this Treaty the law is observed.

⁶⁵ Thomas von Danwitz, *Verwaltungsrechtliches System und Europäische Integration*, 1996, S. 133 ff.

⁶⁶ See Harry Westermann (1955). *Wesen und Grenzen der richterlichen Streitentscheidung im Zivilrecht*. Muenster.

⁶⁷ See Arthur Kaufmann, *Rechtsphilosophie*, Munchen (1997), translated by Shing-I Liu (2004), Beijing:

judge-made law of intra import.⁶⁸

For the judicial practice in Germany, in the Soraya case (BVerfGE 34, 269), in order to effectively fill the loopholes in the legal system, the Federal Constitutional Court of Germany expressed their opinion and established the principle that the judges have the right to fill in the loopholes of legal provisions by using judge-made law.⁶⁹ In addition, some scholars believe that paragraph 3 of article 20 of the German Basic Law is: "*Die Gesetzgebung ist an die verfassungsmäßige Ordnung, die vollziehende Gewalt und die Rechtsprechung sind an Gesetz und Recht gebunden*". The German legal terms were written in: "*andere gesetzliche Regelungen*" instead of "*Recht*";⁷⁰ therefore, the applicable law for judges should include not only statutory law but also judge-made law. Of course, the judges in Germany today are still limited by the statutory laws, but their value can be further implied with the application of the judge-made law.⁷¹

C. The People's Republic of China (PRC)

The legal system of the PRC is inherited from civil law, and statutory law is the major source of their laws. Since the rapid change of the socioeconomics environment, the statutory laws cannot always respond to people's need in time. Therefore, in order to fill the legal loopholes of statutory laws, the courts can adopt legal precedent or judicial interpretation to engage in judge-made law. The judicial interpretation is a general norm applied to general cases before they happen, in order to provide several standards to future cases. On the contrary, the legal precedent is an independent judgment of a single case after it happened, so that future cases can consult it. Anyway, both judicial interpretation and legal precedent provide the basis of judgment for later cases.

With regard to the development of judicial interpretation, the Chinese judicial interpretation was established in accordance with the Standing Committee on article 2 of Provisions of the Supreme People's Court on the Judicial Interpretation Work of the National People's Congress in June 1981; it emphasizes the "one-level, dual system." The "one-level" means that only the Supreme People's Court and the Supreme People's Procuratorate have the right of judicial interpretations. The so-called "dual system" means that the right of judicial interpretation is shared by the Supreme People's Court and the Supreme People's Procuratorate. The Supreme People's Court has the judicial interpretation right on trial, while the Supreme People's Procuratorate has the judicial interpretation right of inspection.

Law Press China, 2004, pp.73.

⁶⁸ See Karl Larenz, *Methodenlehre der Rechtswissenschaft*, Berlin (1960), translated by Ai-Er Chen (2003), Taipei: Taiwan Commercial Press, 2003.

⁶⁹ See Jian-Hong Fan (2010), *On the space in the Application of Law and Judicial Independence: German Laws as an Example*, Academic Journal of one country Two Systems, No.1, pp.76-85. (in Mandarin).

⁷⁰ See Jian-Hong Fan (2010), *supra* note 69, at 76-85.

⁷¹ BGHZ11, 35h, BGHZ3, 315, BGHZ 4, 157, BGHZ 17, 275; BVerfGE 3, 242, BVerfGE 13, 164.

With regard to the development of legal precedent, the Chinese judicial interpretation was established following the gazette of the Supreme People's Court first launched in 1985, and it has turned over a new leaf in legal precedent. In general, the Supreme People's Court publishes the specific legal cases as a basis for the guidance of each level of the people's courts. Though the People's Court Cases Selection edited by the Supreme People's Court in 1992 has an important influence on legal precedent, it's not as influential as the gazette of the Supreme People's Court, but still has its own impact on legal precedent. Furthermore, article 13 of the Second Five-Year Reform Outlines for the People's Court, published by the Supreme People's Court in 2005, states that: "Constructing and perfecting the case guidance system. Focusing attention on the use of guiding cases to unify legal applicable standards, to guide the work of lower courts, to enrich and develop legal theory, and other uses. The SPC will issue regulations related to the case guidance system, to regulate the designation of standards and procedures for selecting guiding cases, methods for issuing them, and guidance rules". As mentioned above, the influence of legal precedent in the Chinese judicial system is ineffable.

The principle of judge-made law is judgments made by judges with personal characteristics, such as experience, wisdom and consideration during trials. With regard to judge-made law, in comparing China with Germany, although they belong to the same legal system of civil law, there are many differences. In China's legal system, the principles of judge-made law are limited to *intra jus*, which includes the judicial interpretation and legal precedent, while *extra jus* includes judicial review and judge-made law. To sum up, a lot of improvement still waits to be done in the legal system.

D. Taiwan

The Republic of China's (Taiwan) legal system has always been based on the legislation of German civil law, and differs from Anglo-American common law, Taiwan's legal system emphasizes "legislators make laws", while the responsibility and authority of judges is to judge only in a case-by-case approach with the spirit of statutory laws, and to use the logical and semantic interpretation as the basis of judgment in the cases. Undoubtedly, with regard to the "legal loopholes", the judges will be able to use the rationale argumentation as the basis of the judge-made law of *intra jus*; it includes analogy explanation, legal precedents and the council of grand justices. However, the judgment is based either on legal interpretation, which conforms to the spirit of the constitution, or on the limited interpretation, which conforms to the spirit of constitution. Both are involved in citing applicable law, and the "legal loopholes" are between beyond the statutory laws and within the overall law (*extra jus*). Briefly, the "legal loopholes" go beyond the duties of judges. Thus, controversy often arises as to whether judge-made law can go beyond or within the overall law (*extra jus*). In judicial practice, the 16th resolution of civil court of the Supreme Court ROC (Taiwan) explicitly recognized in 2003 that judges have the right to engage in judge-made law. In addition, in 2005 the No.

595 Council of Grand Justices ROC (Taiwan), Grand Justice Hsu, Tzong-Li and three other Grand Justices proposed the concurring opinion that either the legal interpretation, which conforms to the spirit of the constitution, or the limited interpretation, which conforms to the spirit of the constitution shall adopt the judge-made law as the basis of methodology.⁷² With regard to judge-made law, if Taiwan is compared to Germany, although they belong to the same legal system of civil law, there are many differences. As mentioned above, Taiwan's judicial system allows judges to be able to use *intra jus* and *extra jus*. But controversy often arises as to whether the judge of a court hearing can derive a series of sub-principles from equity law.

E. Concluding Remarks

In practice, with regard to the distinction of the cooperative and competitive relationship between patent misuse and anti-trust law, the judges of the US Common Law Court often cited the equity law of Anglo-American common law to form the judge-made law, and thus caused the sub-principle of the equity law to adapt to the mainstream value of the diversified society in the rapidly changing world. Under the current globalization, solving disputes regarding intellectual property patents not only involves high-tech industries, but also has profound impact on the fairness of the market trading order. The everlasting equity jurisprudence through judge-made law created the sub-principle of the equity jurisprudence to adapt to the rapidly changing society. The US Common Law court set the judgment standard between the Patent Misuse Principle and "Anti-trust law" based on judge-made law to come up with two judgment principles: Per Se Illegal and Rule of Reason.

With the trends of global development, the procedures of common law countries are always first based on case law and then connect with statutory law. On the contrary, the civil law countries are rooted in the statutory law, and these are then combined with case law. Although, the legal form of common law and civil law look different, they are the same thing in the end. In practice, the judges can use the judge-made law of case law to create the sub-principles of equitable law and to fill the legal loopholes. Since Taiwan's legal system is rooted in statutory civil law, and the judgment of the court is based on statutory law, Taiwan's legislature often fails to come up with new legal elements when dealing with issues concerning transnational law. As a result, legal loopholes may occur.

Most countries have recognized judge-made law, including the U.S.A, the U.K, Germany and other EU member states; therefore, judge-made law is a new development trend for solving issues related to transnational law. In view of the points mentioned above, judge-made law is able to fill in the legal loopholes, whether caused by legislator

⁷² See His-Ping Chen (2005), *The research of the Trial Error, dispute and conflict*, Unpublished LLM Dissertation, College of Law, National Cheng Chi University, Taipei, Taiwan R.O.C, pp.135. (in Mandarin).

negligence, laziness, silence, or the rapidly changing social environment. But, the method of judge-made law is not unlimited; otherwise, it could possibly violate the principle of rule of law. However, judge-made law shall comply with the principle of equitable law⁷³ and the fundamental human right of constitution.⁷⁴ In addition, judge-made law shall not violate civil law, public order and good morals.⁷⁵ Briefly, judge-made law is obviously a new development trend for solving issues related to transnational law, and the judges can use judge-made law to create the sub-principles of equitable law and to fill in the legal loopholes.

IV. Conclusion

With reference to the abovementioned cases and discussions, this paper presents the following viewpoints.

A. Expert judgments

The purpose of patent litigation in high-tech industry is the same as for general litigation: to pursue personal and public justice. High-tech industry has the particularity of high-tech expertise, and therefore the consideration factors of patent litigation differ significantly from those of general litigation. Hence, with regard to the patent litigation of high-tech industry, the patent rights also involve high-tech expertise. In order to acquire the trust of the parties in patent litigation, the judges or arbitrators shall be familiar with the high-tech knowledge in each technical domain, and thus be able to resolve disputes. As a result, with regard to the patent litigation of high-tech industry, the technological expertise of the judges or arbitrators is of high concern, as well as their professional legal ability.

⁷³ It was not until the end of the 15th century that England established the court of chancery in the common law system, and the court of chancery gradually developed a set of unique basic principles of equity law based on cases, such as: 1. Equity regards done what ought to be done. 2. Equity will not suffer a wrong to be without a remedy. 3. Equity delights in equality. 4. One who seeks equity must do equity. 5. Equity aids the vigilant, not those who slumber on their rights. 6. Equity imputes an intent to fulfill an obligation. 7. Equity acts in persona. 8. Equity abhors forfeiture. 9. Equity does not require an idle gesture. 10. One who comes into equity must come with clean hands. 11. Equity delights to do justice and not by halves. 12. Equity will take jurisdiction to avoid a multiplicity of suits. 13. Equity follows the law. 14. Equity will not aid a volunteer. 15. Where equities are equal, the law will prevail. 16. Between equal equities the first in order of time shall prevail. 17. Equity will not complete an imperfect gift. 18. Equity will not allow a statute to be used as a cloak for fraud. 19. Equity will not allow a trust to fail for want of a trustee. See Richard Edwards, Nigel Stockwell (2005). *Trusts and Equity*, 5th Edition, London: Pearson Education, pp.34-48. McGhee J (2005), *Snell's Equity*, 31st Edition, London: Sweet & Maxwell, pp.27. Hudson Alastair (2005), *Equity & Trusts*, 4th Edition, London: Cavendish Publishing Limited, pp.24. Gary Watt (2016), *Trusts and Equity*. Oxford University Press, 16th Edition, 2016, pp.529- 565.

⁷⁴ See Mao-Zong Huang (1987), *Legal Method and Modern Civil Law*, NTU Legal Science Collection, Taipei: National Taiwan University, pp.384. (in Mandarin).

⁷⁵ See Mao-Zong Huang (1987), *supra* note 74, at 385.

In the current patent dispute resolution of the high-tech industry in Taiwan's legal system, the key point of patent litigation or arbitration depends on many factors, such as the substantive law of patents, including the legal element of patent grants, identification of patent infringement, etc., in addition to the procedural law related to the judge appointment, evidence investigation, technical appraisal, etc. In other words, the provisions of patent technology related to patent law are a key point, and they influence substantive patent law and procedural patent law. Obviously, without the consideration of professional patent technology, the process of patent litigation or arbitration shall be more time-consuming, more delayed and incur more cost, so that the legal justice will be challenged by the parties.

In terms of proper legislation for each country, the U.S. federal court has no high-tech expert judges to attend the trials for patent dispute, but there is an expert jury to compensate for the lack of judges in specific technical areas. In the European Union (EU) and its member countries, the Unified Patent Court (UPC) puts judges with expertise background in the Central Division and Appeals Court. In the Netherlands, Hague court judges in patent litigation comprise both those with legal background and technical experts. In Germany, the Senates of the Federal Patent Court are composed of professional judges and technically qualified judges. In China, the first instance proceedings will be able to hire people with non-legal background or technical experts for the people's jury in the jury system. The profile of people on the jury of the People's Republic of China is divided into the "jury", or "assessor". But, the people's jury has the right to share the judgment of judges through the participation of assessors, such as case hearing, investigation, mediation, inquiry and file inspection. In addition, the people's jurors have the legal rights to find the facts, determine the applicable law, participate in council, express independent opinion with dissent, and participate in full trials.

In contrast, for the patent litigation in Taiwan's IP court, in the patent dispute hearing, the duty of the technical review officer is limited to posing some questions to the parties, witnesses and appraisers to express their viewpoint to the professional judge, and to assist the judge in assessing the evidence of the investigation. Briefly, the legal status of the technical review officer in the trial of patent litigation is only assistance.⁷⁶ However, the legal status of the technical review officer is neither that of witness nor appraiser in the trial of patent litigation; thus how the technical opinion can be conducted in cross-examination in court and debate remains unknown. In addition, if the opinion of the judge differs from the statement of the technical review officer and the judge still insists on his/her opinion on the judgment, inconsistency results. This is obviously against the goal of the establishment of an IP professional court (ROC, Taiwan).

⁷⁶ Article 4 of the Taiwan Intellectual Property Case Adjudication Act: The court may, whenever necessary, request a Technical Examination Officer to perform the following duties: 1. Ask or explain to the parties factual and legal questions based on the professional knowledge in order to

In my opinion, the design purpose of intellectual property laws is to pursue the truth to win people's trust, and the responsibility of the judges is to find the truth in the trial of patent litigation. Therefore, the best way for the Intellectual Property Case Adjudication Act of the ROC (Taiwan) to achieve this goal is to set judges with expertise background in the trial of patent litigation, like the Unified Patent Court (UPC) of the European Union, the Netherlands and Germany. Otherwise, there's a second choice: the Intellectual Property Case Adjudication Act of the ROC (Taiwan) can set up the expert jury to participate in council, to express independent opinions with dissent, and participate in full trials just like the U.S. federal court or the People's Republic of China. By so doing, I believe the parties of patent litigation will give their trust to the court's judgment for the objective technical data as legal evidence.

B. The patent litigation court and the ruling territory

With the ever-changing science techniques, besides technical innovation, the competitive niche of high-tech industries is based on the time to market of commercial products; this can definitely help in seeking to acquire an absolute competitive advantage. As a result, in the process of the time to market with commercial products, the product life cycles become shorter. The effective factors of product life cycles also involve many variables, such as R&D, product manufacturing and product price; among these variables, timing becomes the key point of market competition in the high-tech industry. In view of the importance of timing, the Own Brand Manufacture (OBM) always relies on its own strengths with a large amount of capital and patent technique to force disadvantaged competitors out of the market by patent litigation, in order to acquire an absolute competitive advantage. The OBM is suspected of engaging in patent misuse related to equity law so that its competitors cannot launch their products onto the market with great timing; this action violates the principles of legal justice. In view of this weakness, determining how to integrate legal justice into patent litigation has become an important issue.

As for patent dispute resolution in Taiwan, the legal system of patent litigation follows the dual parallel track of civil law, which includes common litigation (criminal case and civil case) and administrative litigation. So, the parties of patent litigation can propose their claims in common court, patent court, and IP Office for the same case at the same time. Obviously, there is a great possibility that the judgments among different courts and IP Office will be inconsistent; therefore, the legal relief of patent litigation parties requires traveling among different courts and the IP Office. Furthermore, with regard to the process of administrative remedies, first of all, the parties of a patent dispute must file an appeal to the Intellectual Property Office; the item of appeal includes application, invalidation, opposition and revocation. Subsequently, there are four steps

clarify the disputes in action; 2. ask questions directly to witnesses or verification experts; 3. state opinions on the case to the judge; and 4. assist in evidence-taking in the event of preservation of evidence.

for administrative litigation. First, the parties of the patent dispute can file judicial review proceedings at the Intellectual Property Court, and file a lawsuit against the decision of the Intellectual Property Office if a party on the patent dispute is unwilling to accept the decision of the Intellectual Property. Third, if the parties of a patent dispute are still unwilling to accept the judgment of the Intellectual Property Court, the parties can appeal their case to the Intellectual Property High Court.⁷⁷

As mentioned above, due to the rigidity of the judicial proceedings, they always fail to meet the timeliness of product commercialization. Consequently, the courts' final verdicts become the belated justice, and "justice delayed is justice denied." In order to solve the problem of inconsistent verdicts and to effectively cut expenses for both parties, according to article 2 of the Intellectual Property Court Organization Act of the ROC (Taiwan): "The Intellectual Property Court Act shall govern matters in relation to civil, criminal and administrative actions over intellectual property." As a result, the patent litigation relating to patent validity and patent infringement shall be changed from the dual system (the dual parallel track) to a single system. Under the patent legislation of Anglo-American common law, and the patent legislation of Netherlands civil law, the IP court puts on trial disputes of patent litigation under the principle of exclusive jurisdiction in order to effectively solve the situation of inconsistent verdicts, delayed verdicts, and to save the litigant costs of the parties. On the other hand, in Taiwan, both the provisions of the Intellectual Property Case Adjudication Act and Intellectual Property Court Organization Act do not entail exclusive jurisdiction. As a result, whether the IP cases belong to administrative cases, civil cases or criminal cases in the first instance court, if the parties are unwilling to accept the judgment of the first instance court, the parties of IP cases may appeal to civil court or criminal court as the second instance court due to the lack of exclusive jurisdiction. As a consequence, the great possibility of inconsistency may arise among the IP Court, civil court and criminal court. Thus, in my opinion, either the Intellectual Property Case Adjudication Act or the Intellectual Property Court Organization Act shall put down the provisions of exclusive jurisdiction in writing, in order to put an end to the problem of different judgments.⁷⁸

C. The admittance of equitable arbitration

With respect to the choices of patent dispute solutions, if compared with litigation, arbitration provides many advantages, such as flexibility, rapidity, economy, experts, confidentiality and industrial harmony. Of course, most managers in the IP dispute would like to accept arbitration rather than lawsuits. Compared with legal arbitration, the equitable arbitration has its own disadvantages: There is no stability or predictability,

⁷⁷ Article 32 of Taiwan (ROC) Intellectual Property Case Adjudication Act: Unless otherwise prescribed by law, an appeal may be filed with the final administrative court against a judgment of the Intellectual Property Court.

⁷⁸ See Chung-Hsin Chang (2007), *The Progress Toward the Establishment and Operation of Taiwan Intellectual Property Court*, Taiwan Bar Journal, Volume.11 (4), Taipei: Taiwan Bar Association, pp.61-76. (in Mandarin).

and it does not comply with the rule of law, and the arbitral awards of arbitrators are based on arbitrary decisions. However, in my viewpoint, the arbitrator may adopt equitable arbitration if the equitable arbitration is based on the opinions of the parties concerned and complies with the principle of the autonomy of will or the principle of contract freedom.

Many countries have already recognized equitable arbitration. For example, in the U.S.A., both the U.S. Federal Arbitration Act (FAA) and the Uniform Arbitration Act (UAA) have already adopted equitable arbitration. Furthermore, in 1986, the Federal Commercial Arbitration Act of Canada adopted equitable arbitration based on the United Nations Model Law on International Commercial Arbitration. In addition, paragraph 1(B) of article 46 of Arbitration Act 1996 of the UK adopted equitable arbitration. Section 1051 (10th amended) of the Civil Procedure Act 1997 of Germany included equitable arbitration and made it one of the civil remedies.

Besides the international organization in the world, paragraph 2 of article 7 of the European Convention on International Commercial Arbitration 1961 recognizes equitable arbitration. Subsequently, paragraph 2 of article 33 of the UNCITRAL Arbitration Rules 1976 provides equitable arbitration. Furthermore, paragraph 3 of article 28 of the UNCITRAL Model Law on International Commercial Arbitration 1985 recognizes equitable arbitration. Paragraph 1 of rule 59 of the World Intellectual property rights organization (WIPO) 1994 expressly applies equitable arbitration. Obviously, since equity arbitration may avoid the disputes on judicial sovereignty, equitable arbitration is more capable to deal with the current diversified types of international business transactions. To sum up, equitable arbitration has already been accepted by various countries' legislation and international organizations, and will become a new trend in international arbitration.

D. The judge-made laws

National laws rely on national sovereignty to exercise their power; on the other hand, transnational law always crossed national boundaries without the form of national sovereignty. Take the WTO as an example; WTO member states include nations applying Anglo-American common law, civil law, or other legal systems. Although the resolution of WTO has no binding power⁷⁹, the resolutions of the Dispute Settlement Body (DSB) and the appeal authority often cited previous cases in order to demonstrate their resolutions as reasonable and legitimate. For instance, in the Mexico Tax Measures on Soft Drinks and Other Beverages case (DS308), the Dispute Settlement Body and the appeal authority cited dozens of their own precedent decisions. Ever since, some scholars believe that the resolutions of the Dispute Settlement Body and the appeal authority exert a quasi-precedential effect.⁸⁰ Apparently, since the Dispute Settlement Body and the appeal authority will comply with the precedents, or change or overthrow the precedent, the dispute resolution of WTO is flexible in using precedent.

As for the competitive relationship between national law and transnational law, either the common law system or civil law system is always combining national law and transnational law. In other words, it is a new trend. In the legal system of common law, national law and transnational law will be combined together. The legal system of civil law and the legal system of common law are developing toward the same situation in the future. The statutory law legal system is the main source of law in civil law, but it also recognizes legal precedent, judicial review and judicial interpretation. The legal system of common law is also in the same situation, since it is mainly based on case law (judge-made law), but the promulgation of statutory law is also applied by the legislature. As a result, the function of case law has been strengthened. Today, the common law countries always employ case law, and then connect it with statutory law. On the contrary, the civil law countries are rooted in statutory law, and then combine it with case law. In my opinion, while the legal form of common law and civil law are quite different, in essence, they are the same at the end.

Since Taiwan's legal system is rooted in the statutory law of civil law legal system, and the judgment of courts is based on statutory law, Taiwan's legislature often fails to come up with new legal elements when it comes to dealing with issues concerning transnational law. Consequently, legal loophole may happen. In traditional legal methodology, the judges of legal system in civil law not only apply analogy, the interpretation of teleological expansion and the interpretation of teleological limitation, but also apply the principles of equitable law regarding case law as a superordinate concept, in order to solve patent disputes effectively. In theory, the judges can use the judge-made law of case law to create the sub-principles of equitable law and to fill in the legal loopholes. In view of the above-mentioned findings, since most legislation of countries have recognized the judge-made law of case law, such as the U.S.A., the U.K., Germany and other EU member states, the judge-made law of case law is obviously a new development trend for solving issues related to transnational law, whether caused by a legislator's negligence, laziness, silence, or the rapid change of the social environment. However, the method of judge-made law is not unlimited; otherwise, it is possible to violate the principle of rule of law. Thus, this article believes that the judge-made law of case law shall comply with the principle of equitable law and the fundamental human rights of the constitution, and also that the judge-made law of common law shall not violate civil law⁸¹, public order and good morals.⁸²

⁷⁹ See, Appellate Body Report, Japan-Taxes on Alcoholic Beverages, WT/DS8/AB/R, WT/DS10/A B/R, WT/DS11/AB/R (1996-10-04)

⁸⁰ See Adrian Chua (1998), *The Precedential Effect of WTO Panel and Appellate Body Reports*, Leiden Journal of International Law, Volume.11, 1998, pp.47.

⁸¹ See Stefan Vogenauer and Jan Kleinheisterkamp (2015), *Commentary on the UNIDROIT Principles of International Commercial Contracts (PICC)*, Oxford, United Kingdom: Oxford University Press, 2015, pp.81-110. See Taida Begic (2005), *Applicable Law in International Investment Disputes*, Eleven International Publishing, pp.98-101.

⁸² See Res. Asst. Arzu (SEN) Kalyon (2017), *Arbitrators Acting As An Amiable Compositeur Under International Commercial Law*, Law & Justice Review, Issue 14, June 2017, pp.95-104.

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Off line brand community dynamics: An empirical study of antecedents and brand consequence of participation

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Abstract

Brand relationship, community identification and community participation represent the pillars of brand community dynamics. While brand relationship refers to the consumer's positive attitude to a unique brand, by identification a consumer expresses the sense of belonging to the community, and through participation he or she shows the enthusiasm to run brand and community activities. Existing literature neglects the nature and the roles of participation, the identification and the differences between the constructs. Based on the ABC model (Attitude, Behavior and Cognitive), the paper empirically analyzes the antecedents of participation by a survey of 223 members belonging to the Vespa motorcycle off line communities. Data analysis is carried out by structural equation modeling through Lisrel software. The results show that the consumer's brand responses are driven, in the attitudinal and behavioral aspects, more by participation than identification. From the other side, the last one has a great influence on the attitudinal brand dimension. From a managerial point of view, the paper suggests the importance of distinguish clearly between participation and identification: by leveraging identification, companies could manage brand community membership and access, modeling brand community size and structure; and by leveraging participation, they might increase the quality of the relationship with the brand, the socialization among customers and the customer's loyalty to both the brand and the company.

Key-Words: Brand Community, Participation, Behavioral responses

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I. Introduction

Brand relationship, community identification and community participation represent the pillars of brand community dynamics¹. Brand relationship constitutes the point of departure of any brand community and it refers to the consumer's positive attitude in terms of commitment, attachment and loyalty to a unique brand. By identification a consumer expresses the sense of belonging to the community, acquiring the formal status of member, and through participation it is expressed the enthusiasm to run brand and community related activities. While in the existing literature the role and the nature of brand relationship has been well documented², the impact and the distinction between *identification* and *participation*, especially in the case of off line brand community, is less analysed yet.

Off line brand communities, although sharing some similar characteristics with on line communities, also have many distinctive traits, such as reduced size, requirement for product ownership, members' hierarchy, stronger personal ties, geographical connotation, and low frequency of contacts with a reduced rate of abandonment³. Thus, these differences translate into quite diverse concepts of *identification* and *participation*.

In an online community the identification captures mostly the formal status of member, expressing for example "I have my account on the X on line brand community"; membership is easier and faster, due to the smaller number of requirements and barriers for access, such as product ownership or identity obligation⁴. Identification in most of cases does not translate to a sense of belonging to a group since consumers are not conscious of community boundaries, size, location and, moreover, personal traits, like culture, politics and religious orientations remain secret⁵. In the same vein, participation in an on line community is mostly time based, ranging from lurking to posting comments and uploading digital content⁶.

On the other hand, identification and participation in off line contexts cover larger and deeper meanings. The first one categorizes the member as part of a defined,

¹ Black, I. and Veloutsou, C. (2017), *Working consumers: Co-creation of brand identity, consumer identity and brand community identity*, Journal of Business Research, Vol. 70, pp.416-429.

² Schouten, J. W., McAlexander, J. H., and Koenig H. F. (2007), *Transcendent customer experience and brand community*, Journal of the Academy of Marketing Science, Vol. 35(3), pp.357–368.

³ Bradford Williams, T., and Sherry J. F. (2018), *Dwelling dynamics in consumption encampments: Tailgating as emplaced brand community*, Marketing theory, Vol. 18(2). pp.203-217.

⁴ Hollebeek Linda, D., Biljana J., and Wenyan T. (2017), Virtual brand community engagement practices: a refined typology and model, *Journal of Services Marketing*, Vol. 31(3), pp.204-217.

⁵ Schau, H. J., Muñiz Jr. A. M. (2002), *Brand communities and personal identities: negotiations in the cyberspace*, Association for Consumer Research, Vol. 29, pp.344-349.

⁶ Catterall, M., and Maclaran, P. (2002), *Researching consumers in virtual worlds: A cyberspace odyssey*, Journal of Consumer Behaviour, Vol. 1(3), pp.228-237.

bounded group with a specific set of shared values⁷. For instance, Harley-Davidson clubs are organized on a geographical basis and members share and experience the same values, such as freedom and patriotism. Participation, founded on face-to-face interaction and on running specific tasks, requires physical displacement and a higher personal involvement in terms of economic and psychological effort⁸.

Participation in off line brand communities materializes in the form of brand fests, meetings and reunions. Such events are a complex blend of consumer- and firm-planned activities. We can quote, for instance, the case of the Jeep brand community, where members cover long distances in order to participate in brand events where specific activities, such as ride shows, parades and competitions are scheduled.

Participation and identification then assume key roles in characterizing an off line community, representing central constructs for both managers and marketers. While identification has been explored by several studies⁹, participation, surprisingly, received less attention especially within a marketing context.

Despite this, few studies have assumed participation to have a strong impact on the brand. On the one hand, it could lead to a deeper relationship between the product and the member, by new usage experiences, affecting the consumer attitude toward the brand. On the other hand, participation, leading to high member interaction and engagement, favors information and knowledge exchange, increasing word of mouth and brand expertise¹⁰.

In light of this, the paper explores empirically the nature and role of participation within an off line brand community. In particular, by underlining the differences among the two different constructs of participation and identification, we analyze the antecedents of participation. On the basis of the ABC (Attitude, Behavior and Cognitive) model, we argue that the responses of a consumer's brand are driven more by participation than identification in the affective, cognitive, and behavioral aspects. We test our model with a survey of members belonging to different off line communities built around the Vespa motorcycle brand¹¹.

⁷ Bradford Williams, T., and Sherry J. F. (2018), *Dwelling dynamics in consumption encampments: Tailgating as emplaced brand community*, Marketing theory, Vol. 18(2). pp.203-217.

⁸ McAlexander, J. H., Schouten, J. W., and Koenig, H. F. (2002), *Building Brand Community*, Journal of Marketing, Vol. 66(1), pp.38-54.

⁹ Dholakia, U. M., Bagozzi, R. P., and Klein Pearo, L. (2004), *A social influence model of consumer participation in network and small group based virtual communities*, International Journal of Research in Marketing, Vol. 21(3), pp.241-263.

¹⁰ Algesheimer, R., Borle, S., Dholakia, U. M., and Singh Siddharth, S. (2010), *The Impact of Customer Community Participation on Customer Behaviors: An Empirical Investigation*, Marketing Science, Vol. 29(4), pp.756-769.

¹¹ Vespa is a brand of Piaggio Company.

At the academic level, the results allow us to propose first, a more actionable measure of off line brand community participation, and second, to find empirical evidence of the brand consequences of participation.

From the marketers' point of view, by analyzing and leveraging participation, firms could better target and cluster members according to the degree of community involvement they show, and they could engage them for future brand related activities such as promotions as well as new product development and testing.

The paper is organized as follows: first, we describe our conceptual model and the literature supporting our hypothesis. Second, we introduce the research setting and the methodology. Third, we test our model and show the main findings. We conclude with underlying implications for both academics and marketers, evidencing limitations and directions for further research.

II. Literature review

Our model is based on the premise of differences between on line and off line brand community¹².

In off line brand community, first consumers select, choose and value the brand, according to symbolic and functional elements¹³. Later, on the basis of the shaped relationship with the brand, a consumer decides to join the community by first identifying himself with the community (membership), and later on participating in brand community activities¹⁴.

¹² Hollebeek Linda, D., Biljana J., and Wenyan T. (2017), Virtual brand community engagement practices: a refined typology and model, *Journal of Services Marketing*, Vol. 31(3), pp.204-217. Woisetschlager, D. M., Hartleb, V., and Blut, M. (2008), *How to Make Brand Communities Work: Antecedents and Consequences of Consumer Participation*, *Journal of Relationship Marketing*, Vol. 7(3), pp.237-256.

¹³ Fournier, S. (1998), *Consumers and Their Brands: Developing Relationship Theory in Consumer Research*, *The Journal of Consumer Research*, Vol. 24(4), pp.343-373.

¹⁴ Cova, B., Pace, S., and Park, D. J. (2007), *Global brand communities across borders: The Warhammer case*, *International Marketing Review*, Vol. 24(3), pp. 313-329.

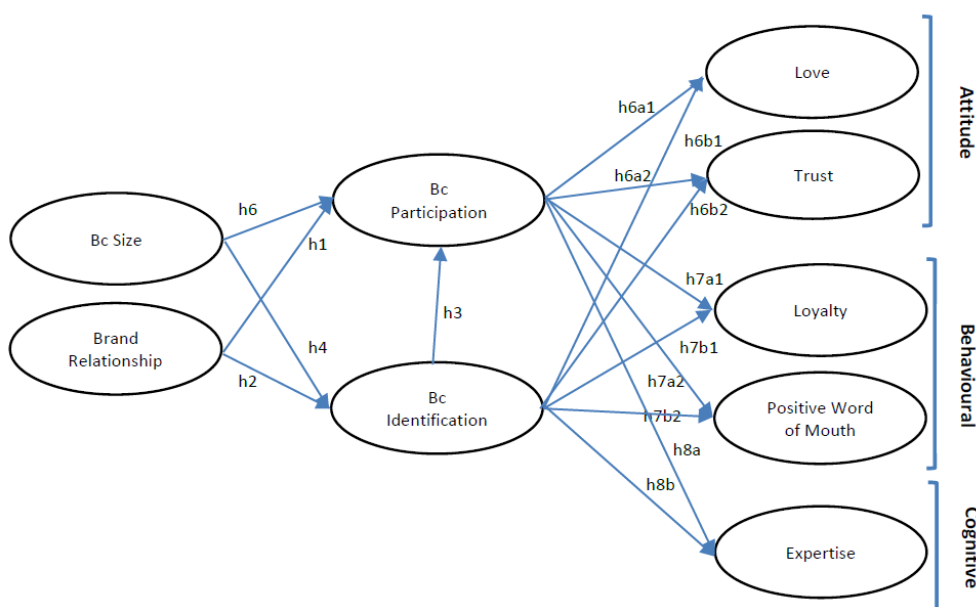


Figure 1. Conceptual model of antecedents and consequences of participation in brand community (bc)

Source: Own elaboration.

Based on this premise, Figure 1 summarizes our model. Although the main goal of the paper is to examine the role of community participation compared to identification, we include in the model a well-acknowledged determinant of participation and identification: specifically, as literature underlines, brand relationship figures as an antecedent of community participation and identification. Including brand relationship allows us to test our main hypotheses, reducing the risk of omitting variables¹⁵. We expect that at the brand level, the consequences of participation are manifold: experiencing a deep relationship with the product and a stronger interaction with other members, consumers should increase their level of commitment to the brand in terms of attitudes, behaviors and knowledge. Next, we support and present our hypothesis by illustrating the participation construct, its antecedents and the brand consequences.

A. Participation and its antecedents

Participation in an off line community implies a face-to-face interaction and, in most cases, requires the consumer to travel in order to take part in events and activities planned by the community and/or firm¹⁶. According to the characteristics

¹⁵ Wittink, D R. (1988), *The Application of Regression Analysis*, Boston: Allyn & Bacon.

¹⁶ Bradford Williams, T., and Sherry J. F. (2018), *Dwelling dynamics in consumption encampments*:

of the brand and its usage context, participation implies different levels of involvement where consumers play different roles and reach different statuses. In the Jeep communities, driving a car is just the first step; next come rallies, parades, car tests, and tourist travels until a full immersion in the community life-style is reached¹⁷. In the Apple Mac community, members organized celebrative reunions with a degree of involvement and devotion not so far from religious events¹⁸. Ducati club members meet for a 4-day-long annual meeting promoted by the brand, where entertainment (music concerts) as well as brand related activities (race or parade) are planned.

Motivations for participation in a brand community rely on two main interrelated factors: the relationship with the brand and the identification with the group. On one hand, the closer and loving relationship with the brand, in term of brand personification and brand identification, as well as the need for more and higher information about the brand and its usage, represent the basis of brand community participation. On the other hand, self-awareness of being a member of a specific group, sharing the same values, desiring social identification within the community and self-enhancement emerge as drivers of participation¹⁹. The earliest and influential paper on brand community by Schouten and shows how participation in the Harley-Davidson communities is driven by consumer identification with a collective value system with specific beliefs (freedom, patriotism, American heritage). In such a context, the brand acts as a self-presentation tool and pass to join the group.

The next sections describe brand relationship and identification with group as the antecedents of participation and introduce the hypothesis.

B. Brand relationship

The relationship with the brand, in an off line community, is one of the most important drivers for joining the brand community. It is previous to the one with the community: buying a Harley-Davidson is required to be part of HOG, the Harley Owners Group²⁰.

Tailgating as emplaced brand community, Marketing theory, Vol.18(2). Algesheimer, R., Dholakia, U., and Herrmann, A. (2005), *The Social Influence of Brand Community: Evidence from European Car Clubs*, Journal of Marketing, Vol. 69(3), pp.19–34.

¹⁷ McAlexander, J. H., Schouten, J. W., and Koenig, H. F. (2002), *Building Brand Community*, Journal of Marketing, Vol. 66(1), pp.38–54.

¹⁸ Muñiz, A. M., and Schau J. H. (2005), *Religiosity in the Abandoned Apple Newton Brand Community*, Journal of Consumer Research, Vol. 31(4), pp.737-747.

¹⁹ Schau, H. J., Muñiz Jr. A. M. (2002), *Brand communities and personal identities: negotiations in the cyberspace*, Association for Consumer Research, Vol. 29, pp.344-349.

²⁰ Schouten, J. W., Mc Alexander, J. H., and Koenig H. F. (2007), *Transcendent customer experience and brand community*, Journal of the Academy of Marketing Science, Vol. 35(3), pp.357–368.

The nature of brand relationship covers utilitarian and emotional issues ranging from the fulfilment of a functional need to an intimate connection, in a very similar way to the one people built relationship with their similar²¹. In the brand community context, the emotional component of brand relationship prevails on the utilitarian one. Algesheimer, Dholakia and Herrmann²², in their analysis of European Car Clubs, value brand relationship in the line of Fournier's approach considering the brand as a partner in an ongoing relationship. In particular they include an identification facet which is the degree of overlap between consumer self-image and brand image, a cognitive component referring to the self-awareness of closeness of relationship and an evaluative component based on the positive evaluation of self-worth that stems from a relationship with the brand. The stronger the link is between the consumer and the brand in terms of personality, image and values, the higher is the probability of identification and participation in brand community. Cova, Pace and Park²³, in the analysis of Games Workshop's Warhammer, a strategic battle game played with real miniatures, by interviewing members during the game playing, reported brand love as driver of participation. In the same line, the attachment and the high passion consumers experience with their motorcycles are the main drivers of joining the Ducati clubs. In line with previous statements we hypothesize:

H1: Greater brand relationship leads to higher brand community (BC) identification

H2: Greater brand relationship leads to higher BC participation

C. Identification

Identification constitutes a fundamental driver of community participation. Although participation and identification could overlap they are not synonyms. Identification or social identity "is the perception of belonging to a group with the result that a person identifies with that group (i.e., I am a member)"²⁴.

Within off line brand communities, identification captures the community membership and sense of belonging²⁵, while participation captures the set of activities members do. In community literature two main facets emerge:

²¹ Pankaj, A. (2004) The Effects of Brand Relationship Norms on Consumer Attitudes and Behaviour, *Journal of Consumer Research*, Vol. 31(1), pp.87-101.

²² Algesheimer, R., Dholakia, U., and Herrmann, A. (2005), *The Social Influence of Brand Community: Evidence from European Car Clubs*, *Journal of Marketing*, Vol. 69(3), pp.19-34.

²³ Cova, B., Pace, S., and Park, D. J. (2007), *Global brand communities across borders: The Warhammer case*, *International Marketing Review*, Vol. 24(3), pp. 313-329.

²⁴ Bhattacharya, C. B., Rao, H., and Glynn, M. A. (1995), *Understanding the bond of identification: An investigation of its correlates among art museum members*, *Journal of Marketing*, Vol. 59(4), pp.46-57.

²⁵ Bagozzi, R. P., and Dholakia, U. M. (2006), *Antecedents and purchase consequences of customer participation in small group brand communities*, *International Journal of Research in Marketing*, Vol. 23(1), pp.45-61.

identification as a perceptual cognitive construct that is not necessarily associated with any specific behaviors and identification as behaviors or action. Studies on brand community cover both approaches. On one side, identification is described as a “psychological state” involving cognitive, affective and evaluative components: the self-awareness of membership and the perception of similarity-dissimilarity with members-nonmembers, the group attachment and the collective self/esteem.

On the other side, identification also leads to behaviors consistent with the group identity and the brand. In a study of European car clubs, identification leads to major community engagement (participation) and through “membership continuance intentions” to higher “brand loyalty intentions”. Dholakia, Bagozzi and Pearo²⁶ report that stronger social identification will affect the desire for and the intention of participating. The more an individual feels part of the group, and the more he shares the same goals, the more actively he will participate.

Finally, it has to be considered that the link between the brand relationship and the community participation might happen through community identification (see Figure 1) since the desire to be part of a community facilitates the integration and interaction of members.

On the basis of these concerns we hypothesize:

H3: Greater BC identification leads to higher BC participation

D. Community size

In an off line brand community, size can vary from a few geographically concentrated members, to high numbers of members spread all over the world, as in the case of European Car clubs, Harley-Davidson clubs and Jeep clubs²⁷. Small brand communities are strongly sociocentric²⁸, where “the link is more important than the think”: members know each other and friendship and socialization are predominant. On the contrary, a large brand community could be perceived as anonymous group, where participation is driven by utility. Previous suggestions show how size negatively affects identification with the group.

We also hypothesize that huge communities, especially if company sponsored, can count on greater financial and organizational resources, boosting member

²⁶ Dholakia, U. M., Bagozzi, R. P., and Klein Pearo, L. (2004), *A social influence model of consumer participation in network and small group based virtual communities*, International Journal of Research in Marketing, Vol. 21(3), pp.241-263.

²⁷ McAlexander, J. H., Schouten, J. W., and Koenig, H. F. (2002), *Building Brand Community*, Journal of Marketing, Vol. 66(1), pp.38–54.

²⁸ Bagozzi, R. P., and Dholakia, U. M. (2006), *Antecedents and purchase consequences of customer participation in small group brand communities*, International Journal of Research in Marketing, Vol. 23(1), pp.45-61.

participation through more appealing events, and incentives (e.g. new product tests, discounts). Thus,

H4: The bigger the brand community, the lower the brand community identification

H5: The bigger the brand community, the greater the participation

III. Brand consequences of participation

Nowadays, many firms belonging to different sectors are promoting community programs and brand communities both on line and off line²⁹. Within a community, members show higher attachment to the brand and as a consequence, a positive brand loyalty and brand awareness, higher satisfaction and repurchase intention³⁰. Participation impacts all of the marketing mix³¹ and firms are engaged in consumption related activities such as brand promotion during brand events and celebrations.

Brand community helps firms to overcome resistance to direct marketing activities, reducing space and time constraints and increasing brand image and brand recognition. In the brand perspective, then, participation plays a key role in enforcing brand-related feelings and behavioral response. Attitude is related to emotions toward the brand in terms of love and trust, in line with the seminal study of Fournier³². Behavioral response deals with brand-related consumer actions, such as positive (and negative) word of mouth and loyalty, that is, the action or likelihood of buying in the future as well as of continuing the use of the product. Finally, cognitive refers to the stock of brand-related skills and competence that consumers acquire and develop. Following the well-known brand evaluation framework based on the affective, behavioral and cognitive model of brand attitude³³, hypotheses related to brand community participation in an off line community are next described.

²⁹ Cova, B., Pace, S., and Park, D. J. (2007), *Global brand communities across borders: The Warhammer case*, International Marketing Review, Vol. 24(3), pp. 313-329.

³⁰ Coelho Simões, P., Rita, P., and Zélia Santos, R. (2018), *On the relationship between consumer-brand identification, brand community, and brand loyalty*, Journal of Retailing and Consumer Services, Vol. 43, pp. 101-110. Thompson, S. A., and Rajiv K. S. (2008), *Brand Communities and New Product Adoption: The Influence and Limits of Oppositional Loyalty*, Journal of Marketing, Vol. 7(6), pp.65-80.

³¹ Schau, H. J., Muñoz Jr., A. M., and Arnould E. J. (2009), *How Brand Community Practices Create Value*, Journal of Marketing, Vol. 73(5), pp.30-51.

³² Fournier, S. (1998), *Consumers and Their Brands: Developing Relationship Theory in Consumer Research*, The Journal of Consumer Research, Vol. 24(4), pp.343-373.

³³ Czellar, S. (2003), *Consumer attitude toward brand extensions: an integrative model and research propositions*, International Journal of Research in Marketing, Vol. 20(1), pp.97-115.

A. Affective responses toward the brand

McAlexander, Schouten and Koenig³⁴ in their empirical study of Jeep and Harley-Davidson brand fests reported how members' participation determines positive relationships with their own vehicles and with the brand, as well as with the whole company. They also report that participation in brand fests, such as Camp Jeep events, means to live a profound and enduring experience, named "transcendent customer experience". Participation, then, positively impacts the affective dimension of brand relationship. Muñiz³⁵ shows how members, by exchanging information and support in the Macintosh computer community, increase the attachment to and the involvement with the brand.

One of the pillars of brand communities' proliferation is the exchanging of information about the brand and its usage, as well as receiving assistance and support³⁶. Information exchanged in the brand community is considered more objective, since it is provided by other consumers or experienced members. Members gain security and experience higher trust toward the brand.

According to previous assumptions, then, we can hypothesize the effect of participation on the components of affective dimensions:

H6a: Greater BC participation leads to higher brand love than identification

H6b: Greater BC participation leads to higher brand trust than identification

B. Behavioral dimension

Participation in the brand event increases brand loyalty. Schouten, Mc Alexander and Koenig³⁷ note that members of Harley-Davidson clubs tend to buy upper models of bike in order to increase their status in the group. Algesheimer, Dholakia and Herrmann³⁸ show that engagement in European car clubs positively

³⁴ McAlexander, J. H., Schouten, J. W., and Koenig, H. F. (2002), *Building Brand Community*, Journal of Marketing, Vol. 66(1), pp.38–54.

³⁵ Muñiz, A. M., and Schau J. H. (2005), *Religiosity in the Abandoned Apple Newton Brand Community*, Journal of Consumer Research, Vol. 31(4), pp.737-747.

³⁶ Kozinets, R. (2002), *The Field Behind the Screen: Using Netnography for Marketing Research in Online Communities*, Journal of Marketing Research, Vol. 39(1), pp.61-72. Szmigin, I., and Reppel, A. E. (2004), *Internet community bonding: the case of macnews.de*, European Journal of Marketing, Vol. 38(5/6), pp.626-640.

³⁷ Schouten, J. W., Mc Alexander, J. H., and Koenig H. F. (2007), *Transcendent customer experience and brand community*, Journal of the Academy of Marketing Science, Vol. 35(3), pp.357–368.

³⁸ Algesheimer, R., Dholakia, U., and Herrmann, A. (2005), *The Social Influence of Brand Community: Evidence from European Car Clubs*, Journal of Marketing, Vol. 69(3), pp.19–34.

affects loyalty toward those cars. Belk and Tumbat³⁹ by interviewing members of the Apple community, reported feeling a “fierce loyalty” to Apple’s products.

Firms also influence brand loyalty by using the brand fests as promotional channels for new product launches, where exposure to new Jeep models could increase the purchase intention. Thus:

H7a: Greater participation leads to higher loyalty than identification

Face to face interaction in off line communities leads to an incredible amount of brand word of mouth. Members share consumption experiences with other members, as well as receiving information and assistance on product use by other members, dealers and by the companies⁴⁰.

Members of Harley-Davidson like to talk during their meeting about the latest model as well as related accessories. Muñiz and Shau⁴¹ reveal an intriguing aspect of word of mouth in the brand community: within participation rituals, members celebrate the story of the brand and share brand stories, becoming “brand advocate[s]”. Hence,

H7b: Greater brand participation leads to higher word of mouth (wom) than identification

C. Cognitive dimension

Part of word of mouth is related to acquiring and exchanging brand knowledge. Increasing participation in brand events increases socialization and then the chance to interact with more experienced consumers, learning from them and acquiring new skills, as in the Jeep Camp events. Through “the moral responsibility”, that is, the perceived obligation toward recent members, experienced members share their knowledge, and offer assistance and support. Firms also contribute to the process, providing customer service to the community as in the case of Harley-Davidson⁴². Thus,

H8: Greater BC participation leads to higher brand knowledge than identification

³⁹ Belk, R., and Tumbat, G. (2005), *The Cult of Macintosh*, Consumption, Markets and Culture, Vol. 8(3), pp.205–217.

⁴⁰ Thompson, S. A., and Rajiv K. S. (2008), *Brand Communities and New Product Adoption: The Influence and Limits of Oppositional Loyalty*, Journal of Marketing, Vol. 7(6), pp.65-80.

⁴¹ Muñiz, A. M., and Schau J. H. (2005), *Religiosity in the Abandoned Apple Newton Brand Community*, Journal of Consumer Research, Vol. 31(4), pp.737-747.

⁴² Schouten, J. W., Mc Alexander, J. H., and Koenig H. F. (2007), *Transcendent customer experience and brand community*, Journal of the Academy of Marketing Science, Vol. 35(3), pp.357–368.

IV. The data collection and analysis

Our specific research setting was the 44th Vespa World Days (VWD), held in 2010 in Portugal and organized by the Vespina Club of Fatima. World Vespa days is an official brand event where registered Vespa clubs from all over the world can participate. It is held each year in different places. Each club has the right to put itself forward as a candidate for hosting and organizing the World Vespa Days and an appropriate committee assigns, by majority, the organization of the future event.

The 4-day program of VWD 2010 included a set of activities ranging from touristic rides to concerts, ride shows, fundraising, a gala dinner and an awards ceremony. (Awards are given for the nicest or oldest Vespa, the member from the greatest distance, most senior or junior member, Vespa club most represented, etc.) Participation in the event requires prior ownership of a Vespa motorcycle.

A. Procedure and item generation

After securing permission from the Vespa Company and from the VWD 2010 Organizing Committee, questionnaires were distributed to participants. In detail, respondents were selected at the main meeting point (named “Recinto”, an arena of almost 1500 m² including facilities and services) at the end of the daily activities. The decision to administer the survey after the event ensured that participants would be more relaxed and accommodating in their environment. Responses were obtained on a voluntary basis, without any kind of compensation.

The questionnaire includes three sections. The first one is related to the Vespa, ranging from the number of motorcycles owned/bought over the respondent’s lifetime to different aspects of the relationship with the brand. Most of the constructs reported in the paper have been operationalized by using existing scales from the brand community literature. Brand relationship is measured with a 3-item scale. Respondents had to rate on a 7 point Likert scale their agreement with the following statements: “This brand says a lot about the kind of person I am” “The Vespa’s image and myself image are similar in many respects” “Vespa plays an important role in my life”. Brand expertise, reflecting the member’s brand knowledge, is measured using a 7-point Likert scale with 3 items scale. Items read “When compared to other people, I know a lot about Vespa”; “I consider myself very experienced with Vespa”; “My friends consider me to be an expert regarding Vespa.” For loyalty intention we used a reduced seven point Likert scale version of the brand loyalty intention scale, limited to only one item: “I will continue driving Vespa in the near future.”

Items used to measure brand trust (2 items: “Vespa is an honest brand”; “I trust Vespa”) and brand love (2 items: “I have feelings for Vespa that I do not have for a lot of other brands”; “If it is about scooters, Vespa is my most favorite brand”) have

been adapted using the items reported by Smit, Bronner and Tolboom⁴³. All items were measured with a seven points Likert-type scale, anchored by (1) “strongly disagree” to (7) “strongly agree”. Word of mouth has been operationalized by the 7-point Likert statement: “I have recommended Vespa to lots of people” anchored by 1= “strongly disagree” to 7= “strongly agree”.

The second section deals with the community, including size and measures of identification and participation. Community size reflects the number of members who are part of each club. The construct of brand community identification captures the relationship a member has with his club in terms of sense of belonging as well as goal sharing. It has been operationalized by the 7-point scale of club identification. A sample item reads “Other Vespa Club members and I share the same objectives” and another one “I see myself as a part of the Club”.

In order to define brand community participation, we first analyze how participation has been operationalized. Table 1 reports the main studies on participation.

The only two studies where participation has been measured focus on the frequency of participation⁴⁴, looking at how many times or how often consumers participate in the community’s activities. Such measures are not sufficient to capture all the facets of participation, especially with respect to the intensity and the effort of consumer participation. To address this point, we conducted in-depth interviews with 4 brand managers and 3 brand community managers belonging to Vespa, Motoguzzi, Ducati and Fiat brands. Second, we strengthened our results by interviewing several Italian (Vespa country of origin) and Portuguese (hosting event country) brand community members. Two main dimensions emerged to define participation: frequency of participation and intensity. The first is defined by how many times per year the member participates in events organized by his club such as excursions, regional meetings, national appointments or international events. Intensity is the effort the member makes in order to participate in each club’s events as well as the official role the member assumes within the club. Intensity could be measured by amount of money spent, time consumed, distance covered or how many times the member participates in events organized by other clubs, at national or international events. Roles show instead the consumer’s attitude toward holding a formal position inside the club, completing on a voluntary basis different tasks needed for the management and well-being of the community.

⁴³ Smit, E., Bronner, F., and Tolboom M. (2007), *Brand relationship quality and its value for personal contact*, Journal of Business Research, Vol. 60(6), pp.627–633.

⁴⁴ Algesheimer, R., Dholakia, U., and Herrmann, A. (2005), *The Social Influence of Brand Community: Evidence from European Car Clubs*, Journal of Marketing, Vol. 69(3), pp.19–34. Bagozzi, R. P., and Dholakia, U. M. (2006), *Antecedents and purchase consequences of customer participation in small group brand communities*, International Journal of Research in Marketing, Vol. 23(1), pp.45-61.

Table 1: Empirical studies on participation

Authors (year) Brand community	Definition /Measure	Drivers and consequences of participation
Algesheimer, Dholakia and Herrmann (2005) European Car club	How often did you participate in activities of this brand community within the last ten weeks? Likert scale 1-7	Participation intention, community engagement and normative pressure → participation
McAlexander, Schouten and Koenig (2002) Jeep and Harley- Davidson	Indirect measure. Effects of participation are deduced by analysing four relationships pre and post brand event: 1-owner-product relationship 2-owner-brand relationship 3-owner-company relationship 4-owner-owners relationship	participation → brand loyalty participation → merchandising participation → product usage
Bagozzi, and Dholakia (2006) Harley-Davidson	“About how many outings do you think you will participate in with the group of club friends you mentioned above in the next month?” (Open-ended response scale) About how many outings do you think you will participate in next year in a typical month?” (Open-ended response scale)	participation → buy accessories, participation → visiting dealer participation → money spent.
Ouwersloot and Odekerken-Schroder, (2008) Settlers of Catan games Swatch community	Customer-customer relationship (1) I have met wonderful people because of my [brand] [product]. (2) I feel a sense of kinship with other [brand] owners. (3) I have an interest in more interpersonal contact with other members of the [brand] community. 7 point Likert scale	Reassurance of quality for products with significant credence attributes; high involvement with the branded product category; opportunity for joint consumption; brand symbolic function → participation

Source: Own elaboration based on research data

All the mentioned roles imply a different level of participation in terms of frequency, responsibility within the club and time-cost efforts. Roles include marketers, who care about promotion of club events and activities; treasurer, responsible for club budget and costs; vice president, usually responsible for relationship with street police, political authorities, and health assistance service; public relations, in charge of relationships with other club and institutions; secretary, who handles the administrative part; and the president, who officially represents the club at the national and international meetings. The first set of items, based on the qualitative study, were submitted for final minor changes to the Vespa Brand Community Manager, the World Vespa Club president and the president of the Club in charge of organizing the VWD 2010. We borrow seven items in order to capture the frequency and the intensity of a member's participation in his respective club activities. In detail, we asked the frequency (expressed by percentage of times) of participation in "daily", "weekend" and "more than 3 days club events" using a scale anchored by 1=0%, 2=25%, 3=50%, 4=75%, and 5=100%). Another measure of frequency was the number of times members participated in national or international events, such as the WVD 2010. With respect to intensity of participation, respondents were asked to indicate 1-the maximum distance they covered to participate in any event including the WVD 2010; 2-the role members have within the club, reflecting an increasing involvement in the club activities (1=just member 2=secretary 3=public relations 4=marketing 5=finance 6=vice-president 7=president).

Finally, the third part of the questionnaire includes demographics of the brand event participants. The total number of participants, as reported by the organization committee, was 1650 members. Eliminating incomplete questionnaires, our final sample consists of 223 respondents, corresponding to 13.5% of the population. The percentage of males in the population is 89.2, with an average of 2.57 family members. Ages range from 19 to 74 years with an average of 39.57; by nationality Italy, Portugal and Spain count for 22%, 21% and 14% respectively. Other represented nationalities are: United Kingdom 6%, Belgium 5%, Germany 6%, France 7%, Norway 1.4% and USA 0.8%. With respect to membership duration, participants show an average of 8.54 years with a range between 1 and 30. On average each participant owns an average of 3 Vespas and in all his life he has owned about 4 Vespas.

B. Findings

Table 2 reports the descriptive statistics and Cronbach's for the main constructs. Cronbach's alpha for the participation construct (.926) has been improved by eliminating two items that show low corrected item-to-total correlation ($\alpha=.945$).

Table 2: Descriptive statistics for the main constructs

Construct	Items	Mean	s.d.	C.Alpha
Brand relationship	3			.945
Br 1		4.91	1.419	
Br 2		4.97	1.579	
Br 3		4.89	1.482	
Brand community identification	5			.920
Bci1		4.84	1.344	
Bci2		4.57	1.181	
Bci3		4.64	1.246	
Bci4		4.43	1.183	
Bci5		4.73	1.316	
Brand participation *	5			.915
Bcp1		3,22	1,308	
Bcp2		2,91	1,483	
Bcp3		2,98	1,135	
Bcp4		10,45	9,283	
Bcp5		5,75	4,881	
Brand love	2			.817
Bl 1		4.00	1.463	
Bl 2		3.87	1.425	
Brand trust	2			.837
Bt 1		4.59	1.387	
Bt 2		4.67	1.250	
Brand loyalty	1			
Word of mouth	1			
Expertise	3			.927
Bk1		4.42	1.609	
Bk2		4.29	1.588	
Bk3		4.48	1.734	

*the items have been standardized for structural analysis.

Source: Own elaboration based on research data.

Table 3 reports factor loadings, composite reliability scores (ρ_e) and AVE (average variances extracted, $\rho_{vc}(\epsilon)$) for all constructs in order to provide evidence of convergent validity, that is, the degree to which the items load highly on the same construct they are supposed to measure. In detail, the loadings are high, the AVEs are greater than 0.7 for all constructs and the composite reliability scores are greater than 0.7 and both statistically significant, indicating a good internal consistency⁴⁵.

Table 3: Standardized factor loading, composite reliability and square root of AVE

Construct-item	Loading (standardized loading)	t-value	Composite reliability (ρ_e)	Square root of AVE ($\rho_{vc}(\epsilon)$)
Brand relationship (br)			85.60%	0.93
Br 1	0.90			
Br 2	0.95	23.612		
Br 3	0.93	21.938		
Brand community Identification (bci)			69.69%	0.84
Bci1	0.86			
Bci2	0.79	15.754		
Bci3	0.82	15.920		
Bci4	0.84	16.854		
Bci5	0.86	17.928		
Brand community participation (bcp)			77.17%	0.88
Bcp1	0.88			
Bcp2	0.87	20.660		
Bcp3	0.91	18.627		
Bcp4	0.83	16.623		
Bcp5	0.90	19.644		
Brand love(bl)			69.81%	0.84
Bl 1	0.84			
Bl 2	0.83	16.718		

⁴⁵ Fornell, C., and Larcker, D. F. (1981), *Evaluating Structural Equation Models with Unobservable Variables and Measurement Error*, Journal of Marketing Research, Vol. 18(1), pp.39-50.

Brand trust(bt)	0.83		72.30%	0.85
Bt 1	0.87	13.438		
Bt 2				
Brand loyalty (bl)				
Word of mouth (wom)				
Brand knowledge (bk)			81.03%	0.93
Bk1	0.89			
Bk2	0.92	21999		
Bk3	0.89	19.315		

Source: Own elaboration based on research data

In order to provide evidence of discriminant validity, that is, how well a measure measures the underlying constructs and does not correlate highly with the measure of other constructs, the square root of AVE for an individual construct must be higher than its correlations with other constructs⁴⁶. Table 3 reports that the square root of AVE of each construct is greater than 0.8 and greater than the correlations with any other constructs; Table 4 reports the correlations among construct.

Table 4: Correlation among Constructs

	BCI	BCP	BL	BT	BK	BR
BCI	1					
BCP	.816	1				
BL	.767	.752	1			
BT	.701	.708	.696	1		
BK	.771	.809	.750	.744	1	
BR	.819	.821	.746	.713	.758	1

Significant at $p < .05$; all correlations are significantly less than 1.00.

Notes: BCI= brand community identification; BCP=brand community participation; BL=brand love; BT=brand trust; BA=brand attachment BK=brand knowledge BR=Brand relationship

Source: Own elaboration based on research data

⁴⁶ Fornell, C., and Larcker, D. F. (1981), *Evaluating Structural Equation Models with Unobservable Variables and Measurement Error*, Journal of Marketing Research, Vol. 18(1), pp.39-50.

Exploratory factor analysis has been employed to assess measurement quality and has shown a good overall fit. The goodness-of-fit statistics for the model are as follows: χ^2 (155) = 256.607, $p < 0.0$, the root mean square error of approximation (RMSEA) = .0543, standardized root mean square residual (SRMR) = .0307, the normed and nonnormed fit indexes are NFI = .984 and NNFI = .992 respectively and the comparative Fit Index (CFI) = .993.

C. Structural model estimation

As previously articulated we first argue that higher relationship with the brand leads a consumer to join a brand community (through identification and participation). Second, in comparison with identification, greater participation will lead to a greater affective attitude toward the brand, greater word of mouth and loyalty, and increased brand knowledge. To test the hypothesized structural model the Maximum Likelihood (ML) method has been used by LISREL 8.54⁴⁷. According to the assumption of the Structural Equation Model all the indicators must follow a multivariate normal distribution. To check if this assumption was satisfied multivariate skewness and kurtosis were calculated and the test of multivariate normality was performed⁴⁸. The test rejected the multivariate normal distribution of the data at 99.9% of confidence level. To obtain accurate estimation of goodness of fit statistics and standard errors of parameters in the presence of severe non normality, a robust ML estimator has been used (Bentler 1990). The robust ML estimator provides ML parameter estimates with standard errors and mean adjusted χ^2 test statistics that are robust to non-normality.

Goodness of fit has been assessed by the chi-square test, the RMSEA, the SRMR, the NFI and NNFI, and the CFI. According to Bentler⁴⁹ and Byrne⁵⁰ adequate model fits are indicated by nonsignificant chi-square tests, SRMR and RMSEA values $\leq .08$; and NFI, NNFI, and CFI values $\geq .90$.

Statistics for the hypothesized model report good fit (Satorra-Bentler Scaled χ^2 [217] = 251.189, $p = .0555$, RMSEA = .0266, NFI = .980, NNFI = .990, CFI = .991 SRMR = .0380). See table 5 for the Lisrel standardized path diagram output.

⁴⁷ Jöreskog, K., and Sörbom D. (1999), *LISREL 8: User's Reference Guide*, 2d ed. Chicago: Scientific Software International.

⁴⁸ In performing this test, all the variables were assumed to be continuous as for each of them the Likert scale has more than five points.

⁴⁹ Bentler, P. M. (1990), *Comparative Fit Indexes in Structural Models*, Psychological Bulletin, Vol. 107(2), pp.238-46.

⁵⁰ Byrne, B. M. (2009), *Structural Equation Modeling with Lisrel, Prelis and Simplis*, United States: Psychology Press.

Table 5: Results of the hypothesis testing

Path	Hypothesis	Coefficients	Sign. level
brand relationship → brand community participation	H ₁ - supported	0.48	<0.001*
brand relationship → brand community identification	H ₂ - supported	0.85	<0.001*
brand community identification → brand community participation	H ₃ - supported	0.41	<0.01**
brand community size → brand community participation	H ₄ –not supported	-	
brand community size → brand community identification	H ₅ -not supported	-	
brand community participation → brand love	H _{6a} H _{6b} - not supported	0.37	<0.001*
brand community identification → brand love		0.49	
brand community participation → brand trust		0.39	<0.001*
brand community identification → brand trust		0.42	
brand community participation → brand loyalty	H _{7a} - supported	0.41	<0.001*
brand community identification → brand loyalty		0.40	
brand community participation → word of mouth	H _{7b} - supported	0.44	<0.001*
brand community identification → word of mouth		0.35	
brand community participation → brand knowledge	H ₈ - supported	0.52	<0.001*
brand community identification → brand knowledge		0.6	

* Significant at 99.9% level

** Significant at 99% level

*** Significant at 90% level

Source: Own elaboration based on research data

With respect to hypothesis testing, (Figure 2), hypotheses H1 and H2 that posited positive relations between brand relationship and both brand community identification and brand community participation were supported, with completely

standardized coefficients $\gamma = 0.481$ (s.e. = .0070) and $\gamma = 0.85$ (s.e. = .0047) respectively.

Tests of H3 also confirmed the positive relationship between brand community identification and brand community participation ($\beta = .416$, s.e. = .080).

Table 5 reports the coefficients measuring the influence of participation and identification on the brand dimensions.

Hypotheses H6a and H6b are not confirmed. Identification has a bigger impact on the attitude toward the brand in terms of love and trust.

With respect to behavioral dimensions of brand attitude our results support our propositions. Brand community participation is significantly and positively related to word of mouth ($\beta = .409$, s.e. = .154) and brand loyalty ($\beta = .443$, s.e. = .158)

Hypothesis H8 that predicted the positive relationships between brand community participation and brand knowledge ($\beta = .524$, s.e. = .179) was supported as well. Finally, tests of H4 and H5 show that the effects of brand community size on participation and identification are not significant.

With respect to R^2 , brand relationship and brand identification explain 74.3% of the variance in brand community participation. The percentages of variance in brand love and trust, as explained by brand community participation and identification, are 67% and 59% respectively. Participation and identification also explain 58.8% of the variance in loyalty and 57.2% of the variance in word of mouth. Finally, 72.1% of the variance in brand knowledge is explained by brand community participation and identification.

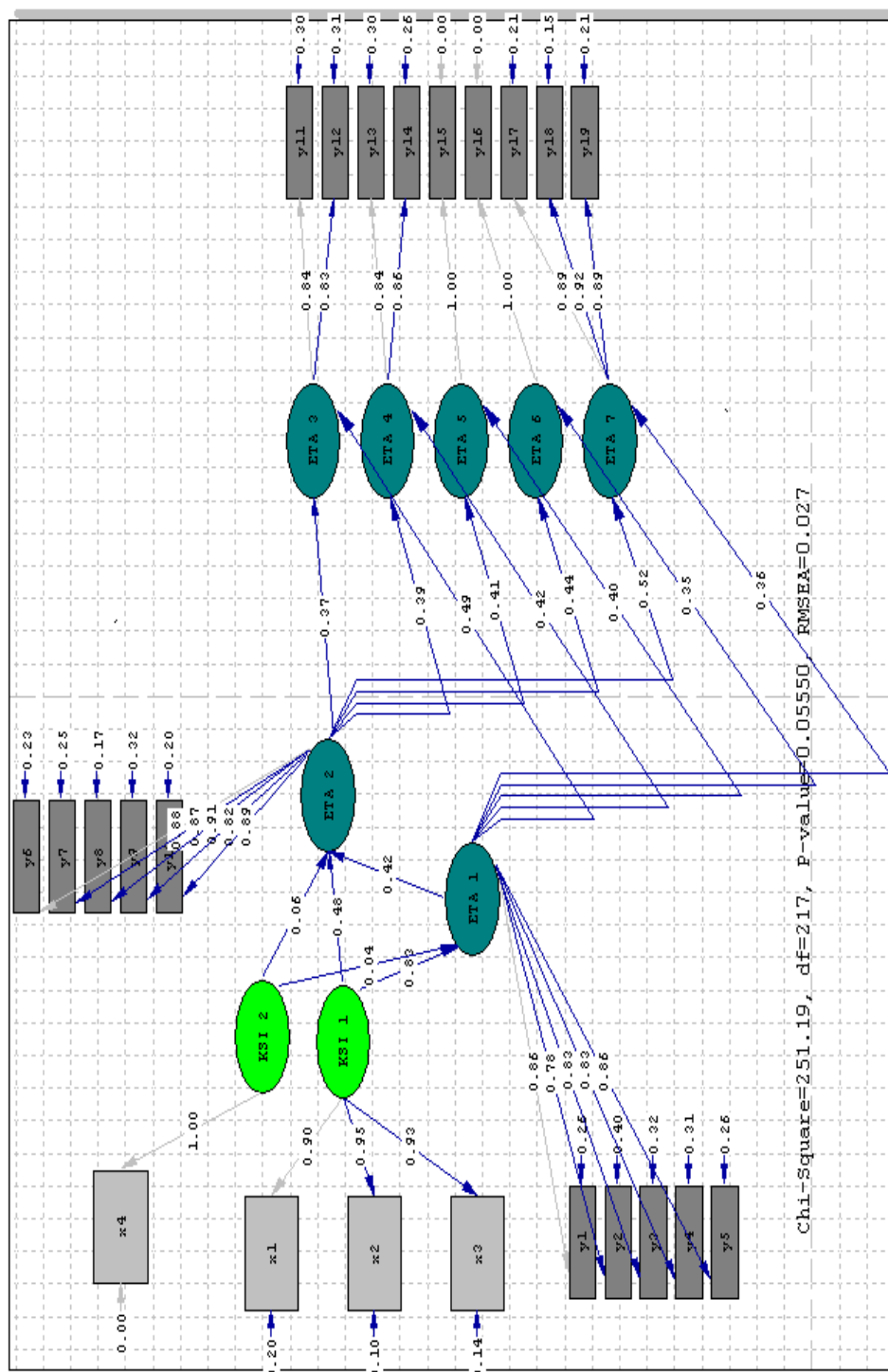


Figure 2: Lisrel output

Source: Own elaboration based on research data

V. Conclusion

Our results provide empirical evidence for prior qualitative research on brand community where the relation with the brand is the “first driver” of every decision concerning identification and participation in the community. Following a temporal sequence, the consumer first frames a strong relationship with the brand, second decides to join a brand community, and consequently chooses to participate in community life. By identification the consumer enters the community, accepting a role and a code of conduct, and by participation the member actively lives the community, its events and activities. At the brand level, through participation, members reinforce their relationship with the brand, especially in terms of positive word of mouth and loyalty. Participation also increases brand knowledge since members are more exposed, through socialization, to brand related information. Identification, in contrast, has a slightly higher impact on the affective dimension of the brand. Community size seems not to impact identification and participation: the issue remains controversial and needs specific in depth examination. On one hand bigger clubs, due to bigger financial and organizational resources, can encourage force participation and organize more frequent meetings and brand related events; on the other hand, smaller clubs, configured as big families with strong social ties, could also positively impact the level of participation and community identification.

The paper suggests that managers should, first, distinguish between on line and off line brand communities. Off line communities are smaller, geographically positioned and have specific patterns of membership. Second, identification and participation might be leveraged differently. By leveraging identification, companies could manage brand community membership and access, modeling brand community size and structure. Levering participation might increase the quality of the relationship with the brand, the socialization among customers and the customer’s loyalty to both the brand and the company. Companies can foster participation by increasing brand community events and meetings, by actively participating in brand community life (i.e., providing organizational and financial support); by distinguishing among different levels of participation managers can easily segment and profile members, targeting opinion leaders, early adopters, and lead users.

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NEWEST AND ACTUAL BASIC POINTS REGARDING THE LEGAL REGULATION OF EU TRADEMARKS

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Abstract

This article is aimed to present the actual legal framework in the field of European Union trade mark /EU trademark: European Union trade mark Regulations 2017/1001, 2018/625, 2018/626 and Directive 2015/2436.

The European legislation is fully synchronized with the international legislation in intellectual property /IP/ field regarding trademarks: Paris Convention for the protection of industrial property. 1883. Nice agreement concerning the International classification of goods and service, 1957, Agreement of trade related aspects of IP rights, 1994 and many additional normative acts in this legal area.

The focus of this article is to identify and clarify EU trade mark as a legal phenomenon and to present EU trade mark as an effective legal instrument for obtaining exclusive rights for signs economically significant for natural and legal entities for a wide territory – 28 EC countries following the structure: introduction, definition and types of EU trade marks, the most important requirements for registration and main effect of this registration.

The final part presents the economic and administrative effects of the registered EU trade mark.

Key words: EU trade mark, intellectual property rights

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INTRODUCTION

Actual legal framework in the field of EU trademarks are the following: European Union trade mark Regulation 2017/1001, Regulation 2018/625, Regulation 2018/626 and Directive 2015/2436.

The European legislation is fully synchronized with main international legislation: Paris Convention for the protection of industrial property. 1883. Nice agreement concerning the International classification of goods and service, 1957, Agreement of trade related aspects of IP rights, 1994 and many additional normative acts in this legal area.

The purpose of this article is to identify and clarify EU trade mark as a legal phenomenon and to present EU trade mark as an effective legal instrument for obtaining exclusive rights for a sign economically significant for natural and legal entities for a wide territory – 28 EC countries following the structure: introduction, definition and types of EU trade marks, the most important requirements for registration and main effect of this registration.

MAIN BODY

I – TERM ‘EU TRADE MARK’

The legal framework for EU trademark /known as CTM – Community trade mark and EC mark/ includes many normative acts main of them and basic for this study is European Union trade mark Regulation 2017/1001¹.

Generally speaking a **trade mark** is: a **distinctive sign**, which **identifies** certain **goods or services**. As those **producers** or **providers**. TM is a sign for business identification and differentiation. Specifics for EU trademarks are:

1. A trade mark for goods or services which is registered in accordance with the **conditions contained in this Regulation** and in the manner herein provided is hereinafter referred to as a ‘European Union trade mark (“EU trade mark”)’.
2. An EU trade mark shall have an **unitary character**. It shall have equal effect throughout the European Union: it shall not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor shall its use be prohibited, save in respect of the whole Union. This principle shall apply unless otherwise provided for in this Regulation.

¹ <https://eur-lex.europa.eu>

II- DEFINITION AND TYPES OF EU TRADEMARKS

An EU trade mark may consist of any signs, in particular words, including personal names, or designs, letters, numerals, colors, the shape of goods or of the packaging of goods, or sounds, provided that such signs are capable of:

- distinguishing the goods or services of one undertaking from those of other undertakings; and-being represented on the Register of European Union trade marks ('the Register'), in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor.

The legal basis for the new EU trademark regulation is: Regulation (EU) No 2015/2424 of the European Parliament and of the Council amending the Regulation on the Community trade mark, known as the "amending regulation" in the specialized circles.

In line with business digitization, the development of the trademark law systems in EU Member States and the need to synchronize national laws, the amending Regulation contains provisions that were launched on 1 October 2017, introducing changes to three main areas.

- I. Presentation of the mark applied for as a Community trade mark As of October 1, 2017, the **requirement for a graphic representation of the sign** applied for as an EU trade mark **is no longer in force**. Signs may be presented in any appropriate form through available technologies so that the presentation is clear, accurate, legible, durable and objective. The principle is "protection for the sign that is visible".
- II. The regulation introduces **specific requirements for the presentation of some of the most common marks**. The following list contains the most common types of brands, their definition, presentation requirement, description requirements, examples and EUIPO application form for the trademark application, effective from 1 October 2017.

Types of EU trademarks are the following²:

² All definitions and examples are based on the official web site of EUIPO: www.euiipo.europa.eu/ohim_portal/trade_marks.

1. **Word mark** - ... "a mark consisting solely of words or letters or other standard typographical signs or a combination thereof ..." The mark shall be represented by a standard text and layout, with no graphic elements or color.

ADIDAS PHILIPS LEVI'S JUST DO IT

EUTM 002288355 EUTM 000205971 EUTM 000033159 EUTM 000514984

2. **Figurative mark**

2.1. **Simple figurative mark** - "... a mark which uses non-standard characters, stylization, layout, graphic element or color, including marks consisting solely of figurative elements or a combination of word and figurative elements ... EUIPO no longer accepts color claims; the presentation must contain the colors, if any, and all the elements of the sign. Format: JPEG

2.2 **Figurative mark with word element**



2.1 005271598 – ADIDAS AG



2.2 Jaguar Power 009687336

3. **Three-dimensional mark /shape mark/-** a mark consisting of or containing a three-dimensional shape, including containers, packaging, the product itself or its appearance. It is presented in a file showing the brand identity. Required format: JPEG

3.1 Shape mark /simple, without words/ 3.2 Shape mark with word elements



010532653 – COCA – COLA bottle Toblerone chocolate 014141113 COCA-COLA can

4. **A position mark** - '... a mark consisting of the particular way in which the mark is presented or affixed to the product ...'. 'It shall be presented in a manner which determines the position of the mark and its size or proportions in relation to the goods in question'. Elements that do not form part of the subject of registration "must be visually excluded. A brand description is acceptable. Format: JPEG



112044 PRADAS.A.

5. **Pattern mark** -... "a mark consisting only of a number of elements that repeat in a certain way ..." It is represented by a playback showing the way of repeating the elements. Can be described. So far, the description has been mandatory. Format: JPEG



18441 BURBERRY LIMITED



000015602 LOUIS VUITTON MALLETIER

6. **Single color mark** - '... a mark consisting of a single color without contour ...' It is represented by reproducing the color and indicating it by reference to a conventional color designation. So far, the color designation was not required. Format: JPEG



KRAFT FOODS SCHWEIZ HOLDING GMBH

7. **Color combination mark** - '... mark consisting solely of a combination of borderless colors ...'. It is represented by reproducing the color combination, indicating the location of the colors in a predetermined manner and indicating the colors by reference to a conventional color designation. So far, the color designation was not required. Can be described. So far, the description has been mandatory. Format: JPEG



THE BLACK & DECKER CORPORATION



9. **A movement mark** - ‘...a mark consisting of - or unfolding a movement or change of the positions of the elements of the mark ...’. It is represented by a video file showing the movement or change of the position, or a sequence of consecutive footage indicating the movement that can be numbered. “A description may be attached. So far it was obligatory format: JPEG or MP4



005338629 MICROSOFT CORPORATION

10. **Multimedia mark** - "... a mark representing image and sound ..." It is represented by an audiovisual file containing the combination of image and sound. Format: MP4



Presented in video

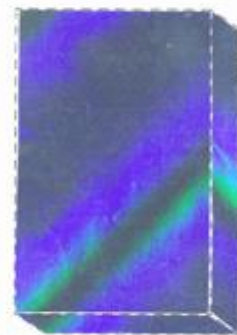
017451816 FAHNEN-GÄRTNER

11. **Holographic mark** - '... a mark consisting of elements having holographic characteristics ...' It is represented by a video, graphic or photographic reproduction containing the views necessary to establish sufficiently well the holographic effect in its entirety '. Format: JPEG or MP4. II. Changes in procedures From 1 October 2017 some changes to the procedures will come into force. 1. Regarding priority: The priority claims must be indicated by the filing of the EU trademark application. So far, it has been possible to bring them to the floor



012383171

PLANTE SYSTEM FRANCE



002559144

EVE HOLDINGS INC.

EUIPO introduces a new kind of trade mark into the legal practice under name of certificate marks.

They have existed in some national systems in the EU member states for years though in European legislation is a newest legal option.

The new legal option called '**certificate marks**' is characterized with the following main points:

- The European Union trade mark is a mark which is' **capable of distinguishing the goods or services certified by the proprietor of the trade mark** in respect of the material, the manner in which the goods are produced or the way in which the services are provided, the quality, the accuracy or other characteristics, excluding geographical origin, from goods and services not so certified.
- Essentially, the EU certification mark **refers to the guarantee of certain characteristics of certain goods and services**. It states that the goods and services covered by the mark correspond to a standard specified in the rules of use and controlled under the responsibility of the owner of the certification mark, irrespective of who is the manufacturer or supplier of the goods and services in question and actually uses the certification mark.
- Applicants for certification marks must include in their applications a declaration that they are applied for an EU certification mark.
- **Terms of use are the essence** of the certification mark. They must be submitted within two months of filing the application and must contain the following:
 - the characteristics of the goods and services to be certified;
 - the conditions of use of the certification mark;
 - testing and supervision measures that are applied by the owner of the certification mark.

All types of EU trademarks shall be obtained by registration.

III- REQUIREMENT FOR REGISTRATION OF EU MARKS:

Generally, trademarks registration is based not the positive required characteristics though on the negative grounds for refusal of signs for EU marks registration. The grounds for refusal of trademarks registrations are two groups: absolute and relative.

Absolute grounds for refusal of EU mark registration /inexhaustibly/

The following signs³ shall not be registered:

A/ signs which do not conform the requirement of EU mark definition;

b/ signs which are devoid of any distinctive character

c/ signs which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;

d/ signs which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade;

e /signs which consist exclusively of:the shape, or another characteristic, which results from the nature of the goods themselves;

- the shape, or another characteristic, of goods which is necessary to obtain a technical result;
- the shape, or another characteristic, which gives substantial value to the goods;

f/ signs which are contrary to public policy or to accepted principles of morality;

g/ trademarks which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service;

(i) trade marks which include badges, emblems or escutcheons other than those covered by Article 6ter of the Paris Convention and which are of particular public interest, unless the consent of the competent authority to their registration has been given;

(j) trademarks which are excluded from registration, pursuant to Union legislation or national law or to international agreements to which the Union or the

³ The author of this article uses terms ‘signs’ and ‘trade marks’ in the meaning of EU law as equal terms.

Member State concerned is party, providing for protection of designations of origin and geographical indications;

(k) trademarks which are excluded from registration pursuant to Union legislation or international agreements to which the Union is party, providing for protection of traditional terms for wine;

(l) trademarks which are excluded from registration pursuant to Union legislation or international agreements to which the Union is party, providing for protection of traditional specialties guaranteed;

(m) trademarks which consist of, or reproduce in their essential elements, an earlier plant variety denomination registered in accordance with Union legislation or national law, or international agreements to which the Union or the Member State concerned is a party, providing for protection of plant variety rights, and which are in respect of plant varieties of the same or closely related species.⁴

Relative grounds for refusal of EU trademarks

The trade mark applied for EU trademark registration shall not be registered if it is included in the following list:

Upon opposition by the proprietor of an earlier trade mark /applied or registered/:

(a)if it is identical with the earlier trade mark and the goods or services for which registration is applied for are identical with the goods or services for which the earlier trade mark is protected;

(b)if, because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected; the likelihood of confusion includes the likelihood of association with the earlier trade mark.

⁴ <https://euipo.europa.eu/ohimportal/en/community-design-legal-texts>

The term '**earlier trade mark**' means:

a/ trademarks of the following kinds with a date of application for registration which is earlier than the date of application for registration of the EU trade mark, taking account, where appropriate, of the priorities claimed in respect of those trademarks:

Trade marks registered in a Member State, or, in the case of Belgium, the Netherlands or Luxembourg, at the Benelux Office for Intellectual Property;

Trade marks registered under international arrangements which have effect in a Member State;

Trademarks registered under international arrangements which have effect in the Union;

(b) applications for the trademarks referred to in point (a), subject to their registration;

(c) trademarks which, on the date of application for registration of the EU trade mark, or, where appropriate, of the priority claimed in respect of the application for registration of the EU trade mark, are well known in a Member State, in the sense in which the words 'well known' are used in Article 6bis of the Paris Convention.

d/ TM with reputation in the case of an earlier Community trade mark, the trade mark has a reputation in the Community and, in the case of an earlier national trade mark, the trade mark has a reputation in the Member State concerned and where the use without due cause of the trade mark applied for would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

Examples for the TM with reputation: well-known TM for all over the world marks or for the marks with a reputation: IBM, Coca- Cola, Shell, etc.

6. Upon opposition by any person authorized under the relevant law to exercise the rights arising from a designation of origin or a geographical indication, the trade mark applied for shall not be registered where and to the extent that, pursuant to the

Union legislation or national law providing for the protection of designations of origin or geographical indications:

(i) an application for a designation of origin or a geographical indication had already been submitted, in accordance with Union legislation or national law, prior to the date of application for registration of the EU trade mark or the date of the priority claimed for the application, subject to its subsequent registration;

(ii) that designation of origin or geographical indication confers the right to prohibit the use of a subsequent trade mark.

In addition, there are many specific circumstances and conditions as cases of refusal of EU trade marks registration. Presentation of which exceeds the purpose of this article.⁵

IV- EFFECTS OF AN EU TRADE MARK – OWNER AND EXCLUSIVE RIGHTS

Any natural or legal person, including authorities established under public law, may be the owner/ proprietor of an EU trade mark.

An EU trade mark shall be obtained by following the specific legal procedure for registration.

The registration of an EU trade mark shall confer on the proprietor exclusive rights therein.

In general terms the exclusive rights in registered EU trade marks includes rights of the proprietor to use this EU trade mark, to prohibit other person to use and to transfer/ dispose of the registered EU trade marks. In more details:

A. right to use and right to prohibit other persons to use the EU trade mark

Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trade mark, the proprietor of that EU trade mark shall be

⁵ For more information about these cases you may visit the official web site of EUIPO: www.euiipo.europa.eu

entitled to use and to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where:

(a) the sign is identical with the EU trade mark and is used in relation to goods or services which are identical with those for which the EU trade mark is registered;

(b) the sign is identical with, or similar to, the EU trade mark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the EU trade mark is registered, if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

(c) the sign is identical with, or similar to, the EU trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the EU trade mark is registered, where the latter has a reputation in the Union and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trade mark.

The term **‘rights to use of’ trade mark** consist of the following activities:

(a) affixing the sign to the goods or to the packaging of those goods;

(b) offering the goods, putting them on the market, or stocking them for those purposes under the sign, or offering or supplying services thereunder;

(c) importing or exporting the goods under the sign;

(d) using the sign as a trade or company name or part of a trade or company name;

(e) using the sign on business papers and in advertising;

(f) using the sign in a manner that is contrary to Directive 2006/114/EC.

There is need to be clarifies terms: ‘advertising’, misleading and comparative advertising. There are following⁶:

⁶ Directive 2016/114 EC <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32006L0114>

- **‘advertising’** means the making of a representation in any form in connection with a trade, business, craft or profession in order to promote the supply of goods or services, including immovable property, rights and obligations;
- **‘misleading advertising’** means any advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which, for those reasons, injures or is likely to injure a competitor;
- **‘comparative advertising’** means any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor.

In determining whether advertising is misleading, account shall be taken of all its features, and in particular of any information it contains concerning:

-the characteristics of goods or services, such as their availability, nature, execution, composition, method and date of manufacture or provision, fitness for purpose, uses, quantity, specification, geographical or commercial origin or the results to be expected from their use, or the results and material features of tests or checks carried out on the goods or services;

-the price or the manner in which the price is calculated, and the conditions on which the goods are supplied or the services provided;

-the nature, attributes and rights of the advertiser, such as his identity and assets, his qualifications and ownership of industrial, commercial or intellectual property rights or his awards and distinctions.

Comparative advertising shall meet the following requirements:

-it compares goods or services meeting the same needs or intended for the same purpose;

-it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;

-it does not discredit or denigrate the trademarks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor;

-for products with designation of origin, it relates in each case to products with the same designation;

-it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products;

-it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name;

-it does not create confusion among traders, between the advertiser and a competitor or between the advertiser's trademarks, trade names, other distinguishing marks, goods or services and those of a competitor.

Any third party couldn't use this registered EU trade mark in the term of 'use' clarified upon without permission of the proprietor.

The entitlement of the proprietor of an EU trade mark pursuant to the first subparagraph shall lapse if, during the proceedings to determine whether the EU trade mark has been infringed, initiated in accordance with Regulation No 608/2013.

Limitation of the effects of an EU trade mark

An EU trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade:

- (a) the name or address of the third party, where that third party is a natural person;
- (b) signs or indications which are not distinctive or which concern the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of the goods or services;

(c) the EU trade mark for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of that trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

The use of EU trade mark should be in accordance with honest practices in industrial or commercial matters.

Exhaustion of the rights conferred by an EU trade mark

1. An EU trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.

This legal option shall not be applied where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

B. right to transfer/ to license the registered EU trade mark

An EU trade mark may be transferred/licensed, separately from any transfer of the undertaking, in respect of some or all of the goods or services for which it is registered.

A transfer of the whole of the undertaking shall include the transfer of the EU trade mark except where, in accordance with the law governing the transfer, there is agreement to the contrary or circumstances clearly dictate otherwise. This provision shall apply to the contractual obligation to transfer the undertaking.

An assignment of the EU trade mark shall be made in writing and shall require the signature of the parties to the contract, except when it is a result of a judgment; otherwise it shall be void.

On request of one of the parties a transfer shall be entered in the Register and published.

III. Application process within EUIPO

To obtain exclusive rights in EU trade mark the applicant should follow the legal procedure for this purpose starting with to fill up the application form.

There are three crucial pieces of information on the application form:

- Ownership - any individual or company can own an EU trade mark; the details are made public and must be kept up to date so that there can be no doubt who owns the mark.
- What can be an EU trade mark - your trade mark must be clearly represented.
- Goods and services - must be defined so that other traders understand what goods and services your application covers.

The basic fee is due within one month from the date the application is received by EUIPO. Please note that we only examine trade mark applications and process any mail related to them after they are paid for.

- The basic fee covers one class for EUR 850.
- The fee for the second class of goods and services is EUR 50.
- The fee for three or more classes is EUR 150 for each class.

You can calculate the exact fee depending on the number of classes and filing method of your application.

An EU trade mark is valid for 10 years. It can be renewed indefinitely, 10 years at a time for each renewal.

How to apply for, how to register and how to manage the registered EU trade mark are complex matter explained in detail on the official site of EUIPO. A successful application and registration of EU trade mark is the beginning point for a successful brand strategy which is no subject of this article.

A European Union trade mark is valid in all 28 countries of the European Union: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia,

Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherland, Poland. Portugal, Romania, Slovakia, Spain, Sweden, UK.

From 1 October 2017 some changes to the procedures have come into force.

1. Regarding priority

Priority claims must be indicated by the filing of the EU trademark application. So far, it has been possible to claim it after filing the application. Documentation supporting the claim must be filed within three months from the date of application for the trade mark. The priority claim is no longer subject to substantive examination. It remains as a "no evidence" claim until it is invoked and does not have to validate in the proceedings.

2. Concerning the distinctive character acquired by the sign

The applicant has the legal possibility to invoke an additional or alternative claim at the beginning of the application procedure or later. The advantage of the supplementary claim is that it is subject to consideration only if there is a negative final decision on the intrinsic distinctive character. This allows the applicant not to carry out the costs of collecting and submitting proof of use, unless it is necessary.

3. Regarding the opposition proceedings or the removal of an EU trade mark

The EU Trade Marks Delegation Regulation introduces framework rules on delayed evidence and codifies the practice of the Office for the Suspension of Suspensions and the Termination / Continuation of Pending Revocation or Cancellation Orders.

4. Presentation of online evidence

EUIPO accepts evidence of earlier rights for registered trademarks, certain trade marks, or geographical indications if the content of the relevant national legislation and practice is available in an online source recognized by the Office (SISES). The

Office takes as evidence all databases of national and regional EU IS services using the 'tmview' portal.

5. Communication language

Most types of evidence can also be submitted in any of the official EU languages. Where the language used for substantive evidence (with the exception of filing, registration or renewal certificates or provisions of the relevant legislation) is not the language of the proceedings, translation will only be necessary when requested by the Office. Evidence of acquired distinctive character or reputation falls into this category. The "translation standard" requirements are no longer as high as before. When a party has indicated that only parts of the document are relevant, the translation may be limited to those parts.

6. Means of communication with the Office

The ways of communicating with the Office have been changed in view of the development of information technology. In particular:

- Old forms of communication have been canceled. Applying directly to the Office (by hand in place) or in the Office mailbox;
- The term "electronic means" is defined more widely, "Fax" and potentially many other types of resources.

7. Board of Appeal

The EU Trade Marks Amendment Regulation consolidates the provisions relating to the Boards of Appeal. The main clarifications and amendments relate to the content of the grounds and the reply, the 'cross-appeals', the claims made and the facts or evidence submitted for the first time before the Boards of Appeal, the new absolute grounds put forward by the Boards of Appeal, the accelerated proceedings and the organization and structure of the appellate compositions.

V- ECONOMIC AND ADMINISTRATIVE EFFECTS OF EU TRADE MARK

There are many advantages in EU trade mark as a legal option for national and legal persons which are summarized as following:

- Electronic way of application of EU trade mark. No paper application, no conventional letter or transmission by fax as a mandatory way of application;
- Fees for application and registration of EU trade mark is € 1050 for 3 classes /850 for 1 class/ of Nice classification of goods and services for 10-years period of protection without no limit of renewal.
- Obtaining short terms for the publication of applied trade mark in the Bulletin of the EUIPO⁷;
- Reducing of conflicts in trade between Member States due to the differences in national legislation in the field of trademarks;
- Overcoming obstacles to competition in the Community and the free movement of goods caused by the huge number of applications, departments and procedures.
- The applicant should know only one procedure for the application and registration of EU trade mark instead of many specific national application and registration systems;
- The applicant can submit only one application /instead of 28 different applications for each member state of the EU /;
- The applicant can use only one language for EU trade mark application or two languages if he decides not to use a national language;
- communicates with only one Office during the procedure of registration of EU trade marks;

⁷ Markova, M., 'Intellectual Property Rights and Consumer Behavior', Advances in Economics and Business, N1, 2017 <http://www.hrpub.org>.

- if the applicant wills he may use a EU trade mark as a national within Madrid system and to obtain a wider geographically protection internationally obtained and based on EU trade mark.

INSTEAD OF CONCLUSION: At EUIPO are registered almost 135 000 trademarks every year. Using the system of EU trade marks companies may obtain different signs to identify and differentiate on the global digital and high competitive market. To implement and realize a complex differentiation strategy they may use EU trademarks and EU industrial design and this way to achieve a synergetic effect based on IP rights.⁸

⁸ Markova. M., Protection of industrial design as IP rights in European Union, NTUT Journal IP law and management, 2018, N 7

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www.eu-lex.europa.eu

The relationship between intellectual property and human right and a policy oriented recommendations

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Abstract

The objective of this review is to analyze possible interrelation and conflicts between intellectual property law and human right, with particular attention to the right of health, as well as their impact on social acceptability and effectiveness of the legal norms. Intellectual property protection has been debated for long time because of its impact on the society and the environment. It is important to take into consideration when nation do not adopt the legislation as it makes a back step historically in the protection of human due to the fact that the importance of human rights is established by it's implementation. We will examine different legal mechanism that are used and can be used in order to balance the interest involved, focusing on human rights norms recognized by national and international law. We aim to analyze the different aspects of the relationship between human rights and Intellectual property with a special focus on the right of health. Intellectual property protection, have implication on the right to health and related human rights in a different ways. Intellectual property protection can affect medical research and the access to medicines. We will see how medicines are of decisive importance for the preservation and maintenance of the health of citizens, especially in developing countries which justifies the special attention that governments give to their regulation. A balance must be sought between these international rights and access to medicines by patients in developing countries at affordable prices. Companies need to use patents not only as incentives and mechanisms of innovation, but as strategic assets for the generation and conservation of dominant positions. We will set policy-oriented recommendations with the aim to enhance social acceptability and legitimacy of intellectual property law and guidelines on development of intellectual property norms.

Keywords: Human right, Intellectual Property, Health Right, Right to Life, Patents

I. Background of the Research Proposal, Objectives and Main Research Area

Intellectual property and human rights are two different strands that have long been treated and developed independently. Their relationship has been at the center of several national and international debates and examination over the last few years becoming a central issue of theoretical and empirical research and interpretation, and over time have been strongly integrated into the curricula of law and social science universities. These debates tried to identify the limits of the political space and to define the appropriate relationship between them.

The field of Human rights have recently attracted a great deal of interest. The common understanding of these rights in the constitutional theory is considered a part of a very active movement and its treatment in the international arena is structured and at the same time complex and dynamic. The fact that the human being is the central subject of human rights differentiates human right from legal rights recognized in intellectual property systems.

Intellectual property (IP) protection has been constantly debated because of its impact on the society and the environment. The number of patent is frequently used as a measures for a county's economic growth and inventiveness. However if the purpose of IP right is to incite innovation and creativity, an integrated approach between IP and human right is essential. The human-rights approach need to ask all governments to protect their citizens from the negative effects of intellectual property by analyzing the likely impact of specific innovations, and to utilize these data to guarantee human rights. A human rights approach seeks to draw attention to the way in which the international community relates to press global challenges. For science and technology, the approach requires scientists to go further by knowing how their work relates to human rights, and ask them strive to ensure and affirm these rights through the knowledge they produce. Thus a human right approach to IP is also crucial in order to ensure users to be treated in the same way as owners and producers which are normally regarded as are the only "rights" holders¹.

The importance of intellectual property rights is seen as an issue closely tied to the conflicts associated with technological development and, more generally, to the value acquired by knowledge in what some have called the "information society" (Castells, 1997). In a context where the technological capacity to broadcast and information disclosure makes it possible for artistic and intellectual creations, for technological and scientific innovations and everything that is considerate as "knowledge" and "information" to reach different spaces beyond those that gave rise to them. The problem associated with the application and effectiveness of the intellectual property rights, are particularly relevant, both in terms of the protection of individuals and the protection of collective rights (Berger 1999). In addition to the

¹ Helfer, L. R. (2003). Human rights and intellectual property: Conflict or coexistence. *Minn. Intell. Prop. Rev.*, 5, i.

fact that the technological changes have the ability to quantify and qualitatively change the value of knowledge and information which they can also unmask the limitations and anachronisms of the current intellectual property regime in order to respond to the challenges posed by the new digital environment. This is due, from one part to the fact that its meaning and capacity for harm largely exceeds those of the analogue environment (which requires to rethink laws concerning intellectual property rights according to the new context) but also the challenges associated with new economic and political developments which cast doubt the current legal system and face new ethical challenges.

For instance, the new transformation based on a segmented production able to challenge a wide variety of consumers and responding to local demands and tastes concur in what we call as the economy of culture which imply important consequences. Indeed, cultures considered as “social totalities” become products and source of tradable goods in the market.

In this sense, the growing importance of intellectual property rights is not coincidental. It unfolds in an international arena where the constant call for human rights constitutes the platform for its growing politicization, from which diverse minorities and ethnic groups begin to see themselves and to be seen as new social and political actors.

Based on these argumentation, our thesis argues that the consecration of resources, goods and knowledge in terms of “intellectual property rights” is closely related to other aspects such as human rights.

Objectives: The overall objective of the proposal is to assess the intersection and potential dispute between intellectual property and human right and understand its implication in Europe exploring alternative frameworks for conceptualizing their relationship. Thus, find new type of useful an legal and politics mechanisms to ensure the respect of human rights in the case of expansion of intellectual property in areas including freedom of expression, public health, education, privacy, life and etc.

To reach the overall objective, the project will focus at two different levels (specific research question):

1. What are the implications of intellectual property and innovation in the human right for example the right of health in the national and international level?
2. What type of legal and politics mechanisms are necessary in order to implement human rights effectively if we assume that the two field are closely interconnected.

II. Methodology and Time Plan

This research will use state-of-the-art knowledge to develop an innovative approach in the research of strategies to preserve human rights and to open and find type of legal and politics mechanisms in order to effectively implement human rights. It would be necessary to study international and national constitutions in order to understand how those constitution protect these two rights in different countries with the aim to find a solution to increase international obligations through various arrangements. Although States are responsible for ensuring the protection of human rights, there are many other players that should be involved in the development of new rules. Thus we will try to outline those actors and possible measure that could help reach the objectives. It offers new perspective in order to analyze the difficult relationship of human rights and intellectual property in legal practice and academic research.

III. Description of the Proposed Research

Intellectual property (IP) and human rights are two different fields which have been subject of separate discussion and debates for long time. Their relationship require to be reviewed carefully in order to understand the effect of intellectual property rights on the implementation of human rights and understand how to address new challenges concerning contributions to knowledge and innovation.

This article examines the different aspects of the relationship between these two fields and the impacts of existing intellectual property rights system on the realization of human rights with a special focus on the right of health. The debates about the IP and human rights tried to identify the limits of the political space and to define the relationship between them. Since the introduction of the World Trade Organization (“WTO”) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), national and international organizations, courts, and researchers have more attention on the intersections of human rights and intellectual property rights. Back in time, the intersection between IP and human right can be seen from the 1948 Universal Declaration of Human Rights, (UDHR) which states that everyone has the “right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he (or she) is the author”, as well as the “right to enjoy benefits of scientific progress and its applications”.²

The statement proposes that the promotion of innovation and the diffusion on science and technology have to take into account the human rights. Precisely in the

² On the conflict of intellectual property and the right to health, see D. Matthews, ‘Right to health and patents’, forthcoming in: C. Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Cheltenham, UK/ Northampton, MA, Edward Elgar, 2014).

innovation sphere we can find Intellectual property which refers to the area of law responsible for the legal protection granted to all intellectual creation of the human mind, such as inventions, creative literary, scientific or artistic labor, distinctive signs and images used for business purposes³. Whereas human rights as a part of the human being represent the basic right that individuals have, by the mere fact that they are human beings and as such they possess unique attributes, that makes them a unique. The field of human rights have recently attracted a great deal of interest becoming a central issue of theoretical and empirical research and interpretation, and over time have been strongly integrated into the curricula of law Universities. The common understanding of these rights in the constitutional theory is considered a part of a very active movement and its treatment in the international arena is structured and at the same time complex and dynamic. It is worth stressing that the term human right goes beyond merely recognizing civil and political right. The term is immersed in the international framework through the establishment of international treaties, which have conferred legal form on human rights and developed the body of international human rights. The fact that the human being is the central subject of human rights differentiates human right from legal rights recognized in intellectual property systems⁴.

IP has become very popular over the years being the subject of a number of international and national laws. This growing interest comes from the fact that in the modern economy the potential benefits of scientific research and technological innovation are protected by the intellectual property. Intellectual property would therefore be a powerful stimulus to scientific and technological growth⁵ in that it allow inventors to develop and exploit new knowledge and ideas. Therefore, through the introduction of their new products, information, and creative activities provide the benefit for the society. Within this framework, a society where knowledge and information are fundamental sources of progress, decide to reward authors giving them the IP rights.

The recognition of IP rights enables authors make their inventions available to the market under monopoly conditions, for a given period and foster creativity. In this way they can achieve economic advantages which able to compensate sustained efforts in innovation. Benefits arising from the attribution of intellectual property rights may have an influence on economic players' R&D investment⁶.

³ Dratler, J., & McJohn, S. M. (1991). *Intellectual Property Law: Commercial, Creative, and Industrial Property* (Vol. 1). Law Journal Press.

⁴ Corao, C. M. A. (2003). *La jerarquía constitucional de los tratados relativos a derechos humanos y sus consecuencias*. Fundación Universitaria de Derecho, Administración y Política.

⁵ Williams, H. L. (2013). Intellectual property rights and innovation: Evidence from the human genome. *Journal of Political Economy*, 121(1), 1-27.

⁶ Dinwoodie, G. B. (Ed.). (2013). *Methods and Perspectives in Intellectual Property*. Edward Elgar Publishing.

The recognition of this right is not without its associated duties, taking into account the social implications that entails. State legislature. In this context, consideration should be given by legislatures on the impact that scientific advances and thus IP are likely to have into the society. Accordingly, legislations around the world need to take ethical issues and fundamental principles such as the respect for human rights into consideration. In this contexts, scholars highlight the fact that IP should have a social function and that its right must be exercised for the well-being of the society⁷.

The intersection between these two fields is undoubtedly relevant,⁸ however little attention has been given to the implications of the intellectual property on some rights, namely with regard to IP protection and the negative consequences on human rights. More specifically, with regards to patent protection and the right to life or even health. For example, intellectual property protection can have implication on the right to health and related human rights in a different ways. Intellectual property protection can affect medical research and the access to medicines.

Medicines are of decisive importance for the preservation and maintenance of the health of citizens, which justifies the special attention that governments give to their regulation. This regulation covers aspects as diverse as manufacturing and marketing conditions in order to ensure efficiency and safety, prices, and coverage by public health services. Access to medicines is an old concern that affects both developed and developing countries, with the aim of ensuring that citizens can dispose of products with a high standard of safety and security that are necessary for the maintenance and improvement of their health. Regardless of their peculiarities, medicinal products are nonetheless commodities which must therefore be produced and are susceptible to commercial traffic both within the frontier boundaries of States and economic integration organizations and outside in the international level . Like any other merchandise, medicines are produced and marketed by industries that pursue the economic profitability of their business.

IV. The Right to Health

The Constitution of the World Health Organization (WHO) of 1946 recognized "enjoyment of the highest attainable standard of health". The right to health is a human right recognized by international human rights treaties. Despite the right to health is recognized in international human rights treaties, it has different definition. We can find different developments in international law regards to the definition of the right to health, which includes both health care and healthy conditions⁹. These

⁷ Geiger, C. (2013). The social function of intellectual property rights, or how ethics can influence the shape and use of IP law.

⁸ Raustiala, K. (2006). Density and conflict in international intellectual property law. *UC Davis L. Rev.*, 40, 1021.

⁹ Yamin, A. E. (2005). The right to health under international law and its relevance to the United

norms provide a framework that change the analysis of issues such as the disparities in treatment. The right to health is a term included in the international human rights. It implies that government or international organizations should ensure one's good health¹⁰. According to the Universal Declaration of Human Rights, which is considered by the UN General Assembly as a common standard for all humanity, the right to health include the right to a “standard of living adequate for the health and well-being of himself and his family, including . . . medical care and . . . the right to security in the event of . . . sickness, disability . . . or other lack of livelihood in circumstances beyond his control”. The fulfillment of the right to health include providing humans with voting right if there is a need to decide about their well-being. The lack of protection of the health implies economic and social problems¹¹. The context of human rights could avoid that all the decision which have to do with health be matters of political discretion.

There is the right, protected by the ICESCR¹² to enjoy the highest attainable standard of physical and mental health which include the obligations of states to ensure, in particular for vulnerable or marginalized groups the right of access to health facilities. In the case of primary health care, this right cover the provision of essential drugs¹³, for example in the case of HIV/AIDS. The UN Human Rights Commission indicate that access to medication is an essential element for achieving the full realization of the right to health¹⁴. The possibility to get access to medicines and their affordability are two central components of the right to health. They can enhance the access through incentives for the development of new drugs and also restrict access because of the comparatively higher prices of patented drugs¹⁵. Furthermore, patent protection helps to promote medical research by availing the pharmaceutical industry to cover the costs of testing and developing new drugs. However, economic reasons of IP rights foster researches in more beneficial disease instead of concentrate also in disease affecting people in developing countries. Thus in those countries IP right is not interested investing in relation to neglected

States. *American Journal of Public Health*, 95(7), 1156-1161.

¹⁰ Leary, V. A. (1994). The right to health in international human rights law. *Health and human rights*, 24-56.

¹¹ Marks S. The new partnership of health and human rights. *Hum Rights Dialogue*. 2001; 2 : 21 – 22. Available at: <http://www.cceia.org/viewMedia.php/prmTemplateID/8/prmID/650>. Accessed March 13, 2005.

¹² International Covenant on Economic, Social and Cultural Rights Adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966 entry into force 3 January 1976.

¹³ Gimigliano, F., & Negrini, S. (2017). The World Health Organization “Rehabilitation 2030—a call for action”. *European Journal of Physical and Rehabilitation Medicine*.

¹⁴ Cullet, P. (2007). Human rights and intellectual property protection in the TRIPS era. *Human Rights Quarterly*, 29(2), 403-430.

¹⁵ Joint United Nations Programme on HIV/AIDS., & UNICEF. (2010). *Children and AIDS: Fifth Stocktaking Report, 2010*. UNICEF.

diseases¹⁶. Furthermore, the holders of pharmaceutical patents are able to impose drugs' price above the production cost making them unattainable for many people who need them¹⁷.

In recent years, one of the most controversial discussion has focused on the impacts of medical patents on the realization of the human right to health in some countries, especially¹⁸ the developing ones.

Although there is no international agreement or international declaration recognizing the right of everyone to access essential drugs, it can be understood that this right is inferred from the right to life and the right to health¹⁹, constituting an essential aspect of both rights. The right to life is laid down in the Universal Declaration of Human Rights (1948) and recognized in most political constitutions. In addition, Article 25.1 of the declaration states: "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. The right to medical and social services includes not only health facilities and services, but also access to medicines, as a fundamental component for the full exercise of the right to health."

For this reason, different international forums have given rise to agreements committing states to promote the conditions for the access to health services, including access to medicines²⁰. Taking the right to health as a point of reference, it should be noted that the latter is expressly recognized in the preamble of the WHO which expressly affirms the right to the highest attainable standard of health. Of particular interest is the Art.12 of the International Covenant on Economic, Social and Cultural Rights (ICESCR), an agreement concluded in 1966, whose script is very close to the explicit recognition of the right of everyone to access medicines. Thus, Art.12.1 of the Covenant states that "The States Parties to the present Covenant recognize the right of everyone to the enjoyment of the highest attainable standard of physical and mental health". And article 12.2 states "The steps to be taken by the States Parties to the present Covenant to achieve the full realization of this right

¹⁶ Nwobike, J. C. (2006). Pharmaceutical corporations and access to drugs in developing countries: the way forward. *Sur. Revista Internacional de Derechos Humanos*, 3(4), 126-143.

¹⁷ Millum, J. (2008). Are pharmaceutical patents protected by human rights?. *Journal of medical ethics*, 34(11), e25-e25.

¹⁸ E.g., James Thuo Gathii, Rights, Patents, Markets and the Global AIDS Pandemic, 14F IA.J.I nt ' ll. 261 (2002)

¹⁹ Hogerzeil, H. V. (2006). Essential medicines and human rights: what can they learn from each other?. *Bulletin of the World Health Organization*, 84(5), 371-375.

²⁰ United Nations Human Rights Commission adopted a resolution (April 2001) which recognizes the treatment for people living with HIV / AIDS as essential for the full exercise of the right to the highest standard of health.

shall include those necessary for: (a) The provision for the reduction of the stillbirth-rate and of infant mortality and for the healthy development of the child; (b) The improvement of all aspects of environmental and industrial hygiene; (c) The prevention, treatment and control of epidemic, endemic, occupational and other diseases". States parties will take the necessary steps to "The creation of conditions which would assure to all medical service and medical attention in the event of sickness."

The territorial scope of application and, therefore, the global obligation of this agreement is very broad. The exegesis of article 12 of the ICESCR makes it possible to recognize any person to access to medicines, as well as the fact that responsibility for the implementation of the right lies with each country. Accordingly, affected States should allocate the necessary public resources available in order to ensure and provide essential drugs. It should also be understood that States will refrain from adopting international standards that directly or indirectly interfere with the exercise of this right or that limit the possibilities of effective exercise of this right. In particular, States should refrain from adopting international agreements on intellectual property. This is due to the fact that it can enable to confer unnecessary benefits to the holders of intellectual property rights and would make it impossible for citizens to obtain patents protecting their innovations. The right of access to medicines has a positive legal content in the sense that its effective exercise would require the positive action of the international community (article 12.2.d)²¹. Thus, since what is being protected is health and, therefore, the life of people, states should carry out the necessary acts to ensure free medication when are essential for all person who lacks the resources to acquire them. In this regard, in the Charter of the United nations signatory of the United Nations (Article 55)²², all countries are committed to promote higher standards of living and solutions to international problems related to health. A company which has developed a medicinal product capable of saving the life of a person, has a responsibility under human rights to take all reasonable steps to make medicine as accessible as possible, as soon as possible, for each one that would need it²³. In the present stage of development of international law, it is difficult for pharmaceutical companies to have a legal obligation to ensure the fulfillment of the human right to medicines. In this regard, and among other considerations, it should be borne in mind that the international patent system has been created by all States of the international community. Hence, States, as declared also by the Paris Convention for the Protection of Industrial Property (1883) should

²¹ UN General Assembly, *International Covenant on Economic, Social and Cultural Rights*, 16 December 1966, United Nations, Treaty Series, vol. 993, p. 3, available at: <http://www.refworld.org/docid/3ae6b36c0.html>

²² United Nations, Charter of the United Nations, art 55, 24 October 1945 available on <http://www.un.org/en/charter-united-nations/>

²³ Higgins, R. (1995). *Problems and process: international law and how we use it*. Oxford University Press.

require companies not to abuse their patent if they do not want the invalidity of their patent.

Looking back historically, until 1995, each country had the possibility to design its own patent, seeking the balance between the impulse of innovation and the enhancement of the availability of the drugs for its population. Many developing countries signed up for this freedom with the exception of patent medicines or only limited patent protection. Furthermore, some rich countries choose to wait for local pharmaceutical industries to emerge before applying a patent regime in their own markets, and thus did not protect patent during the early stages of their development. In 1995, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) was created which requires WTO member countries to protect patents for at least 20 years from the date of submission of all new technologies, including pharmaceuticals. The TRIPS Agreement is a substantial change for many poor countries. The article 8 of this agreement states as follow:

1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

However, the protection provided are considered in some way ambiguous and difficult to apply. This is the case of parallel imports which are limited to patents, so pharmaceutical multinationals can seek to establish uniform prices on a world scale at the highest possible level. Therefore, parallel imports' usefulness is minimal for developing countries, unless extended to equivalent generic products. Compulsory licenses can only be granted if the receiver has made an effort to obtain a permit from the owner of the patent and has received an adequate compensation.

In developing countries, millions of people lack access to adequate health care, including the lack of availability of high-quality drugs. The dramatic spread of the AIDS pandemic, which particularly affects diverse populations in sub-Saharan Africa, Asia and Latin America, highlights the significant inequality in health and quality of life among the rich and the poor countries. Although countries with well-established market economies have treatments for HIV / AIDS patients, the disease is often a death sentence for patients in less developed countries²⁴. The

²⁴ Juma Calestous (1999) Intellectual Property Rights and Globalization: Implications for Developing Countries. Technology and Innovation Discussion Paper No.4, Center for International

pharmaceutical industry is painfully aware of this tragic disparity and is deeply concerned about the global threats posed by potentially deadly communicable diseases such as AIDS, malaria and tuberculosis.

The lack of access to health care in poor and developing countries is fundamentally a question of poverty and development that must be tackled like any other global problem. For instance, it can be recalled that the proportion of patented drugs is extremely low: only 10 of these 306 drugs are subject to patent in industrialized countries, and the proportion is even lower in developing countries. However, patients in these countries do not receive these out-of-patent drugs as needed. From a global perspective, the main barriers to access to health care in the developing world range from financial barriers which include the insufficient public and private funding to mere barriers such as transports, facilities, sanitary equipment, distribution channels, water supply and etc. In addition, foreign investment has been discouraged by a number of aspects such as wrong political priorities, dubious economic policy options (protectionism, poor intellectual property), political instability and corruption. In hard- to- reach areas, access to health care service is also hampered by basic social and educational obstacles.

In these circumstances, people living in those areas do not have easy access to those treatment when they face the need of complex treatments and regular doctor visits, periodic medical supervision, and combinations of products (treatment for HIV / AIDS). However, the pharmaceutical industry is contributing and committed to improving its efforts to respond to this critical challenge. It is often disregarded that all the drugs and vaccines currently used to combat the world's diseases, including tropical diseases, are originated by the pharmaceutical industries. Even those few products not discovered by the pharmaceutical industry are available because the pharmaceutical companies tested and developed them. Drugs developed by pharmaceutical Research and Development (R&D) have provided health benefits to developing countries. Thus, pharmaceutical companies have long been making significant contributions to public health efforts in many developing countries around the world.

However, in most cases, pharmaceuticals products have often been wrongly used, and pharmaceutical R&D on health issues specific to poor countries remain inappropriate and the treatment of diseases in developing countries is still facing challenges.

It thus follows clearly from this review that intellectual property and innovation should take into account certain fundamental ethical principles ensuring an equitable balance of interests within them. The study of this relationship remains a relatively unexplored field and the lack of settled normative framework for understanding the intersection between IP and Human rights have led to experts, judges, and scholars

all over the world to seek ways to solve these issues and analyze the interconnection between the two legal rules and whether human rights should serve as an instrument of amendment in those cases where intellectual property rights are used excessively and contrary to their functions²⁵.

V. Innovative Character of the Proposal

Over the last few years, important national and international development have set off the debate on the relationship between the human rights and the intellectual property, becoming a central theme which have been strongly integrated into the curricula of many universities. However, Intellectual property law has not made important contributions to the comprehension of the potential impacts that it can have on the implementation of human rights.

Indeed, despite the fact their relationship has been at the center of several debates, they have so far been confined to try to understand the limits of each right and to define the appropriate relationship between them.

This study is different from previous ones because it involves the warning to establish new treaties at national and international concern in a novel approach due to the fact that few efforts have been taken in order to balance intellectual property rights and the human rights. Human-rights law is still considered a “soft” law with the consequence that, its legal treaties are not strong enough to fully impose more flexible observance of patents.

VI. Societal Relevance

One of the main purpose of patents is to promote innovation and the dissemination of information. Nobody would be encouraged to spend time and energy looking for innovation if without having an economic return. This rule is applied in the field of the pharmaceutical research. The cost of developing a new drug, from research and development (R&D) entails a long and costly procedure. Unfortunately public institution do not bear the cost of such issue and government allocate a very small part of their quotation to research .It would be useful that those research would be fully financed from institution in order to handle such disease. However Government have other priorities and interests.

There are different reason of why these results can be applied in other research areas. First of all an human rights need to protect human from the possible negative effects of intellectual property. A human rights approach should focus to the attention to the way in which the international community relates to pressing global challenges.

²⁵ Helfer, L. R. (2008). Redesigning the European Court of Human Rights: embeddedness as a deep structural principle of the European human rights regime. *European Journal of International Law*, 19(1), 125-159.

Intellectual property needs to be considered not as an absolute right, but a right with social limits, a right that can give way when required by the general interest.

A sustainable economic and social system where knowledge and information are fundamental sources of progress for countries and societies, requires the clarification of key ethical issues and fundamental principles such as the respect for human rights within the broader context of fundamental rights, promote fundamental freedoms, economic progress and social equity.

VII. Conclusion

Pharmaceutical development is a high risk issue due to the uncertainty in returns, it is imperative to protect intellectual property in order to use the revenues from these products to support research into new and better products for diseases, including those that particularly affect the developing world. Without intellectual protection, the resources needed for this research would be greatly diminished, ruining the hopes of millions in the developing world looking to the industry to find new cures, vaccines and more effective treatments for the diseases that affect them. Therefore, patent rights are fundamental for the pharmaceutical sector and for our society, since they protect innovation. A balance must be sought between these international rights and access to medicines by patients in developing countries at affordable prices. Companies use patents not only as incentives and mechanisms of innovation, but as strategic assets for the generation and conservation of dominant positions. Patent licenses are only one component of the new knowledge markets. Technology markets and science market are joined and new players patented innovations derived from basic research and development that were previously not classified as patentable. At the same time, further markets are also generated, in which patents acquire the role of strategic asset, beyond the effective use of protected innovation in present or future tangible production. On the one hand, patents become a determining asset to redefine the strategic and hierarchical position of companies and increase their bargaining power. Patents become assets, easily tradable between companies, which allow for legal disputes and facilitate cross-licensing agreements.

In this context the right of health allows human beings to live in dignity, requires states not only to sign and ratify international human rights treaties, but also to develop public policies that will materialize the realization of this right. To that extent, states must ensure that their actions as members of international organizations take into account the right of everyone enjoy the highest attainable standard of physical and mental health and therefore international agreements must support the public health policy that promotes widespread access to medical technologies and drugs for prevention, healing or relief.

VIII. Recommendation

The following recommendations outline what key players could do in order to allow the access to essential drugs and allow the respect of human rights.

It would be necessary to revise the international patent agreements. Developing countries must maintain the right to produce, market, import and export affordable medicines. For this reason, TRIPS Agreement that safeguard public health should be strengthened. Furthermore it would be necessary humanize pharmaceutical companies. Pharmaceutical companies must reduce the prices of essential drugs to make them fair and affordable for poor countries. Prices should be determined as part of an international and transparent system based on the country's ability to pay.

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