

## 11. SUMMARY

### 11.1 MISAPPROPRIATION AND COMMON LAW INTELLECTUAL PROPERTY RIGHTS UNDER NETHERLANDS LAW

This study investigates whether there is room for a *misappropriation doctrine* under Netherlands law. *Misappropriation* deals with the issue whether a protection, which is similar to the protection provided by statutory intellectual property rights, can be granted under 'common law'<sup>1</sup> to immaterial objects that are not covered by such statutory rights.

It is obvious that a form of protection is in any case *similar* if it is *identical* to the protection provided by statutory intellectual property rights. Therefore, the first question that arises is whether or not courts can recognize common law intellectual property rights at all.

Some legal scholars have taken the position that the granting of exclusive common law rights is not possible. However, a review of the arguments put forth to substantiate this position leads to the conclusion that there appear to exist no decisive fundamental arguments against the recognition of common law intellectual property rights. It is true that such rights can have far-reaching consequences, but this does not necessarily justify the conclusion that they should not be recognized at all without a statutory foundation. Because of these far-reaching consequences, it would facilitate matters if courts were able to refer to statutory regimes that can be applied by analogy. However, the existence of such a regime does not appear to be a *conditio sine qua non* for the granting of exclusive common law rights.

### 11.2 COMMON LAW INTELLECTUAL PROPERTY RIGHTS IN THE JURISPRUDENCE OF THE NETHERLANDS SUPREME COURT

Recent Supreme Court decisions addressing the possibility of a misappropriation doctrine have led to a number of publications about this subject. This could lead to the misapprehension that the granting of common law intellectual property rights is a new phenomenon, which the courts have had to deal with only in the past few years. The case law of the Dutch courts illustrates that the courts have

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<sup>1</sup> As used in this thesis, the term 'common law' does not have the traditional Anglo-American connotations, but is used to refer to law derived from non-statutory sources.

dealt with — and acknowledged — exclusive common law rights in a number of cases since the final decades of the 19th Century.

As early as 1882, the Netherlands Supreme Court recognized in its *Farina*-decision<sup>2</sup> an exclusive common law right, without any available statutory foundation, in a tradename.

A statutory regime did exist for trademarks pursuant to the previous Trademark Act of 1893. The Act, however, did not appear to support the concept of a trademark right as an exclusive property right. In the period from 1910 through 1940, the Supreme Court developed trademark law from a codified set of legal standards into a full-blown exclusive property right. According to *Meijers*, one of the leading authorities on civil law and the initial drafter of the New Netherlands Civil Code, this case law did put trademark law at the same level as property rights on material objects, or copyrights and patents.<sup>3</sup>

A statutory foundation — albeit a small one — was also available with regard to the protection of 'all writings', whether original or not, which was provided for in a series Supreme Court decisions rendered from 1937 through 1965. In these decisions, the Supreme Court gave a very broad interpretation to the phrase 'and all other writings' of article 10, section 1, paragraph 1 of the Copyright Act of 1912.<sup>4</sup> In determining the scope of protection for such non-original writings, the Supreme Court applied the protection provided for in the Copyright Act only partially by ruling that the provisions of that Act were applicable by analogy and only to the extent that such was justified by the nature of such writings. The status of this protection is in essence that of a common law intellectual property right.

A minimal statutory foundation exists for the protection granted by the courts against the use of portraits of 'celebrities'. The basis for this right of publicity is a very broad interpretation of the term 'reasonable interest', which is used in article 21 of the Copyright Act. This article provides the right to prohibit any publication of a portrait that conflicts with a 'reasonable interest' of the person portrayed. The drafters of this article of the Copyright Act in 1912 were probably thinking only of matters of privacy, but the Supreme Court has nevertheless held that commercial interests also constitute a reasonable interest. The scope of protection granted by this right of publicity cannot be found in article 21 of the Copyright Act. It must be determined in its entirety by the courts. Unlike its reasoning with regard to the protection of non-original writings, the Supreme Court did not refer

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2 Supreme Court, 21 april 1882, W. 4770 (*J.M. Farina/Ayelts*).

3 *Meijers* (NJ 1939, 535).

4 Supreme Court, 1 November 1937, NJ 1937, 1092 (*Telephone Directory*); Supreme Court, 17 April 1953, NJ 1954, 211 (*Radio Guide*); Supreme Court, 27 January 1961, NJ 1962, 355 (*Explicator*); and Supreme Court, 25 June 1965, NJ 1966, 116 (*Televizier*).

to any statutory set of rules that could be applied by analogy.

A statutory basis was altogether absent for the protection granted by the Supreme Court in its case law pertaining to the 'slavish copying' of industrial designs,<sup>5</sup> which common law protection has been replaced by the Benelux Designs Act for designs put on the market in the Benelux after January 1, 1975.

Nor is there a statutory basis for the protection granted by the lower courts since the 1970s to performing artists and record companies, and upheld by the Supreme Court in its 1989 *Elvis Presley*-decision.<sup>6</sup> The Supreme Court could anticipate the ratification of the Convention of Rome and the expected introduction of an Act on Neighbouring Rights, but did not hesitate to grant protection even though the ratification of the Convention had taken almost thirty years and draft legislation was not yet available.

This Supreme Court case law reveals that the granting of exclusive common law rights is not only theoretically possible, but has over the years also been put into practise in a variety of cases. In some cases, the courts have looked for support in statutory provisions that could be applied by analogy, but the availability of such provisions has never been seen as essential.

### 11.3 THE NATURE OF IMMATERIAL OBJECTS PROTECTED BY STATUTE AND THEIR PROTECTION

With regard to the objects protected by the various intellectual property rights, I make a distinction between *intellectual objects* on the one hand and *economic objects* on the other hand. With regard to these *economic objects* I make a further distinction between *distinctive objects* and *manufactured objects*.

*Intellectual objects* are protected by patent and copyright. The subject matter of these rights is an intellectual achievement; a nonobvious, novel and useful thought in the case of a patent and an original expression of thought in the case of copyright. It is essential for such intellectual objects that because of their very nature they can be applied in different ways and various forms. Because of this specific nature of these intellectual objects patent law and copyright provide protection for the different manners in which the subject matter of these two

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5 Supreme Court, 26 June 1953, NJ 1954, 90, (*Hyster Karry Krane*); Supreme Court, 21 December 1956, NJ 1960, 414, (*Drukasbak*); Supreme Court, 8 January 1960, NJ 1960, 415, (*Scrabble*); Supreme Court, 12 November 1965, NJ 1966, 59, (*Cascade*); Supreme Court, 15 March 1968, NJ 1968, 268, (*Plastic Stapelschalen*); Supreme Court, 28 February 1969, NJ 1969, 366, (*Tractor-cabine*); Supreme Court, 12 June 1970, NJ 1970, 434, (*Tomado*); Supreme Court, 22 November 1974, NJ 1975, 176, (*Vrijetijdschoenen*); Supreme Court, 25 April 1986, NJ 1986, 531 (*Sloten*); Supreme Court, 1 December 1989, NJ 1990, 493, (*Monte/Kwikform*); Supreme Court, 31 May 1991, NJ 1992, 391 (*Borsumij/Stenman*); Supreme Court, 7 June 1991, NJ 1992, 392 (*Rummikub*); Supreme Court, 14 February 1992, BIE 1993, nr 6, p. 25 (*Beele/Elcon*).

6 Supreme Court, 24 Februari 1989, NJ 1989, 701 (*Elvis Presley I*).

rights can be exploited. It is a distinctive feature of these rights that the protection granted is not limited to the original form of the protected object, but also covers the various modifications thereof, even if the inventor or author did not envision the possibility of such modifications at the time.

The subject matter of the other intellectual property rights is basically an achievement that results in an object with a particular economic value. No inventive or original intellectual achievement is required. It is the pecuniary value of the various immaterial objects protected by these rights that is of crucial importance. These *economic objects* can be divided up into *distinctive objects* and *manufactured objects*.

With *distinctive objects*, the essential achievement is in the value that the protected object has or can obtain as a means to identify and distinguish. This is true for a trademark for goods or services, a trade name for a company, the appearance of a useful article, or the portrait of person whose popularity has a pecuniary value. The economic value of these objects is not limited to the mere potential for identifying the object to be distinguished. It may also lie in the circumstance that the use of a particular distinctive object may give rise to additional value, because the public may favor a product or service merely because that particular distinctive object is used. This could be the use of a specific trademark, but might also include the use of a particular design or the portrait of a celebrity. The mere fact that an immaterial object is capable of playing such a role — that it has a certain power of distinction — makes it eligible for protection. It is characteristic of the protection granted to such objects that it basically covers any exploitation of the distinctiveness of a specific object. The exploitation of the subject matter of these rights as a means of distinguishing objects that are somehow related to the objects for which it has acquired distinctiveness plays a central role. In essence, these rights are characterised only by the goodwill related to a particular distinctive object and the exploitation thereof.

With *manufactured objects*, the essential achievement lies in the fact that a specific object has been made. This can vary from a new variety of a plant to the mask work of a semiconductor chip product or from a non-original writing to the performance of a work by a performing artist. The mere fact that a particular immaterial object has been realised makes that object eligible for protection. The protection granted basically prohibits the exploitation of the object as manufactured, but does not restrain others from producing the same object themselves, for instance by means of reverse engineering.

#### 11.4 THE DISTINGUISHING FEATURES OF INTELLECTUAL PROPERTY RIGHTS

It is characteristic of the various intellectual property rights that the subject matter of these rights is a *concrete immaterial object*. Although the protection is focused on an immaterial good the existence of a concrete object, which can be demarcated as such, is a requirement for these rights. Efforts that do not result in such a concrete object, but only result in a 'set of circumstances', are not protected by intellectual property rights.

It is characteristic of intellectual property rights not only that they protect concrete immaterial objects, but also that the exclusive rights they grant have a specific content and scope.

It is essential of the *content* of the protection furnished by an intellectual property right that it does not cover just any use of the protected object, but that it is limited — in general — to *commercial use* of that object. In principle, any use of the protected object in a commercial manner constitutes an infringement. If the use is merely informative or of a non-commercial nature, the owner of an intellectual property right cannot — as a rule — object to such use.

Characteristic of the *scope* of protection is its limitation to forms of *direct use* of the protected object. In general, if the use of a protected object is in an indirect manner, for instance if a third party is inspired by that object or *merely takes advantage* of its existence, it will not constitute an infringement.

The content and scope of an intellectual property right is therefore limited to *direct commercial use* — '*exploitation*' — of the protected object.

It is furthermore characteristic of intellectual property rights that they are *absolute rights*, so that they provide *exclusive powers* with regard to the protected object.

In summary, intellectual property rights therefore grant exclusive powers pertaining to direct commercial use of concrete immaterial objects. They can therefore be defined as *exclusive exploitation rights with respect to concrete immaterial objects*.

#### 11.5 FOUNDATIONS

The foundation for the granting of exclusive exploitation rights with respect to concrete immaterial objects can be found in the principle that one may claim certain rights to the exploitation of a material or immaterial object that one has created.

This flows from such principles as the right to the fruits of one's labor, one's personality or one's financial efforts. These principles apply also in the criminal law context, in which the Netherlands courts have granted broad protection to 'goods', defined as objects with a pecuniary value. In the context of intellectual property rights these principles result in the rule that one is, in principle, entitled to the exclusive exploitation of a concrete immaterial object that is the result of one's 'labor, skill or money.'

In contrast to these claims for protection, which are inspired by reasons of justice, are the principles inspired by the public interest, such as freedom of information, freedom of technology and freedom of competition, which principles provide certain limitations to the protection that can be granted. These principles provide, for instance, that — as a rule — technology and information should be free for use by others and that any protection granted should infringe upon these freedoms to the least possible extent. Another consequence of these principles is that the scope of protection granted by intellectual property rights should not extend to the *mere taking advantage* of a third party's efforts. Because of these principles inspired by the public interest, intellectual property rights must be limited instances of *direct commercial use* — or 'exploitation' — of the protected object.

Intellectual property rights form an exception to such general rules as freedom of competition, freedom of technology and freedom of information. The public interest therefore also requires that the object of such an exception be capable of being demarcated from the public domain. As a consequence, the public interest requires that intellectual property rights not be granted to simply any result of labor, expenditure and/or skill, but that these rights be limited to *concrete immaterial objects*. If such a concrete object is absent, because the labor, expenditure and skill have resulted only in a *set of circumstances*, the granting of exclusive exploitation rights is not justified.

In striking a balance between claims for protection of concrete immaterial objects, on the one hand, and such principles as freedom of competition, freedom of technology and freedom of information, on the other hand, the *concept of unjust enrichment* may be of assistance. This concept illustrates for instance that the crux of the matter lies in the question of when enrichment is *unjustified*. Because of the public interest and its underlying principles of freedom of competition, freedom of technology and freedom of information, one must proceed from the assumption that, as a general rule, an enrichment is justified.

As discussed above, the principles applicable to intellectual property rights and unfair competition law mean that exclusive rights are justified only if they are limited to a specific manner of competing: direct commercial use — exploitation — of a protected object. The concept of unjust enrichment can therefore be

narrowed down to the concept of *unjust exploitation of concrete immaterial objects*. If there is no exploitation — but only some form of merely taking advantage of — or if no concrete immaterial object is exploited — but merely a set of circumstances — the enrichment is, as a general rule, justified.

#### 11.6 AVAILABILITY OF A MISAPPROPRIATION DOCTRINE

In examining what is characteristic of intellectual property rights and considering the general principles that apply to unfair competition law, one must conclude that the boundary between legitimate and unfair competition lies in the exploitation of concrete immaterial objects.

One must, however, bear in mind that the mere existence of a concrete immaterial object is not sufficient to cause that object to qualify for protection. An immaterial object must also satisfy additional requirements, which are to be applied by analogy, depending upon the nature of the particular immaterial object. Therefore, only with regard to objects that can be put *on one line* with objects protected by statutory intellectual property rights — called '*one line objects*' — can one take the position that as a general rule exploitation is unjustified. If there is no exploitation or if there is no '*one line object*', protection is not justified, absent additional circumstances. No general rule, such as that concerning the exploitation of '*one line objects*' can be formulated given for such cases, since the particular individual circumstances of each case will be decisive.

The availability of a misappropriation doctrine is therefore limited to '*one line objects*' and their *exploitation*. The nature of the objects protected by statutory intellectual property rights, the system of these statutes and the underlying principles, make it clear that there is room for granting exclusive common law rights with respect to the exploitation of '*one line objects*'. Whether this will occur in a particular case or for a specific concrete immaterial object will depend upon the nature of the object.

There appears to be no room for acknowledging the existence of common law rights with regard to *intellectual objects*. The restrictive effect attributable to the freedom of information and the freedom of technology renders it apparently impossible to grant protection to intellectual objects outside the scope of the Patent Act or Copyright Act.

*Freedom of technology* also plays an important role outside the field of intellectual objects. It is such a fundamental principle of intellectual property law that one must assume that any form of protection of technology outside the domain of patent law would be impossible.

Outside the area of intellectual objects, *freedom of information* is of particular importance when it comes to the protection of news. Article 10 of the European Convention on Human Rights, and the principle of freedom of information do not seem to prohibit some type of protection of news. The principle of freedom of information may, however, result in a situation in which a news-gathering agency would be unable to claim exclusive rights to the news as such, but might have to limit itself to a right to receive reasonable royalties.

Leaving aside these restrictions, there appears to be no persuasive arguments against the granting of exclusive common law rights to *distinctive objects* or *manufactured objects*.

*Distinctive objects* must possess *distinctiveness*. Provided that this requirement is satisfied, it appears that any conceivable distinctive object qualifies for protection. Neither the statutory provisions of the Benelux Designs Act ('Benelux Tekeningen- en Modellenwet'), the Benelux Trademark Act ('Benelux Merkenwet'), the Act on Trade Names ('Handelsnaamwet'), nor the common law right of publicity related to the exploitation of one's portrait, appear to have any restrictive effect in this regard. Due, in particular, to the principle of *freedom of competition*, one must bear in mind that only concrete immaterial objects qualify for protection. As a consequence, mere *goodwill* that has not 'materialized' in a concrete immaterial object cannot benefit from common law protection. The mere fact that goodwill stands for something of economic value, i.e. that it is desired by others, does not justify the granting of exclusive rights. Competition deals in essence with obtaining a favorable position — i.e. goodwill — vis-à-vis customers. Therefore goodwill as such cannot be monopolized by one party, since it is precisely what one is competing for. Only the means of distinction used to compete can be protected by exclusive rights.

Analysis of the Semiconductor Act ('Chipswet'), the common law protection of non-original writings and the Act on Neighbouring Rights ('Wet op de Naburige Rechten') leads to the conclusion that there are no obstacles to granting common law rights to *manufactured objects* outside the subject matter of these rights. An exception must be made for the Plant Variety Act ('Zaai- en Plantgoedwet'), which appears to have a negative impact, based on the principle of the freedom of natural material, on the possibility of acknowledging common law rights for breeders of plants or animals. The results of the efforts of producers, publishers, organizers of events and performers, which can be put 'on one line' with the immaterial objects protected under the Act on Neighbouring Rights — such as sporting events — may all qualify for common law intellectual property rights.

## 11.7 MISAPPROPRIATION IN THE CASE LAW OF THE NETHERLANDS COURTS

Analysis of the case law leads to the conclusion that over the years the courts have dealt with the granting of common law exclusive rights in a satisfactory manner.

The Supreme Court case law on *merely taking advantage* of a competitor's efforts shows a consistent line. Underlining the importance of *freedom of competition*, the Supreme Court has consistently ruled that the mere taking advantage of a competitor's efforts does not constitute an act of unfair competition, even if it causes damage. Only in the presence of additional circumstances can such action be considered wrongful.

The cases in which the courts have granted exclusive exploitation rights to concrete immaterial objects — *common law intellectual property rights* — are also generally in line with the criteria and requirements set forth above.

The courts have declined, for instance, to grant protection to *intellectual objects* outside the scope of patent or copyright law.

With regard to *distinctive objects*, the courts have not accorded restrictive effect to the corresponding statutory intellectual property rights, so that exclusive common law rights have been granted to distinctive objects in a great number of cases. Trademark and trade name law has to a large extent been applied by a analogy. Thus, the Courts have granted protection to all kinds of distinctive objects used for goods, services, shops, organizations or individuals.

In general, the courts have taken the position that *manufactured objects* may qualify for protection, although the case law on this subject is more complicated than that concerning distinctive objects. The Courts have accepted that the Plant variety Act has a strong restrictive effect on the protectability of the efforts of breeders. The same applies to the freedom of technology with regard to internal configurations. Otherwise, the courts have generally granted protection to 'one line objects'. The one note of discord in this regard is the Supreme Court's *KNVB*-decision,<sup>7</sup> in which the Supreme Court held that the result of the efforts of the national football association of the Netherlands as well as of the individual teams -i.e. the football matches — did not constitute a 'one line object.' In my opinion no precedent value should be accorded to this decision.

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7 Supreme Court, 23 October 1987, NJ 1988, 310 (*KNVB/NOS*).

## 11.8 LEGAL CLASSIFICATION

The question arises how the protection granted under a misappropriation doctrine is to be classified within the theoretical framework of the civil law. Is this protection solely based on principles of tort law, i.e., unfair competition law, or does it qualify as a common law property or patrimonial right?<sup>8</sup>

Exclusive common law rights with respect to 'one line objects' — *common law intellectual property rights* — satisfy the usual criteria for property rights. They, for instance, represent a specific legal entitlement of a special and independent character pertaining to the exploitation of a 'one line object'. Common law exclusive rights with respect to 'one line objects' — such as the right of publicity and the protection of non-original writings — also tend to be labelled and treated as a unit. These common law rights therefore qualify — as do statutory intellectual property rights — as 'property rights'.

Conversely, the protection granted in cases of the *mere taking advantage of a third party's effort* under the laws of unfair competition does not qualify as such a 'property right' because it does not meet the above requirements. The fact that, as a general rule, the mere taking advantage of a third party's effort is permissible absent additional circumstances — which may differ from case to case — illustrates that there is, for instance, no specific legal entitlement.

An important difference in the legal position derived from the protection granted by a property right, on the one hand, and from the protection granted under unfair competition law in general, on the other hand, is that the owner of a property right has an *existing right*, which as a rule is *transferable and descendible*. As a consequence, the possibilities to exploit the protection granted is less complicated than in situations in which the protection is based merely on unfair competition. In the latter case, only a potential future claim exists dependent upon future actions of third parties exists. One should bear in mind that there is an economic need for an existing, transferable and descendible property right that is easily exploitable and when protection is sought against the exploitation of particular 'one line object,' so that this issue has more than mere academic significance.

Pursuant to article 3:83 section 3 of the new Netherlands Civil Code, which entered into effect on January 1, 1992, common law rights with respect to immaterial objects are not transferable, unless a statutory provision specifically provides for transferability.<sup>9</sup> This rule was introduced in the new Netherlands Civil Code and constitutes a fundamental deviation from prior law. According to

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8 The terms *property right* and *patrimonial right* are used as translations of the term 'subjectieve vermogensrechten', see: *Haanappel/Mackaay*, 1990, p. 3 ad article 3:1 of the Netherlands Civil Code.

9 See: *Haanappel/Mackaay*, 1990, p. 48.

the old civil code, a right was transferable, unless transferability would conflict with a statutory provision or the nature of the right. As a consequence of the new Civil Code provision, common law intellectual property rights can no longer be transferred or assigned. This means, in addition, that it is not possible to create 'dismembered rights'<sup>10</sup> with respect to such rights, since article 3:81 section 1 of the Netherlands Civil Code provides that 'dismembered rights' can be created only with respect to transferable rights. This new system will limit the possibilities for developing and exploiting the objects of common law intellectual property rights, for example because it will not be possible to vest security rights, which may be opportune for an investor, in a common law intellectual property right. It is astonishing to discover that there are no arguments in favor of this dramatic break with the past, whereas the consequences of this new system are dramatic. It will result in a situation in which the civil law will not be able to follow and deal with future developments without legislative intervention. This may lead to rigidity in the law, contrary to legislative intent. As there are no convincing arguments in favor of the introduction of this new regime — and in view of its clear disadvantages — I am of the opinion that it would be opportune to amend article 3:83 of the Netherlands Civil Code in order to restore the previous system. This system has been proven to function in a satisfactory manner, and allows for both the legislature and the courts to halt any undesirable developments, if they deem this appropriate at any given time. Therefore, section 1 of article 3:83 of the Netherlands Civil Code should be amended to read: '*Patrimonial rights are transferable, unless this is precluded by statute or by the nature of the right*'. Section 3 of this article should be deleted.

The *license* is an important instrument in the exploitation of both statutory and common law intellectual property rights. The question of the legal characterisation of the license arises, particularly with respect to those licenses, that I classify as *licenses in a strict sense*. A license in a strict sense can be distinguished from a *license in a broad sense* in that it focuses on the granting of some form of entitlement pertaining to the exploitation of the object of the intellectual property right concerned. A license in a broad sense, however, merely constitutes a kind of 'non-aggression pact', in which it may even be irrelevant whether in the absence of the license, the 'licensee' would be guilty of infringement. The following discussion is limited to the *license in a strict sense*, unless indicated otherwise.

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10 The term '*dismembered right*' is used as a translation of the term '*beperkt recht*'. See: *Haanappel/Mackaay*, 1990, p. 4 (ad article 3:8 of the Netherlands Civil Code) and p. 47 (ad article 3:81 of the Netherlands Civil Code).

The first question concerns the extent to which a license may affect the position of third parties, so that it can be invoked against third parties in cases of infringement of the underlying intellectual property right. This question deals with the issue of whether a license also constitutes an *exclusive right*. Giving the license exclusive effect can be justified by the fact that the licensee may have an independent interest in undisturbed exploitation of the object of the underlying intellectual property right. The interests of the licensee, are in large part effectively comparable to the interests of the owner of the intellectual property right, so that according an exclusive right to the licensee can be justified by the same arguments that justify according intellectual property rights. It is also significant that in addition to the owner of the underlying intellectual property right, the licensee acquires partial dominion over the object of the right, so that his position can be compared to that of the owner of a 'dismembered right with respect to a property right', such as a 'usufruct'<sup>11</sup> or a 'right of pledge',<sup>12</sup> which also have exclusive effect under Netherlands law. Although according exclusive effect to the license is a somewhat controversial subject, I am of the opinion that there are no persuasive arguments for denying exclusive effect to a license in a strict sense. Furthermore this issue appears to have been resolved by the Supreme Court in the *Elvis Presley*-decision,<sup>13</sup> in which case it accorded exclusive effect to a license in a strict sense held by the record company BMG with respect to the rights of Elvis Presley as a performer. This decision was confirmed in *NVPI v. Snelleman*, so that there appears to be established case law on this subject.<sup>14</sup>

An additional question concerns the extent to which a license in a strict sense can be characterized as a '*dismembered right*' within the meaning of article 3:8 of the Netherlands Civil Code. A major consequence of such characterization would be that the licensee could not be frustrated in the exercise of his rights by a successor to the original licensor. It seems fair and reasonable — as well as practical — to make it possible to characterize the license as a '*dismembered right*' with respect to an intellectual property right. However, as introduced in 1992, the Netherlands Civil Code precludes the possibility of characterizing the license as a '*dismembered right*' since article 3:81 section 1 provides that '*dismembered rights*' can be created only with respect to rights that are transferable. Common law intellectual property rights are not transferable because they do not satisfy the specific requirement of article 3:83 section 3 that there be an express statutory grant of transferability.

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11 Article 3:201 of the Netherlands Civil Code. See: *Haanappel/Mackaay*, 1990, p. 83.

12 Article 2:236 of the Netherlands Civil Code. See: *Haanappel/Mackaay*, 1990, p. 101.

13 Supreme Court, 24 February 1989, NJ 1989, 701 (*Elvis Presley I*).

14 Supreme Court, 2 april 1993, Informatierecht/AMI 1993, p. 152 (*NVPI/Snelleman*).

## 11.9 U.S. LAW

The history of the misappropriation doctrine in the United States provides an interesting background for examining the availability of a misappropriation doctrine and common law intellectual property rights under Netherlands law. Since the beginning of this century, American courts have been confronted with questions concerning the existence and scope of common law intellectual property rights, and have dealt with a great variety and number of cases.

U.S. case law on the misappropriation doctrine is ultimately reasonably consistent. Protection is usually not granted in cases involving the *mere taking advantage of* a competitors product, for instance, benefitting from a market created by a third party's product. In general, protection is granted in cases that involve the exploitation of immaterial objects, which can be classified as '*the result of organization and the expenditure of labor, skill and money and which is saleable for money*', as described by the United States Supreme Court in its *INS*-decision.<sup>15</sup>

In the beginning courts were still reluctant to grant protection in the absence of statutory provisions, inspired by the dissenting opinion of *Justice Brandeis* with the *INS*-decision and a series of opinions of *Judge Learned Hand* for the Second Circuit Court of Appeals.<sup>16</sup> However, since the 1950s U.S. courts have had no objection to according common law rights.<sup>17</sup> Case law on the right of publicity illustrates that a large number of states even acknowledge the existence of a descendible common law intellectual property right.<sup>18</sup>

The only fundamental limitation arises in the context of federal constitutional law, particularly the question of the preemptive effect of the federal patent and copyright laws. Following a number of decisions of the United States Supreme Court,<sup>19</sup> the limitations of the preemption doctrine have become reasonably clear.

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15 *International News Service v. Associated Press*, 248 U.S. 215, 39 S.Ct. 68.

16 See: *Cheney Brothers v. Doris Silk Corp.*, 35 F.2d 279 (1929), cert. denied 281 U.S. 728 (1930), *Brown/Denicola*, 1985, p. 494; *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86, cert. denied, 311 U.S. 712 (1940); *National Comics Publications v. Fawcett Publications*, 191 F.2d 594 (1951); *G. Ricordi & Co. v. Haendler*, 194 F.2d 914 (1952), *Brown/Denicola*, 1985, p. 497.

17 The US Second Circuit Court of Appeals, *Learned Hand* dissenting, expressly overruled its *RCA*-decision in *Capitol Records v. Mercury Record Corporation* (221 F.2d 657) and followed the decision of the Supreme Court, New York County, on New York law in *Metropolitan Opera Ass'n v. Wagner-Nichols R. Corp.*, (101 N.Y.S.2d 483, 1950). See also: U.S. Court of Appeals, Third Circuit, *Ettore v. Philco Television Broadcasting Corporation*, 229 F.2d 481, p. 488 (1956).

18 See, for instance, the Tennessee Court of Appeals *Tennessee ex rel. Elvis Presley International Memorial Foundation v. Crowel* [2 USPQ2d 1663 (1987)] on Tennessee law and the U.S. Eleventh Circuit Court of Appeals in *Martin Luther King, Jr., Center for Social Change, Inc. v. American Heritage Products, Inc.* [694 F.2d 674 (1983)] on Georgia law. See also *J. Thomas McCarthy*, Vol. 79 TMR (1989) p. 694 and in *The Rights of Publicity and Privacy*, § 9.

19 *Sears, Roebuck & Co. Stiffel Co.*, 376 U.S. 225 (1964), *Brown/Denicola*, p. 461, *Nimmer* 1985, p. 451;

State law is free to provide protection for objects that fall clearly outside the scope of the patent and copyright clause of the Constitution. Even if an object is within the scope of the patent and copyright clause, or otherwise within reach of federal patent or copyright law, the states are free to act if the federal legislator cannot be deemed to have come up with an exhaustive regime on the subject, provided however that state law is not in conflict with the goals of federal law.

Within these limitations, an impressive and relatively consistent body of case law has developed in which the exploitation by third parties of immaterial objects saleable for money has been restricted by the courts. The right of publicity has in particular developed under the law of a great number of states into a powerful common law intellectual property right, which was acknowledged by the United States Supreme Court in the *Zacchinicase*.<sup>20</sup>

#### 11.10 GENERAL

In view of the foregoing, it is clear that there is room for a misappropriation doctrine under Netherlands law, albeit on a limited scale. As a general rule, a form of protection that is comparable, i.e., identical, to the protection granted by a statutory intellectual property right can be granted only if there is a '*one line object*' — a concrete immaterial object — and the protection is limited to the *exploitation* thereof. If there is no '*one line object*' or no exploitation of such an object, the granting of a common law intellectual property right is not justified. Relief may be available under general unfair competition law, but this will depend upon additional circumstances, evaluated on a case-by-case basis.

Whether, and in what form, protection against the exploitation of a '*one line object*' can be granted depends upon the nature of the immaterial object concerned. If it is an *intellectual object*, protection will not be possible, because of the powerful restrictive effect that must be attributed to patent and copyright law. Protection will, as a rule, be possible in the case of a *distinctive object*, provided that the immaterial object concerned is in fact distinctive. In the case of *manufactured objects*, protection will, in general, also be possible, except with regard to the results of the efforts of breeders, taking into consideration the restrictive effect of the Plantvariety Act, i.e., the freedom of natural materials. One must also bear in mind with regard to all of these objects that the principles

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*Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), Brown/Denicola, p. 466, Nimmer, p. 456; *Goldstein v. California*, 412 U.S. 546 (1973), Brown/Denicola, p. 470, Nimmer, 1985, p. 459; *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), Brown/Denicola, p. 483; *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, Nimmer 1985, p. 858 (1976); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 109 S.Ct. 971 (1989).

20 *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1976).

of *freedom of technology* and *freedom of information* have a powerful restrictive effect.

I am of the opinion that within these boundaries common law protection can be granted that is not only comparable, but even identical, to the protection granted by statutory intellectual property rights. There appear to me to be no solid arguments against the granting of true common law exclusive exploitation rights with respect to one line objects and the granting of common law intellectual property rights is therefore possible.

The absence of a statutory basis does not mean that these common law rights should be treated differently from statutory intellectual property rights. According to the newly introduced Netherlands Civil Code, there are two limitations on the legal position of common law intellectual property rights: they are *not transferable* and a license to such rights cannot be characterized as a '*dismembered right*'. These two limitations do not, however, appear to have been truly intended by the legislator and there are no persuasive arguments in their favor. I am, therefore, of the opinion that the Netherlands Civil Code needs to be amended in this regard in order to make it possible for the civil law, and intellectual property law in particular, to keep pace with social and economic developments.

The availability of common law intellectual property rights with respect to 'one line objects', within the limitations indicated above, will make it possible for intellectual property law to respond adequately to further technological and economic developments and to bring within the realm of protection 'one line objects' that fall outside the scope of statutory provisions, if and when such protection is justified in view of the general principles underlying the domain of intellectual property. An advantage of this is that the legislator would not be required to act as soon as a new phenomenon was introduced on the market, but would be in a position to await the developments of case law, now that the courts will be capable of scouting the terrain 'step by step'. Depending upon the development of case law, the legislator could take action if and when this is deemed appropriate. It may nevertheless be opportune for the legislator to act at an early stage, when, for example, the public interest is at stake or in view of international, i.e., European, commitments.