The Nature of Intellectual Property

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1. **INTRODUCTION**

*Intellectual property could be called the Cinderella of the new economy. A drab but useful servant, consigned to the dusty and uneventful offices of corporate legal departments until the princes of globalisation and technological innovation – revealing her true value – swept her to prominence and gave her an enticing new allure.*

This quote, taken from a World Intellectual Property Organisation (WIPO) publication, says much about the state of intellectual property today. After all, it has only been a couple of decades since intellectual property was generally regarded as a rather obscure, but necessary, field of legal regulation. In the last few years, however, intellectual property has become recognised as the driving force of economic growth and cultural development. As a result, the law of intellectual property has entered the consciousness of an ever-widening part of the public, and is increasingly seen as a matter for public policy as well as for private exploitation.

Despite its growing importance, intellectual property remains a challenging area of law. This is because, unlike the laws of real property, the laws of intellectual property create rights between individuals that are vested in abstract objects – being objects that, inherently, are difficult to define. Furthermore, intellectual property is an ever-expanding field, and its role in society has become increasingly significant and complex. This is due in part at least to its cultural specificity, as a regime that is founded on the notion of both knowledge and art as commodities. In this sense at least, ‘intellectual property’ can be considered to be just another, albeit a very special, type of intangible asset.

In today’s digital age, the scope and application of this intangible asset are constantly evolving. There is recurring tension between the established principles and policy goals of intellectual property and the challenges presented by new practices and inventions. Just as

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questions about the status of literary property emerged following changes in how the book trade was regulated in seventeenth century Britain, recent innovations such as YouTube, Facebook and iPads all present various challenges for the enforcement of intellectual property law today. Owing to the pressures for change exercised by recent trends and technologies, intellectual property is a regime that is seldom static, and is therefore often difficult to define.

This draft chapter seeks to overcome that difficulty, by explaining how intellectual property is seen by the law and by lawyers. To do so, we look at the way in which the law defines these special types of intangible asset to which protection is given. We consider the different meanings of the phrase ‘intellectual property’ and examine the difficulties in resolving intellectual property questions. We then consider the national regulatory model of intellectual property and examine the rights of IP rights holders and the obligations of non-rights holders. We also look at the role of the nation state in creating intellectual property laws. Lastly, we look at important international IP principles and treaties.

2. **WHAT IS INTELLECTUAL PROPERTY?**

The concept of ‘intellectual property’ is inherently difficult to define. The term can be, and is, used to mean a number of different things. As Vaver notes, “…intellectual property as a phrase is not self-defining.”

The different senses in which the term is used are not always explained, and indeed are not always recognised, by those using it. Perhaps surprisingly, given that they pride themselves on accurate usage of language, lawyers are often the worse offenders in this respect. The very fact that lawyers are prone to using the term in multiple ways is a reflection of the complexity of the legal concepts concerning intellectual property.

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2.1. The different meanings of ‘intellectual property’

As a general rule, lawyers use the term ‘intellectual property’ to mean three different, but related, things.

First, they use it to mean a particular sub-group of a particular type of subject matter. The type of subject matter is intangible subject matter – that is, things which exist but which can’t be touched. The sub-group called ‘intellectual property’ consists of a number of intangible subject matters that the law recognises as sharing certain features that warrant particular treatment under the law. In this sense, ‘intellectual property’ is used to refer to a particular type of ‘stuff’. This is the sense in which the term ‘intellectual property’ – or the acronym ‘IP’ – is used in this book.

The second way in which the term ‘intellectual property’ is used by lawyers is to refer to certain legal entitlements that exist in relation to this stuff. These entitlements are ‘rights’ – that is, entitlements held by legal entities (individuals or companies) that are enforceable under law against other legal entities. In this course, the term ‘intellectual property rights’, or the acronym ‘IPRs’, is used to refer to these rights or entitlements.

The third way in which lawyers use the term ‘intellectual property’ is to refer to the particular laws that give rise to intellectual property rights in respect of particular intangible stuff. These laws are grouped under particular titles – for example, ‘patent’, ‘copyright’, etc – resulting in ‘patent law’, ‘copyright law’, etc. In this course, the laws that give rise to rights over intellectual property are referred to as ‘intellectual property laws’ (or ‘IP laws’). The main IP laws we will cover in this course are copyright, designs, patents and trade marks. We will also look at integrated circuit layouts and plant breeders’ rights, and non-statutory regimes such as the actions to restrain a breach of confidence and a passing off.

There is, of course, a fourth way in which the term ‘intellectual property’ can be used. This is to refer to the entire field of discourse concerning all of the above. Put another way, it is valid to say that this course is about ‘intellectual property’ because it is about an overview of the subject matter that is known as IP, the rights granted in relation to that subject matter, and the legal regimes that grant and regulate rights in relation to that subject matter.
2.2. ‘Intellectual property’ deconstructed

If a tangible asset is something that can be touched then an intangible asset is, by definition, a thing that can’t be touched. What are the characteristics that make some types of intangible assets ‘intellectual property’ in the eyes of the law? A way to answer that question is to consider the concepts behind the two words included in the phrase ‘intellectual property’.

(a) ‘Intellectual’

Intellectual property is often described as protecting artistic and original pursuits. A common way of classifying those intangible assets that constitute IP is as ‘all those things which emanate from the exercise of the human brain, such as ideas, inventions, poems, designs, microcomputers and Mickey Mouse’.\(^5\) This classification is consistent with the notion that the subject matters constituting IP are primarily derived from human intellectual activity – hence the word ‘intellectual’ in the title. The particular human intellectual activities that commonly result in most IP are innovation and creativity. Innovation and creativity result in doing something new or bringing into existence something new.

An idea about how to do a thing differently is a subject matter that may be protected by patent law. A new piece of art or music is a subject matter that may be protected by copyright law. A new way of naming a product or service is a subject matter that may be protected by trade mark law. Thus, it can be seen that much of the assets that are considered to be IP can be identified by the fact that they are an innovative or a creative product of the human intellect.

(b) ‘Property’

To lawyers, the concept of ‘property’ is more one of rights to subject matter than of subject matter per se. That is to say, a lawyer is more likely to see ‘property’ as the entitlements to something exercisable against third parties, than as the thing in respect of which those entitlements exist. Put another way, land is property only if someone has rights exercisable against others in relation to that land. Absent such rights, there is no property in the land and hence it may be said that the land is not property.

The key entitlement one may have in relation to something is the right to possess it exclusively – the corollary of which is the right to exclude others from accessing it. This right of exclusivity is a hallmark of property.

(c) ‘Intellectual property’

The above descriptions of ‘intellectual’ and ‘property’ provide a basis for describing intellectual property as an intangible subject matter emanating from the human intellect in respect of which a legal right of exclusivity may be granted.

2.3. Intellectual property v. physical property

Intellectual property is similar to physical property in two ways.

- Like owners of physical property owners, the owners of intellectual property are granted exclusive rights for the exploitation of what they own. For example, the owner of a patent has the exclusive right to use that patent for as long as the patent monopoly is granted.
- As is the case with physical property, the exclusive rights conferred by intellectual property can generally be transferred to others. Thus, intellectual property may be bought and sold, licensed, charged, or bequeathed by will.

Intellectual property is also dissimilar to physical property in two ways.

- First, intellectual property is non-rivalrous while physical property is rivalrous. Many may use the ideas protected by intellectual property rights. For example, singing a song or using a recipe this is covered by copyright does not exclude others from doing the same. However, in most cases, one person’s use of physical property excludes others from enjoying the benefits of that property. Thus, the use of a car by one driver prevents that car from being driven by anyone else.
- Second, physical property can be depleted. An apple can be eaten, a chair can be broken, and a house can be engulfed by fire. Ideas protected by intellectual property cannot be depleted. No matter how many people read, recite from, or photocopy a book, the ideas in that book cannot be used up.
The case of Re Dickens [1935] 1 Ch. 267 illustrates the law’s recognition of the distinction between physical property and intellectual property. When the British author Charles Dickens died, he left an unpublished manuscript. Ownership of this manuscript passed to Dickens’ sister-in-law, Georgina Hogarth, as part of a bequest of Dickens ‘private papers whatsoever and wheresoever’ under his will. Dickens’ will also provided a bequest to his children of his residuary estate (i.e. those assets not otherwise transferred under the will).

When Hogarth sought to publish the manuscript some years later, the question arose as to whether she could do so. It was clear that Hogarth owned the manuscript (the tangible asset), but did she also own the literary work embodied in the manuscript (the intangible asset in which copyright subsisted)? To resolve that question it was necessary for the court to determine whether the copyright in the literary work formed an integral part of the manuscript itself and thus passed automatically to Hogarth under the will, or rather whether it was a separate asset forming part of the residuary of the estate which had passed to Dickens’ children?

The Court ruled that, because Dickens’s will had not referred to the copyright when bequeathing the manuscript, the copyright fell into the residue of the estate. As a result, the ownership of the copyright in the literary work embodied in the manuscript had become separated from the ownership of the manuscript itself. The practical significance of this ruling was that Hogarth could not publish the manuscript without the consent of Dickens’ children. This was because publication of the manuscript would amount to a reproduction of the literary work embodied in the manuscript, and the right to reproduce the literary work was held exclusively by the owner of copyright, Dickens’ children.

Although this ruling and its outcome was probably contrary to what Dickens had intended when making his will, it is a good illustration of the fundamental characteristics of IP. Intellectual property is an intangible subject matter (in this case, a literary work) emanating from the human intellect (in this case, the creative mind of Charles Dickens) in respect of which a legal right of exclusivity (in this case, copyright) may be granted. The case also illustrates the way in which the law treats an intangible asset (in this case, a literary work in copyright subsists) as separate from any tangible asset (in this case, a manuscript) to which the intangible asset may relate.

3. **How is Intellectual Property Protected?**

3.1. **Challenges of protecting intellectual property**

Unlike physical property, which has clearly defined boundaries, it is difficult to know where the boundaries of intangible property begin and end. Questions regarding the nature of intellectual property and the scope of its application are therefore often difficult to resolve.  

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An item of physical property – a car – is stolen from Jane’s home garage by Tom. Jane would argue that her car is a form of personal property worthy of protection by the law and that she is entitled to its possession. However, say Jane alleges that Tom has copied her design of a necklace. According to Jane, a line of necklaces Tom has made and is selling on his website ‘www.inspirations.com’ are substantially similar to a necklace she made and sold on the internet auction website eBay. Jane must first determine whether her necklace design is a type of intangible asset that merits protection under the law, and if so, whether Tom has infringed any of her exclusive intellectual property rights.

Further, it is often difficult to know that intellectual property has been reproduced or used without permission. The tangible physicality of a car makes it somewhat easier for someone to keep track of its whereabouts. However, the use or exploitation of an intangible asset is difficult to monitor.

Jane would realise her car had been stolen as soon as she opened her garage door and saw it was not there. By contrast, it would be nearly impossible for Jane to know for certain whether her design had ‘inspired’ Tom and any other jewellery makers who had seen the necklace on eBay. And it could take weeks, months or even years for Jane to suspect that the copying had occurred. The global reach of the Internet means that Tom could be a jewellery designer working anywhere in the world from Afghanistan to Zimbabwe.

It is also often different to prove that intellectual property has been reproduced or used without permission.

Jane may have a witness who can attest that they saw Tom driving her car. Alternatively, Jane’s car might be found in Tom’s possession or the car’s whereabouts might be known by one of Tom’s neighbours. By contrast, it is highly unlikely that Jane would be able to find a witness who could prove that Tom had intentionally used her design when he making his own line of necklaces, or that her design is in Tom’s possession. Tom might have only glanced at Jane’s necklace on eBay for a moment and perhaps does not even realise how similar the two designs appear.

3.2. The law’s response to these challenges

The characteristics that make intellectual property a valuable commodity have little value if intellectual property rights cannot be enforced. A patent or trade mark has little worth if the intellectual property owner cannot use it or exploit it commercially. The laws of intellectual property dictate how the products of intellectual activity are to be valued and protected.

As Davies and Naffine write:
Unlike property in physical things, intellectual property protects ‘things’ which are indefinitely reproducible, and which obtain their commercial value largely through the policing and protection afforded by law.\(^7\)

As we will see, intellectual property laws specify the rights of intellectual property rights holders as well as the obligations of non-rights holders.

\(\text{(a)}\) **Exclusive rights and correlative obligations**

Intellectual property laws provide exclusive rights for IP rights holders and correlative obligations for non-rights holders. The rights of IP rights holders are exclusive – i.e. the rights to use, exploit, or licence a patent or trade mark to the exclusion of all others. The obligations placed on non-rights holders are correlative – i.e. anyone who purports to exercise those rights, or authorise another to do so, without the IP rights holder’s consent infringes an obligation.

The exclusivity to exploit, use and control a work, invention, information or idea is safeguarded by the rules of IP law. IP rights holders are therefore placed in a privileged position by the law. According to MacCormick, the law ‘creates an artificial scarcity by assigning an exclusive privilege of exploitation to the person it qualifies as right-owner or licensee.’\(^8\) Therefore, IP law creates rights holders who have rights precisely and only because the law says so.\(^9\)

While exclusive, the rights provided to IP rights holders are essentially negative in character. The exclusive rights provided by a patent or design do not provide how that patent or design is to be used but rather confer the right to prevent others from engaging in unauthorised activities.


Susie comes up with the brand name ‘I love cookies’ in relation to a range of chocolate chip biscuits she bakes and sells. Susie’s right to the exclusive use of the phrase ‘I love cookies’ in relation to her range of biscuits has no legal effect unless it is trade marked. Once her trade mark has been registered, Susie may use the trade mark on the cookie box packaging, in related advertising material or on merchandise that Susie is selling, such as mugs, hats and bags. As trade mark owner, it is up to Susie to decide how she wishes to exploit the phrase ‘I love cookies’ in relation to her biscuits. IP law does not provide Susie any right to use her trade mark in a particular way, but rather provides Susie the right to exclude others from engaging in unauthorised use of her trade mark.

(b) Intervention by the nation state

Susie may enforce her exclusive trade mark rights by taking legal action against someone who uses the phrase ‘I love cookies’ in relation to their product or services without her permission. Therefore in addition to exclusive rights of ownership, IP rights holders have the right to criminally prosecute those who exploit their intellectual property without authorisation.

In this sense, the protection conferred by the nation state in relation to intellectual property is very similar to the protection conferred in relation to personal property. The exclusive right to prevent anyone from using an idea, and the ability to effect nation state intervention to enforce that right, are the major benefits of obtaining intellectual property protection.

Just as Jane has the power to take Tom to court for stealing her car, she may do the same in relation to Tom copying her necklace design. Jane may enforce her exclusive IP rights by pursuing an action for infringement, and a range of criminal measures may be enforced. It is this fear of future legal action and the possible intervention from the state which gives IP rights holders their privileged position over non-rights holders. If found guilty of copying her necklace design, Jane knows that Tom will face state sanctions just as he would for stealing her car.

3.3. The creation of intellectual property laws

Not only is the nation state integral in ensuring that the rules of intellectual property law are enforced, the nation state plays an important role in the creation of these laws. Intellectual property is an evolving system of law.

There is constant pressure for change exercised by emerging trends and technologies. The development of English copyright law presents an example of how in creating intellectual property laws, a state’s rulers, legislature and court system must respond to real concerns and provide creative responses to practical problems.
In 1476, William Caxton introduced the printing press to England. By the late 1400s to 1500s, the Crown was exerting some form of copyright control. The Royal Stationer’s Company (‘the Company’) acquired a general monopoly in relation to what was to be printed in England. The role of the ‘Copy’ in the Company’s rules provided the seed of copyright – by owning the copy, the owner was the only person who was allowed to make reproductions.

In the 1600s, parliamentary control took place. The Printing Act 1662 codified rules regarding the ‘Copy’. In 1709, the Statute of Anne was passed. Under this legislation, the right to print or reprint a book was vested, for the first time, in the hands of the author rather than the person registered with the Company. The right could be sold or licensed to publishers and others. Incentive for authors was provided by offering a property term of initially 14 years and 28 years in relation to future works.

In the 1700s, the law of copyright was further developed by the courts in the cases of Millar v. Taylor (1769) and Donaldson v. Beckett (1774). Both of these cases discussed “the great question of literary property” – did the Statute of Anne create a new copyright vested in authors, or did it declare an existing common law copyright?

In Millar, by a majority of three to one, the King’s Court Bench held that there is a perpetual common law copyright. In Donaldson, Lord Camden, Chief Justice of the Common Pleas, led the House of Lords to reverse the decision in Millar. The House of Lords held that the common law right had been abolished by the passing of the Statute of Anne and henceforth copyright was purely a creature of statute that could be limited in its duration.

3.4. **Protecting intellectual property internationally**

(a) **Territoriality**

Unlike physical objects that must be posted by mail, chartered by flight or sent by sea in order to cross geographic borders, intellectual property moves across country boundaries with relative ease. As an intangible asset, intellectual property may be transferred from one nation state to another without having to be packaged, wrapped or boxed. This tendency made intellectual property one of the first areas of the law to be subjected to international regulation by the operation of international treaties. With the arrival of digital technology and networked communication systems, intellectual property rights have become even more international as sounds, text and images can zig zag across countries in seconds. Below we examine some of the basic principles of international IP protection.

The principle of territoriality is that intellectual property rights do not operate outside of the national territory where they are granted. That is to say, the general principle is that the laws of one nation state apply only within that nation state.

The exclusive rights under the Japanese Trade Mark Act apply only to acts done within Japan. Therefore, it is not an infringement of Japanese trade mark law to copy in Italy a Japanese trade mark – although it may be an infringement of Italian trade mark law.
Because of the principle of territoriality, the only way in which international protection can be provided for intellectual property is through treaties.

(b) Treaties

A treaty is an agreement under international law entered into by a number of nation states. Signatories to international treaties voluntary agree to be bound in relation to minimum standards of protection. These standards are implemented into national law largely through legislative implementation in domestic law.

The various international treaties on intellectual property law seek to do some or all of the following:

- oblige each country that is a member of the treaty (the member country) to provide minimum standards of protection (“minimum standards”) in that country;
- oblige each member country to treat citizens of other member countries no worse than they treat their own citizens (“national treatment”);
- oblige each member country to recognise certain acts undertaken in another member country as giving rise to an entitlement to protection in the first-mentioned country (“international recognition”);
- oblige each member country to regard certain applications for registration undertaken in another member country as giving rise to a right of priority to make a similar application in the first-mentioned country (“right of priority”).

Owing to all of the above, there is a substantial integration of IP systems throughout the world. This integration has a number of key features. First, by setting minimum standards, the international treaties produce a degree of harmonisation of IP laws at the national level (i.e. in the domestic legislation of each country). Secondly, due to the principle of national treatment, domestic IP laws do not discriminate against foreign IP owners – with the result that, for most purposes, a foreign IP owner is treated as though he or she were a national of the country. Thirdly, by virtue of the principles of international recognition and the right of priority, the domestic IP laws operate to ensure that IP owners in one country are able to receive protection in other countries.
The domestic law of Australia gives copyright protection to any literary work ‘first published’ in Australia. Under the principle of international recognition mandated by the Berne Convention, a first publication of a work in the United States is treated as a first publication in Australia – and so that work is protected by copyright in Australia, irrespective of the nationality of the author.

Generally, international treaties do not provide dispute settlement procedures – that is, means for ensuring that countries comply with their obligations under the treaties. An important exception is the Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 (TRIPS Agreement). The TRIPS Agreement forms part of the 1994 Agreement Establishing the World Trade Organization (WTO). Like other international treaties preceding it, the TRIPS Agreement obliges WTO member countries to adopt minimum standards of protection (usually the same standards as contained in the earlier international treaties), and provide national treatment, national recognition and rights of priority. In addition, however, the TRIPS Agreement also contains a dispute settlement procedure, whereby one WTO member country may institute proceedings within the WTO against another member country that is not complying with its obligations under the Agreement. In the event that a complaint is found to be valid and the country at fault fails to remedy its transgression, trade sanctions may be imposed.