



IIPS

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“Basic Questions Raised for Intellectual Property”

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The IT Revolution and
the Transformation of Society

November 5-7, 2003

A Reinvigorated Debate

- ◆ Which of these statements is true?
 - ◆ **Intellectual property** has never been more important
 - ◆ **Intellectual property** has never been more openly questioned (or more broadly under attack)

Both!

Evolution in Technology Presents New IP Issues

- ◆ Printing press → publication
- ◆ Xerox → photocopies
- ◆ Computer → perfect quality digital copies
- ◆ Internal Network → copies (software) shared among network users
- ◆ Global (open) network → copies shared among infinite number of anonymous users
- ◆ Increasing bandwidth (“broadband”) → high data-content copied & shared (documents, music, movies, images)
- ◆ Wireless + broadband → infinite possibilities to copy, transfer, share unprotected information & IP

Evolution of IP

- ◆ The manner in which intellectual property rights are expressed, used and exchanged is constantly adapting to **new developments in underlying technologies**
 - ➔ The intellectual property system, therefore, must itself be **evolutionary** in order to properly serve society – including the needs of creators and the public at large

Impact of IT Revolution on IP: Seven Powerful Trends

- ◆ General “consciousness raising” for IP
- ◆ Renewed/intensified **debate** concerning appropriate scope of protection
- ◆ Expose the limits of territorial-based (international) IP regime
- ◆ New public/private morality questions posed to a new generation
- ◆ Business re-evaluates methods in light of digital networks and limits of IP protection
- ◆ Technology “arms race” concerning IP protection – burgeoning market for technology devoted to IP protection / elimination
- ◆ Educate a new generation of lawyers / law-makers

Driving Factors Affecting IP

Rapidly globalizing economy

Growth & dissemination of ICT

- ◆ Networks, intranets, virtual private networks, etc.
- ◆ Growth in wireless infrastructure
- ◆ Wireless technology and Internet merging
- ◆ New technologies

Increasing ease of use / convenience

- ◆ New developments in means of access
 - ◆ Hand held devices
 - ◆ Peer-to-peer technologies
- ◆ Available to broader public

Rapidly growing & diversified population of users

- ◆ 10% of world's population on online (Nov 2002) – increasing faster than anticipated
- ◆ New generation of educated users
- ◆ Increasing number of countries connected

Decreasing cost of access

- ◆ Cost of access varies widely and accounts for differential rates of penetration

New Institutional Issues for IP

- ◆ Horizontal impact of Internet /electronic commerce
 - ◆ connections with other areas of public policy and regulation (e.g., privacy, competition law)
 - ◆ new coordination required among international organizations / national governments
- ◆ New issues / new contexts (domain names, privacy)
- ◆ The public - private interface re-defined
 - ◆ Call for openness and transparency
- ◆ The **speed** of developments vs. length and slowness of multilateral processes
- ◆ International medium \Rightarrow international issues
 - ◆ emergence of issues at international level before, or simultaneously with, national discussions
 - ◆ Example: online piracy, service provider liability

Where are We Going?

Implications for Still IP Accelerating

- ◆ Greater number of online users
 - ◆ Culture of Internet remains in transformation
 - ◆ Increasing diversity of users / languages
 - ◆ Increasing number of users from countries without strong tradition of IP protection
- ◆ Uses of Internet diversifying
 - ◆ Today, Internet used mainly for **email** and **searching for information**
 - ◆ More powerful technology leads to other uses where IP is more directly implicated:
 - Purchasing goods or services
 - Physical goods (computer goods, books, clothing)
 - Digital goods (computer software, music, film, photos)
 - Listening to music
 - Watching films
- ◆ Substance of use increasingly subject to IP rights

Need for More IP Regulation?

- ◆ **Leading view:** ecommerce should be lead by private sector in response to market forces
 - ◆ Use self-regulatory or market mechanisms developed by market participants
 - ◆ Governments should exercise restraint
 - ◆ Avoid conditioning future technological development through regulation (or use technology neutral regulation)
- ◆ **Internet: no central point of authority**
 - ◆ ICANN
 - ◆ National Governments
 - ◆ International Organizations
- ◆ **But - intellectual property matters are unique:**
 - ◆ Recognition that private sector does not create IP rights / laws
 - ◆ IP rights do not exist independent of government legislation
 - ◆ “minimalist” regulatory approach preferred

(1) General “consciousness raising” for IP

- ◆ Just over 15 years ago IP was viewed (by those even aware of it) as relatively quiet, specialist area
- ◆ IP today is daily news
 - ◆ Record industry’s battle with online piracy
 - ◆ World Summit on Information Society (Dec. 2003) – Draft Declaration of Principles
“Intellectual Property protection is essential to the Information Society. Existing intellectual property regimes and international agreements should continuously provide this protection, thus promoting the necessary balance between owners and users of intellectual property.” Art 40C
- ◆ **Fundamental shift**: investors now value companies based significantly on intangible assets
 - ◆ Value of business assets reflected, increasingly, in **intellectual** as opposed to **physical** property
 - ◆ Example: value of many online companies found in their vast databases of customer information which may be the subject of IP protection (EU Database Protection Directive, No. 96/9/EC, March 1996)
 - ◆ Example: purchase of DHL by JAL and Lufthansa
- ◆ Much **greater involvement** by stakeholder groups

(2) Intensified Debate on Proper Scope of Protection: Definitions

- ◆ The nature of an intellectual property right – to control and exploit the product of one’s own creativity and/or innovation – remains relatively **constant**
- ◆ **The definition of rights** – which determines their scope – is the key issue as IP is neither more nor less than the sum of the rights **granted by the law**
- ◆ New dimension: intellectual property has “**migrated**” to the Internet – this has intensified the debate:
 - ◆ Internet has affected both form, context and substance of IP
 - ◆ this migration has raised questions about the appropriate scope of protection in new contexts for each of the traditional categories of IP: copyright and related rights, trademark and patent rights
- ◆ The character of the IP system must be evolutionary because the manner by which IP rights are expressed / exchanged is constantly adapting to developments in the underlying technologies

(2) Intensified Debate on Proper Scope of Protection

The Network Effect

- ◆ “Network effect” – Internet gives immediate access, exposure, interlinking opportunities to growing worldwide community and market

- ◆ Direct impacts:

- *Copyright*

- ▶ Vast potential: digital distribution for copyrighted material (text, music)
- ▶ Infringement concern: ease of making multiple, perfect quality, **unauthorized**, copies (piracy)
- ▶ **Open source movement**: question whether any protection at all should be accorded to certain digital expressions

- *Trademark*

- ▶ New exposure for SMEs and their trademarks / brands to international market
- ▶ Debate about protection in new areas: domain names, meta-tags
- ▶ Concern with infringing, unauthorized uses (**cybersquatting**)

- *Patent*

- ▶ New possibilities and opportunities for invention
- ▶ Issues: business method patents & multi-jurisdictional infringement

What is Creating the Pressure?

The Internet facilitates exchange both in **physical** and **intangible products**

- For commerce involving **physical products** Internet functions as a global system facilitating sales – place order and goods themselves are delivered separately
- ✦ For commerce involving **intangible products** Internet serves not only as a system to promote sales, but also as system to effectuate delivery of the intangible product itself (software, film, music or publication)
- ✦ The distribution can take place almost instantaneously and the intangible product may travel virtually without restriction across national borders
- ✦ There is an inherent logic to using the Internet to buy / sell (or copy) intangible products that need never be more than digital “bits”. John Perry Barlow has spoken of the “**digitization of everything not obstinately physical.**”

But – there are **massive infringement concerns**:

The Internet is “the world’s biggest copy machine” (PC Week, Jan 1997)

Difficult issues are raised by (i) vast availability of IP on the Internet, (ii) the ease of copying and distribution of copies, and (iii) the relative anonymity afforded these transactions

Lively Debate: Emerging Copyright Issues for Distribution of Digital Media

- ◆ Debate operating at extremes

greatest risks posed by digital networks for piracy and infringement

VS

new technologies have potential to completely lock-up content, thus eliminating traditional limitations and exceptions (fair use) existing under copyright law

IP and Ecommerce

- ◆ Electronic commerce more than other business systems involves selling or transacting in products and services that are based on IP and its licensing
 - ◆ music, pictures, photos, software, designs, training modules, systems, other services, etc. are all traded through ecommerce
 - ◆ IP is the main component value
 - ◆ IP is important because things of value that are traded on the Internet are protected by technological security systems and IP laws
- ◆ IP also makes ecommerce work
 - ◆ the systems that make the Internet work -- software, networks, designs, chips, routers, switches, user interfaces -- are IP and often protected by IP rights
 - ◆ The technology-intensive nature of ecommerce means that many of its constituent processes may be patentable subject matter so long as the legal criteria for patentability are met

Debate in this Area Too: IP and the Internet Engineering Community

Current and continuing debate on Internet

- ◆ Internet was made successful because it is an open network
- ◆ “open source” software and code
 - ✦ facilitate or deter innovation and research?

Standard-setting exercises for open, interoperable technologies

- ✦ Internet Engineering Task Force (IETF)

- “The Internet Engineering Task Force is a large open international community of network designers, operators, vendors and researchers concerned with the evolution of the Internet architecture and smooth operation of the Internet.”

- ✦ World Wide Web Consortium (WC3)

- Patent policy: “All who participate in the development of a W3C Recommendation must agree to license essential claims (that is, patents that block interoperability) on a royalty-free (RF) basis.”

- ✦ ICANN



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News

► W3C Requests '906 Patent Re-Examination

2003-10-29: Acting on the advice of the W3C [HTML Patent Advisory Group](#), W3C has presented the United States Patent and Trademark Office with prior art establishing that US Patent No. 5,838,906 (the '906 patent) is invalid. W3C Director Tim Berners-Lee has written an unprecedented request to James E. Rogan, US Under Secretary of Commerce for Intellectual Property, to take action to remove the patent to allow operation of the Web. Please refer to the [briefing](#). ([News archive](#))

► W3C Workshop on Binary Interchange of XML: Report and Minutes

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World Wide Web Consortium Issues Draft of Patent Policy

Public and Member Reviews of Royalty-Free draft to start today

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Available in [French](#) and [Japanese](#))

www.w3.org/ -- 19 March 2003 -- Today, the World Wide Web Consortium (W3C) began what it expects to be the final review of the [new Royalty-Free Patent Policy](#). The W3C Patent Policy aims to solve a specific problem -- to reduce the threat of blocking patents on key elements of Web infrastructure. Both W3C Members and the general public are encouraged to participate in the review, which is scheduled to last for six weeks, ending on 30 April. The W3C Director's decision on the final policy, which takes into account the full range of feedback received, is expected in May 2003.

"This policy, put together by a diverse and knowledgeable group, furthers the spirit of innovation on which the Web has thrived," explained J. Weitzner, Patent Policy Working Group Chair and Leader of the W3C's Technology and Society Domain. "Thousands of hours have gone into the development of this policy, including participation of W3C Members and invited experts from the Open Source/Free Software community. Our work has also benefitted greatly from the voluntary efforts of members of the public who read and responded to the various

Three Years of Work, Diverse Parties Create a Common Path

(3) Expose the limits of territorial-based (international) IP regime

World Summit on the Information Society (Dec 2003) – Draft Declaration of Principles:

“The Information Society is intrinsically global in nature”

Territorial-based system for registration and enforcement of IP rights

- ✦ Internet creates clashes between rights registered in different territories
- ✦ **Examples:**
 - domain name disputes: Seoul District Court decision: **sex.biz**
 - WIPO Standing Committee on Law of Trademarks (SCT) – ongoing study
 - What constitutes “use” of a sign on Internet
 - What constitutes use within a territory ↔ there must be a “commercial effect”
 - Enabling coexistence
 - Use of disclaimers

(4) New public/private morality questions posed to a new generation

- ◆ What is wrong or right?
 - ◆ Expectation among many users that information and IP sourced and downloaded from the Internet should be free
- ◆ Current levels of online piracy described by music industry as “a 21st Century piratical bazaar.”
 - ◆ Fight continues worldwide: Tokyo District Court issued temporary injunction against Japan MMO to prevent it from operating the P2P service File Rogue (April 2002)
- ◆ Some statistics:
 - ◆ 950 million pirated discs were sold in 2001
 - ◆ World pirate-music market valued at US \$ 4.3 billion
 - ◆ More than a million users are typically online with Morpheus, a P2P site that enables users to trade video files
 - ◆ Estimate 400-600,000 films downloaded illegally every day
- ◆ Education of online consumers is key, through programs designed to raise awareness at an early age of the value of IP and recognition that unauthorized copying of works is theft

(5) Business re-evaluates methods in light of digital networks and limits of IP protection

- ◆ The business models are changing – and must change
- ◆ For IP, businesses are taking very different approaches
 - ◆ When existing businesses move too slow, new businesses are being developed quickly to take advantage of new technology
 - ◆ Music:
 - ◆ eMusic, MusicNet, FullAudio, Rhapsody, Liquid Audio, Press Play
 - ◆ Mobile content
 - ◆ identifying the value chain and new coordination required
- ◆ Licensing arrangements become paramount

(6) The technology “arms race” for IP protection

“Computer security and digital rights are so vexing because their solutions seek to protect technology from itself.” Washington Post, June 2002

- ◆ How does one make computer systems secure from code writers whose goal is to defeat such security?
- ◆ How does one protect digital content when technology, by its nature, encourages copying?
- ◆ WIPO Copyright Treaties (1996) introduced new norm at international level
 - ◆ WCT & WPPT: recognition of vital role played by technological measures – established “technological adjuncts” to exclusive rights (Arts 11-12)
 - ◆ prohibition against circumvention of
 - (i) technological measures of protection, and
 - (ii) rights management information

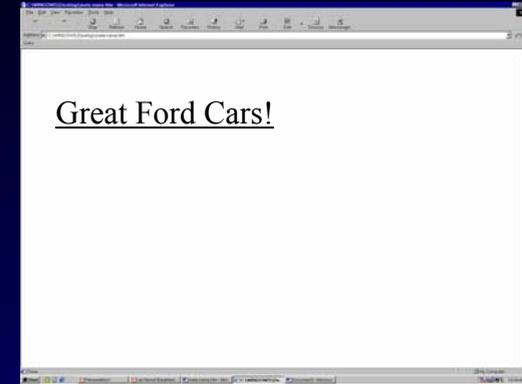
(7) Educate a new generation of lawyers / law-makers

- ◆ Implications for the legal profession and hence future law & regulation
 - ◆ Only one IP course offered when I went to law school
- ◆ Law schools have extensive IP and technology programs
- ◆ There are cases being decided daily & world-wide that are addressing the new issues created by digital networks
 - ◆ Two quick examples:
 - meta tags
 - Ecommerce Directive

Typical Web Flow:

An HTML Document is served via the Internet from a web server to a web client and is manifested in a web browser.

Web Client



HTML Document

```
<meta name="Keywords" content="GE, General Electric, GE products, electric, General Electric Co., GE Corporate, GE Business, appliances, lighting, silicones, plastics">
```

```
<a ref="http://www.ford.com">Great Ford Cars!</a>
```

Internet

Web Server

HTML Hyper Linking: A Closer Look

- ◆ HTML facilitates linking through use of “references”
- ◆ HTML references look like:

```
<a href="http://www.ford.com">Great Ford Cars!</a>
```
- ◆ **“FORD” is a registered Trademark of the Ford Motor Company – e.g., U.S. Reg. No. 1,575,166**

Meta Tags: What is Permitted Use of Another's Trademark?

“Nominative use” is permitted use

- ◆ Only so much of another's mark may be used as is reasonably necessary to identify the product or web site
 - ⇒ reasonable use suggests only one or limited number of instances; and
- ◆ US: web site operator must do nothing that would suggest sponsorship or endorsement by the trademark holder.
See *Terri Welles, et al. v. Playboy Enterprises*, 279 F.3d 796 (9th Cir. 2002)
- ◆ UK: similar legal approach
 - targeted, repeated use is trademark infringement & passing off
See *Roadtech v. Mandata* [2000] ETMR 970 (High Court)

EU e-Commerce Directive*

False Hope of Harmonization?

- ◆ Minimalist legislation - intended to harmonize practice in 15 EU Member States

“The development of **information society services** . . . is hampered by a number of legal obstacles . . . which make less attractive the exercise of the freedom of establishment and the freedom to provide services [within the EU] . . . Obstacles arise from divergences in national legislation and from legal uncertainty as to which national rules apply”

- ◆ Was due to be implemented by 15 States on January 17, 2002
 - ◆ Implemented in Austria, Luxembourg and Germany
 - ◆ Still being transposed in other States

* Directive 2000/31/EC of June 8, 2000

EU e-Commerce Directive

- ◆ Intended to address B2B and B2C.
- ◆ Broad scope covers -
 - ◆ Information society services
 - ◆ Information Requirements
 - ◆ Commercial communications
 - ◆ On-line contracts
 - ◆ Service provider liability
 - ◆ Dispute resolution
 - ◆ Country of origin rule

e-Commerce Directive

◆ Information society services (ISS) (art. 2)

- ◆ spans a very wide range of services and economic activities, including services offered by means of electronic licensing -

any service normally provided for remuneration at a distance -
by means of electronic equipment for processing and storage of
data - at the individual request of the recipient

- ◆ For IP: includes licensing of services and products on-line
 - ◆ games, software; content; video on demand;
 - ◆ tools for search, access and retrieval of data;
 - ◆ commercial communications by email;
 - ◆ transmission of information on networks;
 - ◆ providing access to networks; and hosting

Country of Origin Rule

- ◆ Key term → **country of origin rule** (art. 3)

- ◆ avoid complying with laws in 15 different EU Member States

ISS should be regulated at the **source** of the activity → service provider must comply with national laws in country where it is “**established**”

- ◆ place where a service provider pursues an economic activity using a fixed establishment for an indefinite period (presence of technical facilities alone not enough) (arts. 2 & 4)
- ◆ if several places of establishment → look to place where provider has “center of activities”

Country of Origin Rule

(cont'd)

- ◆ Member States cannot restrict freedom to provide ISS from another State for activities falling within the “coordinated field”
 - ✦ includes all ISS activities such as service provider qualifications and authorizations, quality or content of services, advertising, contracting and liability

but -

- ✦ countries may derogate (*i.e.*, restrict) from freedom to provide ISS for reasons of
 - public policy (e.g., hate speech, religion, sex, nationality),
 - health and security,
 - protection of consumers
- ✦ does not apply to
 - **copyright and industrial property rights or**
 - contractual obligations in consumer contracts

Uncertainty in harmonization

Uncertainty remains for licensing and ISS activities

What the Directive appears to provide in some areas, it takes back in others

- ◆ broad potential derogations for licensed content
 - ✦ seek indemnification from licensee if reseller
- ◆ contractual obligations in consumer contracts
 - ✦ remains potentially subject to 15 country regimes
- ◆ formal requirements for on-line licensing of copyright works
 - ✦ writing and signature needed for exclusive licenses and assignments?
- ◆ does not ease licensing requirements for on-line music
 - ✦ need license of rights in each country State
 - ✦ Harry Fox / BIEM - mechanical rights for national societies of authors
 - ✦ record industry - recording and performance rights
- ◆ Copyright/trademark infringement left to national law
 - ✦ actual knowledge?
 - ✦ notice and takedown left to national level
(law or voluntary code)

Sum: Role of Intellectual Property

- ◆ The intellectual property system is of critical importance in maintaining a stable and positive environment for the development of electronic commerce
- ◆ Electronic commerce raises complex challenges for the exploitation and protection of intellectual property on global digital networks
- ◆ Developments associated with the Internet and electronic commerce have potential to affect virtually every aspect of the exploitation and protection of IP

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