



# IP Literature Watch

**CRA** Charles River  
Associates

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This newsletter contains an overview of recent publications concerning intellectual property issues. The abstracts included below are as written by the author(s) and are unedited.

## IP & Antitrust

### **Amicus brief of 29 IP, internet law, & antitrust professors in 1-800 Contacts v. FTC**

Mark A. Lemley (Stanford Law School)

Eric Goldman (Santa Clara University – School of Law)

*Stanford Law and Economics Olin Working Paper No. 538*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3452884](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452884)

This amicus brief supports the FTC's position in the 2d Circuit appeal of 1-800 Contacts v. FTC. The brief was joined by 29 intellectual property, Internet law, and antitrust professors.

The case involves 1-800 Contacts' settlement agreements with its online competitors in which they agreed not to bid on each other's trademarks as keywords for search engine advertising. The FTC held that 1-800 Contacts' conduct violated antitrust law.

The brief makes two main points. First, the brief shows how game theory explains 1-800 Contacts' use of settlement agreements for anticompetitive purposes. Second, the brief explains how trademark law provided only pretextual justification for 1-800 Contacts' settlement campaign.

### **Using price regulation instead of competition to reduce prices after patents expire**

Ramsi Woodcock (University of Kentucky College of Law)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3466473](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3466473)

In imposing a limited term of twenty years on the patent grant, Congress sought to use competition to make patented products available to the public at low prices once inventors have reaped the fruits of the exclusivity provided by the patent grant. But competition has in practice proven an unreliable method of achieving low prices for off-patent products. Patentholders reap supra-competitive profits, and consumers pay supra-competitive prices, long after expiration of the patent term. That is because, as antitrust

scholars recognized decades ago, the primary effect of competition is not to drive down prices but to stimulate innovation. Because Congress's goal for off-patent products is not to stimulate innovation — the grant of the patent means that innovation has already occurred — but to reduce prices, Congress should stop relying on competition alone to drive down off-patent prices and instead given the Patent and Trademark Office authority to set the prices of off-patent products equal to marginal cost.

### **Pharmaceutical 'pay-for-delay' reexamined: A dwindling practice or a persistent problem?**

Laura Karas (N/A)

Gerard F. Anderson (Johns Hopkins University – Department of Health Policy and Management; National Bureau of Economic Research (NBER))

Robin Feldman (University of California Hastings College of the Law)

*Hastings Law Journal, Forthcoming*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3458552](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3458552)

The Supreme Court ruled in *FTC v. Actavis* that a delay in generic entry may be anticompetitive when part of a patent settlement that includes a large and otherwise unjustified value transfer to the generic company, termed a reverse payment patent settlement, or “pay-for-delay.” Following *Actavis*, drug companies have limited the size of reverse payments and have fashioned settlement terms that include more discreet categories of compensation to generic companies. In light of the fact that such settlements retain the potential for anticompetitive effects, the apparent size of the reverse payment may no longer be a useful gauge of the legality of pay-for-delay deals. In this article, we argue that convoluted settlements in the post-*Actavis* landscape that camouflage value transfers from brand-name to generic companies necessitate a shift in the focus of antitrust scrutiny to the existence of any restriction on generic entry together with a category of patent less likely to survive a challenge. We conclude with a discussion of pay-for-delay bills in the 116th Congress and propose several reforms to deter pay-for-delay behavior.

## **IP & Licensing**

### **Understanding 'balance' requirements for standards development organizations**

Jorge L. Contreras (University of Utah – S.J. Quinney College of Law)

*CPI Antitrust Chronicle, Sept. 2019, Issue 2*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3454894](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3454894)

Most technical standards-development organizations (SDOs) have adopted internal policies embodying “due process” criteria such openness, balance of interest, consensus decision making and appeals. Yet these criteria lack a generally-accepted definition and the manner in which they are implemented varies among SDOs. Recently, there has been a renewed interest in the principle that SDOs should ensure a balance of interests among their stakeholders. This article explores the origins and meaning of the balance requirement for SDOs. In doing so, it identifies four “tiers” of balance requirements, ranging from those required of all SDOs under applicable antitrust law, to those required of SDOs that wish to benefit from particular statutory and accreditation schemes, to those that are purely voluntary. Beyond first tier balance requirements, which prohibit anticompetitive attempts to skew decision making processes within an SDO, the imposition of greater degrees of balance among SDO stakeholders, whether through numerical quotas or affirmative participant recruitment efforts, are largely voluntary and dependent on an SDO's policy preferences.

## Unfriendly choice of law in FRAND

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*Virginia Journal of International Law*, Vol. 59, No. 2, 2019

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3467370](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3467370)

Standards are technical specifications providing a common design for products or processes to function compatibly with others. Standards are pervasive in various communications and platform technologies since they facilitate interoperability between different products. These technical standards inevitably cover a large number of patented technologies standard implementers must use, which are referred to as standard-essential patents (SEPs). SEPs are normally subject to fair, reasonable, and non-discriminatory (FRAND) terms based on SEP holders' declarations made to voluntary associations known as standard-setting organizations (SSOs) or standards-development organizations (SDOs). In recent years, the increasing use of standards and SEPs has led to an increased number of lawsuits relevant to the interpretation and enforcement of FRAND terms. As a result, legal issues surrounding FRAND have become a subject of litigation and academic debate. This Article is an endeavor to fill the gap in academic literature on the choice-of-law issues relating to FRAND. It seeks to provide readers with a deeper understanding of the choice-of-law issues as revealed by key judicial precedents around the world. Ultimately, this research attempts to suggest practical solutions that may mitigate, if not resolve, the choice-of-law issues.

## IP & Innovation

### Distorted drug patents

Erika Lietzan (University of Missouri School of Law)

Kristina M.L. Acri née Lybecker (Colorado College – Department of Economics & Business)

*Washington Law Review*, Forthcoming

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3458588](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3458588)

Drug patents are distorted. Unlike most other inventors, drug inventors must complete years of testing to the government's specifications and seek government approval to commercialize their inventions. All the while, the patent term runs. When a drug inventor finally launches a medicine that embodies the invention, only a fraction of the patent life remains. And yet, conventional wisdom holds — and empirical studies show — that patent life is essential to innovation in the pharmaceutical industry, perhaps more so than any other inventive industry. Congress tried to do something about this in 1984, authorizing the Patent and Trademark Office to “restore” a portion of the patent lost to premarket testing. PTO doesn't restore all of the lost time, though, which raises the question whether the U.S. legal system may steer researchers away from drugs that take a long time to develop. This Article focuses on that question. It examines every grant of patent term restoration for a new drug or biologic from the scheme's 1984 enactment to April 1, 2018. And it fills a conspicuous gap in the literature: few scholars have considered patent term restoration from an empirical perspective, none has used a dataset of this size and scope, and none has addressed the questions this Article addresses. Two significant conclusions stand out. First, longer clinical programs lead to shorter effective patent life, even after PTO has granted patent term restoration. The results are strongly statistically significant and contribute to a growing body of literature

raising the alarm that the U.S. legal system may be systematically skewing drug research incentives away from the harder problems — such as a cure for Alzheimer’s Disease and interventions at the early stages of cancers. Second, Congress decided to allow drug companies to apply patent term restoration to continuation patents, specifically because this would increase the chances of reaching 14 years of effective patent life. Ten years later Congress changed the way patent terms are calculated without considering the effect on patent term restoration. Selecting a continuation patent no longer has the same effect. Today a drug company is most likely to achieve the 14 years of effective patent life by securing a new, original patent that issues late in clinical trials. Policymakers and scholars complain when companies secure these later-expiring patents, but the findings in this Article suggest those patents may be necessary to accomplish what Congress intended in 1984.

### **Technical aspects of artificial intelligence: An understanding from an intellectual property law perspective**

Josef Drexel, et al.

*Max Planck Institute for Innovation & Competition Research Paper No. 19-13*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3465577](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3465577)

The present Q&A paper aims at providing an overview of artificial intelligence with a special focus on machine learning as a currently predominant subfield thereof. Machine learning-based applications have been discussed intensely in legal scholarship, including in the field of intellectual property law, while many technical aspects remain ambiguous and often cause confusion.

This text was drafted by the Research Group on the Regulation of the Digital Economy of the Max Planck Institute for Innovation and Competition in the pursuit of understanding the fundamental characteristics of artificial intelligence, and machine learning in particular, that could potentially have an impact on intellectual property law. As a background paper, it provides the technological basis for the Group’s ongoing research relating thereto. The current version summarises insights gained from background literature research, interviews with practitioners and a workshop conducted in June 2019 in which experts in the field of artificial intelligence participated.

### **Prospect patents, data markets and the commons in data driven medicine: Openness and the political economy of intellectual property rights**

Katerina Sideri (Bioethics Institute Ghent (BIG))

*(Forthcoming) Science and Public Policy*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3458410](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3458410)

Scholars who point to political influences and the regulatory function of patent courts in the U.S. have long questioned the courts’ subjective interpretation of what ‘things’ can be claimed as inventions. The present article sheds light on a different but related facet: the role of the courts in regulating knowledge production. I argue that the recent cases decided by the U.S. Supreme Court and the Federal Circuit, which made diagnostics and software very difficult to patent and which attracted criticism for a wealth of different reasons, are fine case studies of the current debate over the proper role of the state in regulating the marketplace and knowledge production in the emerging information economy. The article explains that these patents are prospect patents that may be used by a monopolist to collect data that everybody else needs in order to compete effectively. As such, they raise familiar concerns about failure of coordination emerging as a result of a monopolist controlling a resource such as datasets that others

need and cannot replicate. In effect, the courts regulated the market, primarily focusing on ensuring the free flow of data in the emerging marketplace very much in the spirit of the 'free the data' language in various policy initiatives, yet at the same time with an eye to boost downstream innovation. In doing so, these decisions essentially endorse practices of personal information processing which constitute a new type of public domain: a source of raw materials which are there for the taking and which have become most important inputs to commercial activity. From this vantage point of view, the legal interpretation of the private and the shared legitimizes a model of data extraction from individuals, the raw material of information capitalism that will fuel the next generation of data intensive therapeutics in the field of data driven medicine.

## IP & Litigation

### **Optimal standards of proof in patent litigation: Infringement and non-obviousness**

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Abraham L. Wickelgren (University of Texas at Austin – School of Law; University of Texas at Austin - Center for Law, Business, and Economics)

*Northwestern Law & Econ Research Paper No. 19-07*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3463873](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3463873)

We build a model of innovation and patent adjudication under two forms of uncertainty; uncertainty regarding whether the original invention merits protection (non-obviousness), and uncertainty as to whether a particular competitor's product should be barred (infringement). We find that when it is practical to increase the rewards from innovation by extending patent length, the standards of proof for non-obviousness should be high. The intuition for this is that patent length should be set so that the increase in innovation from extending patent length is balanced by the increase in deadweight loss from extending monopoly pricing. In this situation, the ex-ante cost of failing to protect a good patent is minimal, but there is substantial deadweight loss from protecting a bad patent. In contrast, if non-infringing competing inventions substantially decrease the original inventor's profits, it might be desirable to have a very low standard of proof for infringement, since the deadweight loss from an incorrect finding of infringement is mostly balanced out by the increased ex-ante incentive to invent.

### **Unregistered complaints**

Christine S. Davik (University of Maine – School of Law)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3454098](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3454098)

In March, the U.S. Supreme Court handed down its highly-anticipated decision in *Fourth Estate Public Benefit Corporation v. Wall-Street.com, LLC* which resolved a split among U.S. Court of Appeals concerning the point in time when a copyright owner is first able to file suit against an alleged infringer. While at first glance this case may merely appear to be a simple issue of statutory interpretation, namely whether it is upon application for registration or once a determination has been made on registration by the U.S. Copyright Office, I argue this decision is a clarion call for a much-needed amendment to the Copyright Act. Although the Court may have correctly construed the registration prerequisite in Section 411(a) of the Copyright Act, I argue that neither of the two approaches before the Court was a truly appropriate option. Alternatively, I proffer the requirement of infringement must be removed entirely in

order to properly account for technological changes in the methods and speed by which copyrightable works are now created, reproduced, and distributed. This will ensure that all copyright owners are able to access the courthouse without delay in accord with virtually every other area of law.

Unfortunately, as it currently stands post-Fourth Estate, most U.S. copyright owners cannot seek relief immediately upon detecting infringement of their work. Instead, they must wait the months and in some cases years for the Copyright Office to complete its review, despite the existence of federal copyright protection that attaches automatically upon creation of the work. As such, the author of an unregistered work is essentially left with a right to prevent copyright infringement, but an inability to do so. Adding to the inequities of this situation is the fact that due to treaty obligations prohibiting formalities that stand in the way of enforcing one's copyright rights, owners of foreign works do not have to comply with this registration prerequisite. Instead, these owners can proceed directly to federal court to protect their works.

Accordingly, I advocate for complete removal of the registration prerequisite. In doing so, this Article stands in stark contrast to the recent scholarly trend in the field of copyright law advocating for more, not less, formalities associated with one's copyright rights. This includes calls by many legal scholars for the "re-incentivization" of federal registration by taking away certain rights and the availability of particular defenses as a consequence for failing to seek an earlier copyright registration. While many of these proposals are an understandable reaction to the significant increase in both the breadth and depth of copyright rights over the past several decades, emphasizing registration is not an appropriate way to achieve balance in light of the numerous barriers to registration in its current form, especially for individual artists or smaller entities. Consequently, after examining the various arguments in support of and in opposition to the repeal of the registration requirement, this article ultimately concludes the overwhelming advantages to eliminating the Section 411(a) prerequisite outweigh any perceived or actual drawbacks.

### **Implementing apportionment**

Bernard Chao (University of Denver Sturm College of Law

*2019 Patently-O Patent Law Journal 20*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3468539](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3468539)

On August 15, 2019, Time Warner filed a petition with the United States Supreme Court seeking to vacate a \$139.8 million damages verdict. That amount represents approximately 5% of Time Warner's monthly subscriber revenue (\$1.37 per subscriber per month). Time Warner argues that this award is too much given the contribution the patented feature made to its infringing service. At its core, the damages portion of the petition is asking the Supreme Court to provide guidance that will ensure that damages verdicts rely on apportionment principles and provide clarity in how they achieve this.

For years, the Federal Circuit has required apportionment in calculating royalties for complex products because modern technology products (e.g. smart phones and semiconductors) have countless features, most of them unrelated to any given patent at issue. The patentee is entitled to capture value added by the infringing feature, but cannot recover value attributable to everything else.

As with many issues in patent law, this is easier said than done. How do courts ensure that a patentee's expert opinion on the ultimate damages figure is based on apportionment principles? How do we know if

the jury verdict reflects those same principles? This essay uses Time Warner's petition to describe the challenge of implementing apportionment and set forth some potential ideas for future study.

## IP Law & Policy

### **Caught in the middle: WIPO and emerging economies**

Peter K. Yu (Texas A&M University School of Law)

*ELGAR COMPANION TO WIPO*, Sam Ricketson, ed., Edward Elgar Publishing, 2020, Forthcoming  
Texas A&M University School of Law Legal Studies Research Paper No. 19-40

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3464171](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3464171)

When the World Intellectual Property Organization was established in April 1970--with its origins tracing back to the adoption of the WIPO Convention in July 1967--the organization was at the center of a deeply divisive debate between developed and developing countries over the appropriate design of the international intellectual property system. A few years later, WIPO became a U.N. specialized agency. With the UN Department of Economic and Social Affairs and the United Nations Conference on Trade and Development, it coauthored the report entitled *The Role of the Patent System in the Transfer of Technology to Developing Countries*. The report's pro-development views contrasted significantly with the traditional positions taken by WIPO and its predecessor. Those positions closely aligned with the views of inventors and their supportive developed countries.

More than five decades after the adoption of the WIPO Convention, the North-South divide continued to dominate debates concerning the international intellectual property regime. Notwithstanding these debates, the past two decades have seen the arrival of so-called "emerging economies." While this open-ended term has sparked disagreements among policymakers and commentators, most agree that the term covers countries such as Brazil, China and India.

How have emerging economies influenced the mandate, structure, and activities of WIPO? What are the positive and negative impacts of these economies? Has their arrival transformed the U.N. specialized agency? Tackling these questions in turn, this chapter begins by describing the changing landscape in the international intellectual property regime. It then explores the emerging economies' impacts on WIPO and its activities. The chapter concludes by offering insights into the organization's future.

### **Radical patent law reform in a common law enabling system: A metahistory**

Samuel Ernst (Golden Gate University School of Law)

*Forthcoming, Handbook on Creativity, Entrepreneurship, and Forgotten Intellectual Property Lore: Comparative Legal Perspectives*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3463952](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3463952)

This chapter tells the story of how intellectual property lore becomes law. In the United States radical patent law reform has time and again occurred through the Supreme Court selectively reviving and reconstructing its precedent to correct abuses of the patent system. The forgotten opinions the Court draws from are themselves historical constructs from prior periods of patent thickets and corrective judicial reform; just as all common law judicial opinions are rhetorical constructs that purport to objectively

present facts that can only be selectively reconstructed and draw conclusions of law that are necessarily subjective and policy driven.

Part I explains that although the United States has always had patent laws passed by Congress, they have been common law enabling statutes that codified existing judge made law in broad strokes, leaving it to the courts to create the detailed rules going forward through judicial opinions. Part II describes an historical pattern of abusive patent thickets growing in the U.S. to impede true innovation, the failure of Congress to act effectively to address the problem, and the Supreme Court enacting radical and effective patent litigation reform through case law. Part III begins by telling the story of how an intermediate appellate patent specialist court, the U.S. Court of Appeals for the Federal Circuit, was created in the early 1980s to unify patent common law and to strengthen patent rights in the face of a judiciary that was perceived as hostile to patents. Part III continues by describing how the Federal Circuit's rulings contributed to the creation of a new patent thicket whereby non-practicing entities and other patent holders asserted low quality patents to force settlements out of innovators, thereby imposing a private tax on innovation. Part III concludes by describing how the Supreme Court addressed these abuses of the patent system through common law reform grounded in the unearthing of forgotten judicial precedent from prior periods of common law reform in the late 1800s and early twentieth century.

Part IV probes the question of what motivates judges to enact common law reforms in different policy directions and explores whether such a system is less democratic than a highly codified civil law system or congressional legislative reform. The conclusion concedes that the history presented in this chapter is necessarily a constructed metahistory based on literary storytelling, as are all historical narratives; and as are all common law judicial opinions because they construct deceptively objective arguments through the interpretation of past judicial opinions, which are themselves mere constructs. Once having accepted this postmodern insight, the metamodern attitude is to seek out how to use such human constructs to promote social good, rather than harm.

### **Testimony on the STRONGER Patents Act before the Senate Judiciary Committee, Intellectual Property Subcommittee**

Adam Mossoff (George Mason University – Antonin Scalia Law School, Faculty)

*George Mason Law & Economics Research Paper No. 19-32*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3457804](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3457804)

This invited testimony was presented at a hearing on the STRONGER Patents Act before the Senate Judiciary Committee, Intellectual Property Subcommittee, on September 11, 2019. It explains how the STRONGER Patents Act addresses two sources of uncertainty, instability and weakness in the U.S. patent system today. First, the bill permanently would end the willy-nilly operations of the Patent Trial & Appeal Board (PTAB), an administrative tribunal created by Congress in 2011 to cancel issued patents. The PTAB engages in numerous procedural “shenanigans” that have produced extremely high cancellation rates, earning it the moniker of a “death squad” for patents. The STRONGER Patents Act imposes structural reforms on the PTAB by hardwiring into it necessary limitations on arbitrary action. Second, the bill abrogates the Supreme Court's 2006 decision in *eBay v. MercExchange*, which created a new test for issuing injunctions for the ongoing infringement of a valid patent. By eliminating the classic legal test of a presumptive injunction for an ongoing violation of a valid property right, *eBay* has led to a significant drop in courts issuing injunctions for all patent owners. Both the PTAB and *eBay* have created a cloud over the titles of patents, incentivizing “efficient infringement” by large companies and hampering

the economic function of patents in driving licensing and other commercial activities in the innovation economy. Thus, the STRONGER Patents Act represents much-needed reform. It reestablishes reliable and effective patent rights, stable legal institutions, and the rule of law in the patent system — essential features of all legal property rights in driving economic growth in innovation economies.

## Copyright Law

### **Volition has no role to play in determining copyright infringements**

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Seth L. Cooper (The Free State Foundation)

*Perspectives from FSF Scholars, Vol. 14, No. 21, 2019*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3457897](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3457897)

Historically, and consistently, direct copyright infringement has been understood to be a strict liability tort. Unfortunately, some recent lower court decisions addressing infringement of copyrighted content on online platforms could be read, wrongly, to require copyright owners to prove "volitional conduct" by alleged infringers. Yet the Copyright Act nowhere contains any such volitional conduct requirement and the U.S. Supreme Court has never recognized such requirement in direct infringement cases. Lamentably, any uncertainty regarding a potential volitional conduct requirement makes it more difficult to ensure accountability by online platforms for mass infringement taking place on user-upload websites.

The principle that volition (or intent) has no role to play in determining whether copyright infringement has occurred is long-standing and well established in both English and American jurisprudence.

To increase platform accountability for online infringement, both the courts and Congress need to ensure that there are clear, strict liability rules regarding direct copyright infringement. Attention, deservedly, has been placed on refining statutory safe harbors from legal liability in order to ensure online platforms take more responsibility for infringing activities on their sites. But even when online platforms are ineligible for safe harbor treatment, copyright owners still have the burden of proving direct copyright infringement. This paper therefore focuses on direct infringement in the context of online platform accountability.

### **The constitutionalization of intellectual property law in the EU and the Funke Medien, Pelham and Spiegel Online Decisions of the CJEU: Progress, but still some way to go!**

Christophe Geiger (Université de Strasbourg – CEIPI)

Elena Izyumenko (Université de Strasbourg – CEIPI)

*Centre for International Intellectual Property Studies (CEIPI) Research Paper No.2019-09*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3472852](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3472852)

In the first part of the new millennium, the rise of the use of fundamental rights in shaping and using intellectual property norms has led one of the authors of this article to predict that this movement will be "constitutionalizing" intellectual property law. More than a decade and a half later, the influence of fundamental rights on the scope and limitations of intellectual property has never been more important, as illustrated by three seminal copyright decisions (in the Funke Medien, Pelham and Spiegel Online cases) delivered in July 2019 by the Court of Justice of the European Union. These decisions, dealing with the relationship between copyright and freedom of expression (including freedom of the media,

information, and freedom of artistic creativity), stand out in the European judicial practice on copyright and fundamental rights for a number of reasons. First, freedom of expression and its balancing factors play a crucial role in shaping the contours of the exclusive rights, starting from the definition of copyright law's subject-matter and extending to the right of reproduction, as well as, most importantly – to copyright limitations and exceptions. In essence, the CJEU takes a quite liberal position towards the national courts' interpretation of existing copyright norms in the light of the freedom of expression requirements. The CJEU goes even as far as to term the Article 5 InfoSoc exceptions not as “exceptions” as such but as self-sufficient rights of users of copyright-protected subject-matter. It is also notable that, in applying freedom of expression to EU copyright, the CJEU has largely relied on the case law of yet another supranational European court – the European Court of Human Rights – manifesting eagerness to engage in a “dialogue” with the principal human rights tribunal in Europe in order to establish guiding principles for EU copyright law informed by freedom of expression. Such a liberal, “freedom of expression-driven” approach of the CJEU to the interpretation of EU copyright appears quite analogue in results that could be reached by applying an external and/or open-ended copyright exceptions. Nevertheless, the Luxemburg Court indicates in *Funke Medien, Pelham and Spiegel Online* that an externally-introduced flexibility (by means of complementing an already existing in EU list of exceptions) could be harmful to copyright harmonisation and legal certainty. Therefore, despite having shown a more favourable position to the possibility of shaping EU copyright by fundamental rights norms, the CJEU does not go all the way, since it considers in quite categorical terms that an external freedom of expression exception beyond an exhaustive list of limitations of Article 5 InfoSoc is clearly unacceptable. According to the Court, copyright's own internal mechanisms present sufficient safety valves for balancing with freedom of expression. Such position of the CJEU that relies on the fact that the legislator has anticipated all the potential conflicts between copyright and higher ranking norms such as fundamental rights might be incompatible with the EU legal order. Thus, despite a visible progress in flexibilizing copyright norms via their interpretation “in the light of” fundamental rights, some further steps will still need to be taken in the future to make the “constitutionalization” of IP law a complete reality in the EU.

### **Proving infringement: Burdens of proof in copyright infringement litigation**

Lydia Pallas Loren (Lewis & Clark Law School)

R. Anthony Reese (University of California, Irvine School of Law)

*Lewis & Clark Law Review*, Vol. 23, No. 2, 2019

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3458667](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3458667)

The Copyright Act says very little about the plaintiff's burden of proof in establishing liability in an infringement case, although courts have, to varying degrees, allocated burdens of proof, including identifying certain defense arguments as affirmative defenses. The Article seeks to provide greater analytical clarity to the complicated area of the burdens of proof in copyright infringement litigation. In particular, the Article identifies many “defenses” to a copyright infringement claim as not being true affirmative defenses but rather being rebuttals to a plaintiff's efforts to satisfy the burden of persuasion. Careful understanding of the burdens of persuasion, the different types of defense arguments, and the potential shifting of the burden of coming forward with additional evidence will aid attorneys and courts in a more accurate and thorough analysis of both the procedural and substantive issues raised in any particular infringement case.

## IP & Trade

### **The US-China trade negotiation: A contract theory perspective**

Angela Huyue Zhang (The University of Hong Kong – Faculty of Law)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3462241](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3462241)

The article applies contract theory to analyze the dynamics of the ongoing trade negotiation between the United States and China. The United States complained that previous bilateral engagements with China had yielded empty promises from China without substantial progress in the legal protection for intellectual property rights (IPRs). Thus, in this round of trade negotiations, the United States insisted upon a rigid trade agreement, hoping that China would more credibly commit to its promises. China, on the other hand, preferred a flexible agreement that would allow it substantial leeway in determining how to write and enforce its own laws. The row regarding contract specificity directly resulted in an impasse. This article argues that the U.S. trade negotiators have overlooked the incomplete nature of the trade agreement. First, the United States cannot predict every contingency that might occur during the execution of the trade agreement. The Chinese government retains the residual control over its domestic laws and possesses vast discretion in enforcement. Second, it is very costly to enforce this trade agreement. The bilateral trade agreement can neither be enforced by a third party nor will it be self-enforcing. As illustrated by the Sino-U.S. IPR disputes in the 1990s, bilateral trade agreements are constantly renegotiated and the United State lacks the credibility to impose sustained tariff sanctions on China. Third, the cost of writing the agreement is very high. A rigid agreement is more visible to the Chinese domestic audience, who suspects the U.S. motive for triggering the trade war is to contain China's rise. Moreover, a rigid agreement appears imbalanced and easily invokes the long and painful historical memory of Chinese subjugation to western powers. The Trump administration therefore has overestimated the benefit of writing a rigid contract while underestimating the price of dignity to the Chinese government in acceding to the U.S. demand. Economic integration, a means for countries to hold hostage of each other to promote peace and prosperity, is more effective than a rigid trade agreement in resolving the Sino-U.S. trade conflict.

### **Intellectual property, investment and WTO: A historical account**

Pratyush Nath Upreti (Sciences Po Law School)

*Christophe Geiger (ed) Research Handbook on Intellectual Property and Investment Law (Cheltenham/UK, Edward Elgar Publishing, 2020 Forthcoming)*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3457259](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3457259)

The chapter aims to analyze the historical narratives of IP, investment and the World Trade Organization (WTO). In order to do so, this chapter is divided mainly into two parts. The first part will trace the historical development of IIAs and investigate pre- and post-World War II Friendship, Commerce and Navigation (FCN) Treaties to understand the rationale of including IP in those agreements. The second part will discuss the treatification of international investment law and the quest of investment to find a place in the multilateral system.

## **Adjudicating intellectual property disputes at the GATT/WTO: Are there general lessons for the investor-state dispute settlement system?**

Graham Cook (Legal Affairs Division, World Trade Organization)

Hannu Wager (World Trade Organization (WTO))

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[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3461601](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3461601)

The chapter begins by describing how a handful of recent cases pertaining to IP issues in the context of investor-State dispute settlement (ISDS) have generated considerable interest in the interface between investment and intellectual property. It suggests that it may be useful to take a side-glance to the WTO context, which in the past quarter century has in some respects had comparatively more (or at least longer) experience with adjudicating IP disputes than the ISDS system. The description of GATT/WTO experience is divided into five parts, which: (i) show that international trade disputes with an IP dimension are not a new phenomenon, summarizing four such cases in the 1980s under the GATT; (ii) provide facts and figures on the number of cases brought under the TRIPS Agreement; (iii) distinguish five types of IP disputes that have come before the WTO, providing summaries and examples of each; (iv) explain that there are no special and additional rules or procedures in cases involving the TRIPS Agreement; (v) suggest that the existence of an appellate mechanism has not been the only factor, let alone the most important factor, that has contributed to the emergence of a coherent body of jurisprudence regarding the scope of IP protections in the WTO context.

## **Other IP Topics**

### **Development and purchase of technological intellectual properties including patents and trade secrets**

Charles Edward Andrew Lincoln IV (Boston University)

*Chapter 3: Charles Lincoln, Development and Purchase of Technological Intellectual Properties Including Patents and Trade Secrets, William Byrnes, Taxation of Intellectual Property and Technology (2019), Lexis Nexis. Chapter Update Editor.*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3462102](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3462102)

This chapter examines the costs incurred in the creation of technological intellectual properties can often be currently deducted although certain costs are required to be capitalized (some of which may be recovered over time and others of which can only be recovered upon sale or disposition of the property), while costs to purchase (as opposed to create) existing technological intellectual properties must generally be capitalized and recovered over extended period of time. This chapter will assist in making the determination of which costs are currently deductible, which are amortizable over a period of time and which must be capitalized into the basis of the property and cannot be recovered until sale or disposition.

## Copyright issues with the 'Black Hole' image and their legal implications

Yahong Li (The University of Hong Kong – Faculty of Law)

Working Paper

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3455073](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3455073)

The release of the world's first-ever black hole image generated an immediate copyright dispute and revealed multiple copyright issues that remain unsettled. This paper argues that the black hole image should be left in the public domain without copyright protection because: first, the image's copyrightability and copyright ownership are too uncertain to warrant a legal protection, making fair use and compulsory licensing largely irrelevant; second, the image is a work of world significance that was created through broad international collaboration with substantial public funding, which has a strong implication for public interest in access of the work; and third, Creative Commons 4.0 Attribution license cannot guarantee public access because it can be changed to a more restrictive license. This paper concludes that only by leaving the black hole image in the public domain can copyright's objective of increasing public access of creative works and promoting scientific progress be achieved.

### Contact

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