



IP Literature Watch

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IP & Antitrust

Competition law and innovation

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Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3555172

We examine the impact of competition laws on innovation. We create a unique firm-level dataset on patenting activities that includes over 1.4 million firm-year observations, across 68 countries, from 1991 through 2005. Using a new, comprehensive dataset on the multiplicity of competition laws, we find that more stringent competition laws are associated with increases in the number of patents; the citation-impact of those patents, explorative nature of patents, and patent acquisitions from other firms, though the ratio of acquired to self-generated patents falls. Our results hold when using a country-industry dataset covering 186 countries over the period from 1888 through 2015.

IP & Licensing

Patent shopping

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Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3538751

Over the past decade, scholars have identified many entities who use the patent system in ways that differ from the traditional model of patent use — entities such as patent assertion entities, patent aggregators, or owners of large patent portfolios. This Article presents a model that explains the behavior of some of the biggest and most controversial entities in the patent system. This Article argues that such entities are engaged in “patent shopping” where the plaintiff makes a strategic choice of patent in order to obtain the best facts and substance in a case and thereby maximize the chance of a favorable outcome. The patent shopping model draws by analogy on forum shopping, where plaintiffs make a strategic choice of forum in order to maximize the chance of a favorable outcome. The patent shopping model stands in contrast to the traditional model of patent use where a patentee owns a small number of patents closely related to a commercialized invention, which are drafted to encompass

possible attempted work-arounds. Under the traditional model, patent acquisition comes first, infringement second. This Article proposes that, for patent shoppers, the chronology is flipped: infringement first, patent acquisition second. Instead of drafting patents to predict infringement, patent shoppers are able to react to infringement by selecting a patent that fits the infringing behavior. This is possible because most companies are constantly infringing on many different potential patents, infringement which has historically not been enforced. Patent shoppers have access to hundreds or thousands of patents, related to many different inventions, and can identify an instance of infringement that is a good target for enforcement and can then acquire the patent(s) of their choice. For instance, patent assertion entities may evaluate large numbers of patents that are available for sale and then select patents that can be most profitably enforced. Similarly, owners of large patent portfolios can shop in their own closet by selecting the best patents for enforcement from a wide array of options.

This Article presents the shopping model and then conducts a qualitative review of the financial statements of potential patent shoppers to provide empirical evidence that these entities pursue patent shopping as a business strategy. Patent shopping is a way to view some of the most important players in the patent system and adds a new analytic perspective to the broad literature on these entities. The concept of shopping for good claims is not unique to patent law; it also occurs in, for example, personal injury litigation and consumer debt suits. Thus, the framework proposed herein is broadly applicable to many areas of law.

The allocation of patent ownership in R&D partnerships: Default rules v. contractual practices

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Due to the increased complexity of new technologies and rapid technological developments, organisations often cannot independently keep up with the technological progress and engage in open innovation activities by setting up R&D partnerships. The allocation of patent ownership of jointly developed inventions is a difficult issue during the negotiations of such partnerships and can be extremely problematic due to the lack of regulation and harmonisation of patent legislation. This entails the need to consult a considerable number of legal systems that may be involved in large-scale international partnerships. The difficulties in allocating ownership can also arise due to non-legal reasons, such as diverging business interests. While many patent systems suggest co-ownership as a default regime, in practice organisations often avoid it due to the complexity related to further joint exploitation. The principle of freedom of contract allows organisations to establish their own applicable rules governing the allocation of ownership and exploitation of jointly developed inventions. Those rules provide more flexibility, but also imply some transaction costs in designing contracts. In this paper I examine why certain default rules are not “sticky” and whether it would be possible to establish a default rule accepted by the majority of the negotiating parties.

Patenting fast and slow: Examiner and applicant use of prior art

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WVU College of Law Research Paper No. 2020-004

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Previous studies have shown that an applicant's ability to obtain a patent is inexorably linked to the random assignment of a patent examiner. However, not all patent examiners are created equal. Some patent examiners allow patent applications quickly within just one or two Office Actions resulting in only a few months of substantive patent prosecution. In contrast, other patent examiners constantly reject patents applications, which can result in unnecessarily delaying prosecution and years of substantive patent prosecution. This study focuses on how different examiners use prior art rejections to prolong or compact prosecution.

Prior art rejections are one of the most important hurdles to obtaining a patent. Specifically, the use of prior art rejections directly impacts the time and effort it takes to obtain a patent. Overcoming anticipation and obviousness rejections are usually the most important and difficult obstacles to overcome before obtaining a patent. This empirical study focuses on how different types of examiners (i.e., fast/high volume versus slow/low volume) use prior art rejections to either compact or delay prosecution. Since patent examination is dependent on both examiner and applicant behavior, this study also evaluates how applicants respond to these prior art rejections to also prolong or compress prosecution. Unlike many studies, this is the first paper that evaluates patent quality based on both individual examiner characteristics as well as applicant behavior at the patent prosecution level.

In sum, high volume, average volume and low volume examiners issued a patent in approximately 1.64 years, 3.07 years, and 5.85 years respectively. Thus, high volume examiners issue patents almost twice as quickly as average volume examiners and more than three times as fast as low volume examiners. This large difference in time can represent a huge investment in both capital and time for the applicant as well as the PTO.

Additionally, this study finds that low volume examiners reject applications based mainly on obviousness, issuing over four times as many obviousness rejections per office action compared to high volume examiners. Furthermore, low volume examiners issue five times as many 102(a)/(g)/(e) rejections and two times as many 102(b) rejections. And applicants most commonly make a “missing element” argument to traverse a slow examiner’s 102(a)/(g)/(e) rejection at three times the rate of a fast examiner. This type of traversal strategy relies on the examiner’s misunderstanding of either the art or the claimed invention. Similarly, applicants also use the “missing elements” argument to traverse a slow examiner’s 103 rejection at five times the rate of a fast examiner. Finally, applicants are also three times more likely to use a “teaching away” or “unexpected results” argument to traverse a slow examiner compared to a fast examiner. Both of these arguments can again rely on either the examiner’s misunderstanding of the prior art or a misunderstanding of the claimed invention.

This study demonstrates that different types of examiners use different strategies to maximize their “counts.” Specifically, low volume examiners will generally reject applications creating lengthy prosecution histories while forcing the applicant to narrow claims, while showing a misunderstanding of either the prior art and/or the claimed invention. In contrast, high volume examiners will usually only make one rejection then allow the case, thus creating a small prosecution history with only small amendments to the claims.

IP & Litigation

Brief amicus curiae in support of appellee’s answering brief

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U.S. Court of Appeals for the Ninth Circuit, 2020

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3548283

Association for Accessible Medicines (AAM) warns that if this Court does not reverse the denial of its motion to preliminarily enjoin AB 824, there will be no more settlements, drug prices will rise, and patent law will be decimated. These claims offer no shortage of drama. But for at least three reasons, they are not justified.

First, AAM ignores payment. The key issue in the antitrust analysis of settlements is whether a brand-name drug company pays a generic firm to delay entering the market. Settlements without payment, which reflect the patent’s strength, do not threaten antitrust concern. But if the brand pays the

generic to delay entry, that is an antitrust violation. Despite this consensus view in the courts, the distinction between settlements with and without payment is missing from AAM's brief.

Second, AAM mischaracterizes AB 824. This legislation primarily codifies U.S. and California Supreme Court law, while modestly extending it in ways consistent with the caselaw. In particular, its approach of presumptive illegality for settlements involving payment and delayed entry is consistent with the streamlined Rule of Reason the Supreme Court adopted in *FTC v. Actavis* and the structured analysis the California Supreme Court adopted in *In re Cipro*.

Third, AB 824 is not preempted by the Hatch Waxman Act or patent law. The legislation promotes the Act's purposes of expedited generic competition by reducing the number of settlements in which brands pay generics to delay entry, in the process inducing generics to abandon the patent challenges that Congress intended. Nor is patent law directly relevant to the antitrust analysis of settlements.

On most issues, AAM represents the interest of consumers. On "product hopping" (switching from one version of a drug to a trivially-different version), frivolous citizen petitions filed with the U.S. Food and Drug Administration to delay entry, and the denial of samples that generics need to enter the market, generics represent the public interest, seeking to challenge unwarranted patent monopolies and to quickly enter the market to lower prices and benefit consumers.

Pay-for-delay settlements are different. For in this setting, the generics are colluding with brand firms. Of course, it is in the interest of both sides to enter into pay-for-delay settlements. The brand gets to extend its monopoly, even on invalid patents. And the generic obtains the certainty of getting paid without being subject to the vagaries of the market. But a win for the settling parties is a loss for consumers forced to pay monopoly prices for drugs covered by invalid or noninfringed patents. In short, in this context, AAM's connection with the public interest is attenuated.

IP & Innovation

Quick and dirty patents

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Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3511268

The scope and timing of patents determine the size of economic rewards to inventors. We provide causal evidence on the effects of scope and timing on startups and externalities on their rivals, by leveraging the quasi-random assignment of patent applications to examiners. Using unique data on all first-time applications filed at the U.S. Patent and Trademark Office since 2001, we find that patent grant delays are harmful to the inventor, in terms of reduced growth in employment and sales and a reduced quantity and quality of follow-on innovation. In addition, delays are harmful to both the inventor and its rivals in terms of access to external capital. Broader scope, on the other hand, tends to benefit the inventor (in terms of follow-on innovation) while harming rivals (in terms of growth and follow-on innovation). Our findings suggest that "quick" patents maximize both inventor rewards and positive externalities to rivals. "Dirty" patents may benefit inventors but also impose large negative externalities on rivals.

Robots and the origin of their labour-saving impact

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IZA Discussion Paper No. 12967

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3542636

This paper investigates the presence of explicit labour-saving heuristics within robotic patents. It analyses innovative actors engaged in robotic technology and their economic environment (identity, location, industry), and identifies the technological fields particularly exposed to labour-saving innovations. It exploits advanced natural language processing and probabilistic topic modelling techniques on the universe of patent applications at the USPTO between 2009 and 2018, matched with ORBIS (Bureau van Dijk) firm-level dataset. The results show that labour-saving patent holders comprise not only robots producers, but also adopters. Consequently, labour-saving robotic patents appear along the entire supply chain. The paper shows that labour-saving innovations challenge manual activities (e.g. in the logistics sector), activities entailing social intelligence (e.g. in the healthcare sector) and cognitive skills (e.g. learning and predicting).

Liquidity and the value of innovation: Evidence from US patent data

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Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3516442

Does stock liquidity increase the value of innovation? Exploiting a quasi-random experiment, we show that stock liquidity increases the economic value of innovation. These results are mainly driven by firms in innovation-oriented sectors, such as those that are science-based or software-related or involve specialized suppliers. We show that stock liquidity increases concentrated institutional ownership; monitoring can potentially make innovation valuable. The literature shows that stock liquidity reduces the quantity of innovation, but the U.S. as a nation continues to be highly innovative despite having one of the most liquid stock markets. Our findings help solve this puzzle.

The promise of machine learning for patent landscaping

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USPTO Economic Working Paper No. 2020-1

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3555834

Patent landscaping involves the identification of patents in a specific technology area to understand the business, economic, and policy implications of technological change. Traditionally, patent landscapes were constructed using keyword and classification queries, a labor-intensive process that produced results limited to the scope of the query. In this paper, we discuss the advantages and disadvantages of using machine learning to produce patent landscapes. Machine learning leverages traditional queries to construct the data necessary to train the machine learning models, and the models allow the resultant landscapes to extend more broadly into areas of technology not expected a priori. The models, however, are “black boxes” that limit transparency into their underlying reasoning. To illustrate these points, we summarize two landscapes we recently conducted, one in mineral mining and another in artificial intelligence.

Can mergers and acquisitions internalize positive externalities in funding innovation?

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Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3532157

Fundamental innovation usually involves huge upfront costs, but the benefits are spread across various sectors of the economy. Given the large costs and limited appropriability of the benefits associated with fundamental innovations, individual firms underinvest in these innovations relative to the socially optimal level. We find that mergers and acquisitions (M&As) can internalize the positive externalities by merging firms from both the user industries and the producer industries of an innovation. Using the US patent citation dataset, we define the user and producer relationship between each pair of industries and between each pair of industry and technological class. We then show that after a merger between an innovation user and an innovation producer, the quantity of innovation output increases, and the increase is driven by targeted technological classes.

IP Law & Policy

Risk taking and rights balancing in intellectual property law

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53 Akron Law Review (2020, Forthcoming)

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Scholars have long worried that risk aversion can have significant negative effects in the marketplace. In the intellectual property law domain, some have worried that risk-averse actors can negatively influence the development of important intellectual property law doctrines, which can ultimately hamper innovation. For instance, risk-averse actors may frequently choose to obtain licenses for rights that the relevant laws do not actually require of them. When they do so, they inadvertently increase the scope of intellectual property rights, because their risk-averse activities inform courts' development of key intellectual property law doctrines.

In this Essay, prepared as part of the IP Scholars Forum at Akron Law, I look at the other side of the risk coin. In particular, I argue that early-stage companies, and sometimes later-stage companies as well, are often willing to take on significant intellectual property risks in pursuit of commercial opportunities. And by providing courts with opportunities to take head-on key intellectual property questions, these risk-taking activities, in effect, may often help counterbalance whatever negative effects the behavior of risk-averse actors entails. I examine reasons why both types of entities are often willing to take on intellectual property risks. And I review a number of examples where both early- and later-stage companies have heavily influenced the development of key intellectual property law doctrines by being willing to take their intellectual property disputes to court.

The replicability crisis in patent law

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Indiana Law Journal, Vol. 95, 2020

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There is a “replicability crisis” in the scientific literature. Scientists attempting to redo experiments in reputable, peer-reviewed journals have found that staggering numbers of these experiments — up to 90% — do not work. Patents, like scientific articles, contain experiments. These experiments often form the backbone of the patent and provide crucial support for patentability. Patent examiners use these

experiments to evaluate whether the invention works, and thus whether the patent should be granted. The replicability crisis in the scientific literature is therefore of utmost importance to the patent system. Transferring the insights of the replicability crisis to patents begs the question of whether experiments in patents are similarly irreplicable — a question that has not previously been asked in the literature.

This Article's novel empirical study of 500 patents and applications measures the replicability of experiments in patents. Using methodological quality of the experiment as a proxy for replicability, this study finds that experiments in patents have very poor methodological quality, which means that they are likely irreplicable at rates at least as high as experiments in scientific journals.

Given the centrality of experiments to patents, this Article's empirical finding is a crisis not only of replicability, but also of patent law, and has important implications for patent doctrine, theory, and policy. Patent law relies on the assumption that, when a patent is filed, it has been "reduced to practice" — meaning that the invention works. The reality is that most inventions likely do not work, casting serious doubt on this assumption. Similarly, the underlying justification for patents — incentivizing innovation — requires that they contain enough information to teach others how to make and use the invention. Irreplicable patents may not do this. In short, there is a fundamental mismatch between patent law's theory and doctrine, which treat patents as reflecting fully formulated inventions, and what patents often represent, which is early stage, frequently unproven, results. The replicability literature — and the findings of this Article — teach us that experiments reported in patents are not reliable enough to merit the level of control and influence that they are granted in the patent system.

This Article argues that patent law cannot solve irreplicability; instead, patent theory must better reflect the reality of irreplicability. Several policy proposals flow from this reformulation, including easing the process of invalidating inoperable patents, improving disclosure of ex post data in patents, and clarifying the experimental use exception.

The importance of communication to possession in IP

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100 Boston University Law Review Online 16 (2020)

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3542320

In this invited online symposium piece, Professor Holbrook engages with the recent article by Dotan Oliar & James Y. Stern, *Right on Time: First Possession in Property and Intellectual Property*, 99 B.U. L. Rev. 395 (2019). This essay explores the important role that communication to interested third parties plays in possession for allocating property rights. The essay focuses on two aspects of patent law that demonstrate the importance of such communication: patent priority and utility. Under the first-to-invent regime, the first to invent could lose the right to the patent - and a second-to-invent could get the patent - if the first abandoned, suppressed, or concealed the invention. Thus, to qualify as being in "possession" of the invention first, there must be a communication of the invention. In terms of utility, patent law requires the disclosure of utility in the patent document itself. Exogenous demonstrations of utility are insufficient, again demonstrating the importance of the communicative act.

Recalibrating the disgorgement remedy in intellectual property cases

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Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3529750

The five major US intellectual property (IP) regimes — trademark, trade secrecy, copyright, design patent, and utility patent laws — have quite different rules about the availability of disgorgement of infringer profits as a remedy. Traditional principles of restitution and unjust enrichment support awards of disgorgement of profits insofar as they are (1) levied against conscious wrongdoers, (2) attributable to the wrongful conduct, and (3) subject to equitable discretion. Unlike awards of actual damages, which aim primarily to compensate plaintiffs for harms suffered because of a defendant's wrongdoing, disgorgement awards primarily seek to deter wrongdoing by ensuring that wrongdoers do not profit thereby. This Article presents a formal model that supports our judgment that these principles are consistent with the goal of optimal deterrence of IP infringement.

Much of the Article presents a close study of the doctrinal structure of the five IP regimes' approach to disgorgement. We find that trademark law is the most consistent of the five regimes with traditional restitutionary principles and the goal of optimal deterrence. Trade secrecy law, like trademark law, is substantially consistent. Design patent, copyright, and patent laws deviate in more significant ways. Disgorgement awards are always available to owners of copyrights or design patents, even against innocent infringers. Moreover, design patent law even deviates from traditional approaches to restricting awards to amounts attributable to infringement: instead, design patent law requires awards of total profits on the manufacture or sale of whatever "article of manufacture" to which an infringing design has been applied. Further, courts have thus far rarely recognized that disgorgement awards should be subject to equitable adjustments in copyright and design patent cases, although this may change after the Supreme Court's characterization of disgorgement as an equitable remedy for copyright infringement. Patent law deviates from traditional restitutionary principles in a very different way: courts have ruled that Congress repealed disgorgement as a remedy for utility patent infringement in 1946, but patent law's reasonable royalty awards can, in effect, effect a partial disgorgement of infringer profits.

IP & Trade

Shifting IP battlegrounds in the US – China trade war

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Intellectual property ("IP") represents one of the main controversies of U.S.– China trade relations in the past three decades and remains one of the core issues behind the two countries' recent trade frictions. This Article provides an overview of the current IP debates between the two largest economies in the world. It illustrates the transformation of the Chinese government's role from inactive IP law enforcer to active facilitator of access to and acquisition of foreign technologies. This study further explains how China's approach to learning western technologies has transformed from low-end imitation to gaining a controlling stake in foreign companies via joint ventures or outbound investments. More importantly, this Article discusses the legal and policy implications of the IP issues in this trade war. I argue that the recent IP trade war represents the struggle for global technological leadership as well as a new institutional competition in the post-Cold War era. Moreover, China's "economic aggression," as the United States understands it, has caused a number of unsolved issues for the international IP regime,

which include the justification of China's controversial IP policies for the purpose of industrial catch-up as well as the evidentiary and legal bases for holding China liable for its economic aggression in relation to IP.

Settlement of international intellectual property disputes

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World Intellectual Property Organization (WIPO), which administers some twenty six sets of multilateral treaties on intellectual property (IP) law including the Paris and Berne Conventions, is the global organization to regulate the intellectual property rights (IPRs). Besides WIPO-administered treaties, the conclusion of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) during the Uruguay Round as an international legal agreement between all the member nations of the World Trade Organization (WTO) has posited the WTO as one more global authority on IPRs. This article sheds light on the dispute settlement regime within the international intellectual property law administered by both WIPO and WTO.

LDCs along with the developing and developed ones must have the opportunity to secure their legitimate business interests, curb unfair practices and cope with unlawful restrictions through timely and effective dispute resolution. Nevertheless, the DSMs under international IP law are yet to be proven efficacious and convenient enough for the LDCs and developing countries to negotiate their odds with larger economies or counterparts. This article critically examines the existing dispute settlement rules, procedures and structures within the framework of major international IP law especially relating to WIPO and TRIPS in light of making accessible fair, equitable and just international economic legal system to the LDCs on par with other economies. To identify major constraints on proper access of LDCs and developing countries to dispute settlement mechanism (DSM) within international IP law, the study concentrates on the analysis of dispute settlement provisions in IP law instruments formulated under the auspices WIPO and TRIPS Agreement within WTO.

Copyright and Trademark Law

Fair use in Oracle: Proximate cause at the copyright/patent divide

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In *Oracle America, Inc. v. Google LLC*, the Federal Circuit undermined copyright law's deference to patent law and, in doing so, delivered a blow to both regimes. Copyright's deference—including a historic refusal to enforce rights that might undermine the public's liberty to copy unpatented inventions—is a necessary part of preserving inventors' willingness to accept the short duration, mandatory disclosure, and other stringent bargains demanded by patent law. Deference to patent law is also integral to copyright law's interior architecture; copyright's refusal to monopolize functional applications of creative work lowers the social costs that would otherwise be imposed by copyright's ease of acquisition and long duration.

If patent law refuses to protect a functional device or other innovation (perhaps because its patent has expired, or because the innovation would be obvious to anyone skilled in the field), various copyright doctrines make it difficult for an eager claimant to use copyright law instead. These doctrines act like fences.

For example, under 17 USC § 102(b), copyright cannot extend to “ideas” or to any “procedure, process, system,[or] method of operation.” This prohibition applies “regardless” of the copyrighted “form” in which the idea, procedure, process or method appears. *Id.* Therefore, the public violates no copyright duties when it copies, say, ideas about how to improve the manufacture of steel from a copyrighted instruction manual or video. If the creator of the manufacturing idea wants protection for it, the inventor needs to look to patent law.

Similarly, although copyright can subsist in drawings of a useful article, the statute and caselaw disable those copyrights from giving any rights to keep others from making or selling the article. 17 USC § 113(b). Say the inventors of an automobile engine with improved fuel efficiency want to restrain others from building and selling copycat engines. To restrain such functional copying, the inventors get no mileage out of the copyrights that subsist in their blueprints. Rather, to stop competitors from building and selling the new engine, the inventors must seek the protection of patent law.

Under yet another statutory rule, sculptured shapes that have “an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information” are not copyrightable unless their aesthetic and functional components are separable. 17 USC § 101.

The instant Article discusses these and other limits on copyright law. Their overall impact is to emphasize the importance Congress and the courts give to preventing copyright law from directly or indirectly competing with, or undermining, the decisions of patent law.

Computer-program copyrights were intended to respond to programmer’s expression, not their engineering ingenuity. As technology poses new challenges, separate intellectual property laws need to keep congruent with the separate purposes each serves. The Supreme Court has granted certiorari in *Oracle*, allowing the Court to evaluate a judicial opinion that, this Article argues, ignored these first principles.

A need for congruence (‘or ‘fit’) is recognized in most areas of civil liability. For example, in enforcing the Clayton Act, the Supreme Court honored that need for congruence by creating a doctrine it called ‘antitrust injury’ to limit liability. Common-law tort generally employs the doctrine called “proximate cause” to similarly assure fit between the facts of a given case and the law’s purposes. In copyright law, the courts and Congress entrust this familiar but crucial task to “fair use”. The instant Article employs analogies from antitrust and common-law tort to reinforce the appropriateness of using the fair use doctrine to keep copyright law in its own yard.

Recent Supreme Court trademark decisions and cannabis registrations

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Cannabis Law Journal, Feb. 2020

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3525029

The prohibition on immoral trademarks has been steadily eroding as a result of First Amendment litigation at the United States Supreme Court. In light of recent Supreme Court decisions on trademark registrations and free speech, the question then becomes: Is the Lanham Act’s ban on cannabis trademark registrations justifiable in light of the First Amendment in view of these recent cases?

Using failure to function doctrine to protect free speech and competition in trademark law

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104 Iowa Law Review Online 70, 2020

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Trademark law's failure to function doctrine focuses on whether certain words or symbols are used and perceived as a trademark that identifies and distinguishes the source of products in the marketplace. If certain matter fails to function as a mark due to its inherent nature or the manner in which it is used, it cannot be registered or protected under trademark law. A phrase, design, or product feature may be denied registration under failure to function doctrine on the ground it is merely informational or ornamental matter or otherwise fails to function as a mark for this product. Examples include the words I LOVE YOU for jewelry, a swastika symbol for fabrics used to make flags and other textiles, and a peppermint scent and flavor for medicine.

Like trademark law's requirements that marks be distinctive and non-functional, failure to function doctrine can promote fair competition and freedom of commercial expression. Yet this separate doctrinal tool is rarely used by courts and has only recently been used more frequently at the U.S. Patent and Trademark Office (USPTO). In the past, the USPTO has registered some words or symbols that would likely be classified as "inherently distinctive" on the Abercrombie distinctiveness spectrum, but which are arguably not functioning as trademarks that provide source-identifying product information. Examples include the phrases LIFE IS GOOD and I ♥ NY for T-shirts and other apparel. These words conveyed a non-source-identifying message before the phrases were adopted as marks and arguably fail to function as marks when displayed prominently in large letters on the front of clothing. As such marks have been registered for more than five years, they cannot be cancelled on failure to function grounds. Moreover, if the registrant's right to use the mark is incontestable, the mark's validity cannot be challenged in litigation on the ground that it fails to function as a mark.

This paper proposes that Congress add failure to function and lack of distinctiveness as grounds for cancellation of a mark at any time (like generic terms and functional matter) and also revise the Lanham Act to allow accused infringers to raise these defenses in litigation even when a mark becomes incontestable. Congress should also amend the Lanham Act to explicitly permit third party use of another's mark in a functional, ornamental, or informational manner as a defense to a trademark claim. Courts and decision-makers at the USPTO should always consider whether a phrase, design, or product feature claimed as a mark is actually used and perceived as a trademark, and be more willing to apply failure to function doctrine when the matter does not function as a mark due to its inherent nature or the manner in which it is used. These changes and other reforms of the Lanham Act suggested in this paper will protect expressive values and better promote competition and trademark law's other goals.

Other IP Topics

Do pirated video streams crowd out non-pirated video streams? Evidence from online activity

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Scott Wallsten (Technology Policy Institute)

Nathaniel Lovin (Technology Policy Institute)

Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3525027

Does watching more pirated streaming video mean spending less time watching non-pirated streaming video? This study measures whether, and how much, time spent watching pirated video crowds out time spent on streaming video apps. While prior studies have estimated the impact of piracy on sales revenues, our study measures the impact of piracy on time spent on free and paid streaming apps. We combine big data tools with standard econometric techniques, including a two-stage least squares model, to analyze 5.25 terabytes of online activity data from 19,764 American households and their 468,612 devices from 2016 to 2017. The analysis suggests that every minute spent engaged with pirated video sites crowded out about 3.5 minutes of time spent streaming video. Because pirated video files are generally more compressed than non-pirated video files and because they are frequently downloaded as entire files rather than streamed, as with non-pirate sites like Netflix and Amazon, we conclude that our results exhibit closer to a 1-to-1 crowding out effect of piracy on over-the-top streaming video services.

Is too much specialization a bad thing? Specialization in specialized courts

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While modern society has embraced specialization, the federal judiciary continues to prize the generalist jurist. This disconnect is at the core of the growing debate on the optimal level of specialization in the judiciary. To date, this discussion has largely revolved around the creation of specialized courts. Opinion specialization, however, provides an alternative, underappreciated method to infuse specialization into the judiciary. In contrast to specialized courts, opinion specialization is understudied and undertheorized.

This Article makes two contributions to the literature. First, this Article theorizes whether opinion specialization is a desirable practice. It argues that the practice's costs and benefits are a function of whether the court itself is specialized. More specifically, this Article contends that while opinion specialization may be normatively desirable for generalist courts, it is likely not for specialized tribunals. Perhaps most concerning, this Article argues that opinion specialization in specialized courts increases the likelihood that legal doctrine will reflect the idiosyncratic preferences of a few judges.

Second, given the concerns associated with opinion specialization in specialized tribunals, this Article empirically tests the extent to which specialization occurs in specialized courts. We approach this question by examining the process of opinion assignment in the U.S. Court of Appeals for the Federal Circuit (Federal Circuit), which is best known for its near-exclusive jurisdiction over patent appeals. Utilizing a novel database, we find that opinion specialization is a robust part of the Federal Circuit's practice. This Article concludes by demonstrating that opinion specialization may have led to several highly criticized legal developments at the Federal Circuit, exploring mechanisms in which opinion specialization may be diminished, and examining the implications of our findings for the broader judiciary.

The intellectual property of vaccines: Takeaways from recent Infectious disease outbreaks

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This Essay examines the ways in which intellectual property regimes influence incentives for the development of new vaccines for infectious diseases. Charting the tension between market forces and public health imperatives, the Essay considers an emerging solution to the long-standing problem of insufficient incentives for vaccine research and development: the rise of public-private partnerships in the health space. The Essay provides a short case study on CEPI, a large-scale public-private partnership dedicated exclusively to funding research on vaccines for infectious diseases. In exploring how the interaction between intellectual property rules and practices affect vaccine innovation, the Essay offers illustrations from recent outbreaks of infectious diseases, including the 2019 novel coronavirus, Zika, and Ebola.

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