



# IP Literature Watch

**CRA** Charles River  
Associates

July 2020

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

### **The Social Costs of Portfolio Diversification: Evidence from Patent Challenges in the Pharmaceutical Industry**

Jin Xie (The Chinese University of Hong Kong (CUHK))

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3619675](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3619675)

The FDA grants a 180-day period of marketing exclusivity to reward the first generic manufacturer challenging the monopoly status of patent-protected drugs. Institutional horizontal shareholdings — the generic shareholders' ownership in the brand-name incumbent relative to their ownership in the generic manufacturer — are positively associated with the likelihood that the first generic enters into a settlement agreement with the brand. The results are not driven by systemic differences between private and public firms, and survive from a panel instrumental variable strategy that exploits the combination of the two largest investors. Horizontal shareholdings are positively associated with the brand's abnormal daily stock returns around the settlement agreement. Following settlements, the first generic manufacturers are more likely to delay the sale of generic substitutes if they have higher horizontal shareholdings with the brand. These delays preclude other generic manufacturers from entering the market. Generic manufacturers with higher horizontal shareholdings are more likely to be the first patent challengers. The findings suggest commonly owned incumbent and competitors coordinate in response to the threat of entry.

### **Colluding Against a (Patent) Monopoly**

Gregory Day (University of Georgia – C. Herman and Mary Virginia Terry College of Business)

W. Michael Schuster (University of Georgia – C. Herman and Mary Virginia Terry College of Business)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3634767](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3634767)

The patent system fosters innovation by granting the right to exclude. Since a rightsholder can legally suppress competition and charge monopoly prices, a patent provides antitrust immunity. Even when firms allegedly abuse their exclusive rights through means such as furthering patent thickets, meritless infringement litigation, or breaching FRAND commitments, courts and federal agencies have often

concluded that antitrust is ill-equipped to discipline patent practices. Without antitrust remedies, firms have banded together against rightsholders to negotiate for better terms. Their strategies have included boycotting abusive patentees as well as collectively negotiating against them. By using self-help remedies, they seek to pay fair rates for only the patents needed for their technology. This type of cooperation may ideally foster competition and innovation where patent abuses undermine both goals

The problem is, ironically, that combining against a monopolist is likely anticompetitive. Antitrust condemns collusion to drive down prices—here, licensing rates—even when done against a monopolist. This renders a troubling outcome where “Big Pharma,” “Big Tech,” and others can insulate their monopoly power using the very laws meant to condemn monopolies. While debate has emerged about patent abuses, an equally salient issue involves whether antitrust should condemn firms who collude against patent holders and monopolists.

Using empirical analysis and historical evidence, this Article argues that antitrust should allow firms to defend an antitrust claim by citing their rival’s market power. Our models show that powerful rightsholders do in fact harm competition and innovation in ways not meant to protect original technology. We then find that the benefits of collusion among smaller firms were advanced by the Sherman Act’s drafters whose comments are critical to shaping and understanding modern antitrust. Support even comes from the labor arena: Congress excluded workers from antitrust law — as labor unions were once considered a form of collusion — so that workers, with their own market power, could counterbalance their employers’ dominance with their own market power. As such, given the practical and theoretical difficulties of remedying anticompetitive abuses of patent rights under the antitrust laws, we assert that taking antitrust out of patent law would allow competition to flourish in dynamic markets while enhancing the patent system’s incentives to innovate.

### **Use and Abuse of Bargaining Models in Antitrust**

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*Kansas Law Review*, Vol. 68, No. 5, 2020

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3644573](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3644573)

Bargaining is all around us. Bargaining is how prices are set across a range of economic activities such as between licensors and licensees of intellectual property, employees and employers, content providers and distributors, health insurers and hospitals, and in many intermediate product markets. Recently, bargaining has played a central role in a number of high-profile antitrust matters. In 2018, the U.S. Department of Justice challenged AT&T’s acquisition of Time Warner — largely on the basis of a bargaining model. Also, in 2018, the U.S. Federal Trade Commission argued that Qualcomm’s market position in cellular chipsets allowed it to leverage higher royalty rates for its standard essential patents (“SEPs”), in violation of its commitment to license its SEPs on fair, reasonable, and non-discriminatory (“FRAND”) terms. In this article, we assess the value of economic bargaining models to predict outcomes for both horizontal and vertical mergers and for unilateral conduct. To that end, we first provide an overview of the economics of bargaining models and their primary features, including the vertical GUPPI variant. We then discuss these models in the context of recent antitrust cases and detail the uneven judicial adoption of bargaining models. Next, we examine whether the current judicial reticence is justified. We review a body of emerging scholarship that suggest some caution on the use of methodologies to predict harm based on bargaining models. This suggests that a healthy degree of judicial skepticism is warranted — whether coherently articulated in opinions or not. In conclusion, we offer some policy recommendations for the use of bargaining models, which we believe will lead to a more balanced approach regarding their use in antitrust matters.

# IP & Licensing

## Glory Days: Do the Anticompetitive Risks of Standards-Essential Patent Pools Outweigh Their Procompetitive Benefits?

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*San Diego Law Review*, Vol. 58, No. 2, 2021

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3622615](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3622615)

Patent pools—licensing arrangements in which multiple patent owners agree to license their intellectual property to each other and/or third parties—have existed in some form for nearly two centuries. During that time, courts and competition agencies have noted both the benefits and risks associated with pools. On the one hand, patent pools can reduce transaction costs, clear blocking positions, and enable parties to avoid costly infringement litigation. On the other hand, patent pools can serve as a vehicle for collusion, charge for unnecessary patents, and include exclusionary licensing terms. Nonetheless, the consensus for more than twenty years has been that the procompetitive benefits of patent pools outweigh their anticompetitive effects.

But the current assessment of patent pools may be influenced by the nostalgia of events long past. Developments over the past two decades warrant revisiting some of the assumptions regarding the procompetitive nature of patent pools. Creativity and increasingly aggressive licensing behavior also are amplifying the anticompetitive effects of certain pools. As a result, the promise of using certain types of patent pools to resolve licensing issues for standards-essential patents (“SEPs”) may be as yet another unrealized dream from glory days gone by.

This article proceeds as follows. First, it provides an overview of necessary background principles to understand the interaction between patent pools, commitments to license SEPS on terms that are fair, reasonable and non-discriminatory (“FRAND”), and competition law. Second, it explores how competition law principles traditionally have been applied to SEP patent pools. Third, it critically examines how some of the assumptions underlying the procompetitive nature of patent pools no longer are true in today’s SEP assertion environment. Fourth, it assesses how the anticompetitive risks of certain SEP pools likely eclipse their alleged procompetitive justifications. Finally, this article concludes by providing specific recommendations to restore SEP patent pools to a position where an appropriate balance is struck between competition risks and benefits.

## An Economic Model of Patent Exhaustion

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*CESifo Working Paper Series No. 6638*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3039926](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3039926)

The doctrine of patent exhaustion implies that the authorized sale of patented goods “exhausts” the patent rights in the goods sold and precludes additional license fees from downstream buyers. Courts have considered absolute exhaustion, in which the patent owner forfeits all rights upon an authorized sale, and presumptive exhaustion, in which the patent owner may opt-out of exhaustion via contract. This paper offers the first economic model of domestic patent exhaustion that incorporates transaction costs in licensing downstream buyers and considers how the shift from absolute to presumptive exhaustion affects social welfare. We show that when transaction costs are high, the patent owner has

no incentive to individually license downstream users, and absolute and presumptive exhaustion regimes are equivalent. But when transaction costs are at the intermediate level, the patent owner engages in mixed licensing, individually licensing high-valuation buyers and uniformly licensing low-valuation buyers. Presumptive exhaustion is socially optimal when social benefits from buyer-specific pricing outweigh social costs from transaction cost frictions in individualized licensing, which requires sufficiently low transaction costs.

### **An Empirical Study of Patent Grant Rates as a Function of Race and Gender**

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*American Business Law Journal, Forthcoming*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3634987](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3634987)

In this article, we examine the rate at which patent applications are granted as a function of the inventor's race and gender. Empirical analysis of more than 3.9 million United States applications finds minority and women applicants are significantly less likely to secure a patent relative to the balance of inventors. Further analysis indicates that a portion of this bias is introduced during prosecution at the Patent Office, independent of the quality of the application. Mechanisms underlying these disparities are explored. The paper concludes with a discussion of our results and their interaction with patent law, innovation policy, and employment trends.

### **The Technical Standardization Ecosystem and Institutional Decision Making: The Case of Intellectual Property Rights Policies**

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*TILEC Discussion Paper No. DP2020-014*

*University of Utah College of Law Research Paper No. 375*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3600819](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3600819)

In this paper, we analyze decision making on Intellectual Property Rights (IPR) policies in the standardization ecosystem. While a large literature has studied IPR policies of Standard Developing Organizations (SDOs), we contribute a more rigorous analysis of how these IPR policies are shaped by the interdependencies between SDOs and between SDOs and a variety of stakeholders. While SDO stakeholders often have opposing policy preferences, they are tied together by non-generic complementarities and a joint interest in the overall performance of the standardization system, which are constitutive characteristics of an ecosystem. The standardization ecosystem is characterized by widely shared institutional norms, which – in the field of IPR – result in the preponderance of what we call a “Baseline Policy”. SDOs' positions in the ecosystem contributes to explain where in the ecosystem institutional innovations going beyond the Baseline Policy are more likely to arise. We analyze different mechanisms of transmission of such novel practices, such as emulation and precedent.

# IP & Innovation

## AI Patents and the Self-Assembling Machine

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*105 Minnesota Law Review Headnotes, Forthcoming*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3628791](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3628791)

Legal scholarship has begun to consider the implications of algorithmic pattern recognition systems, colloquially dubbed “artificial intelligence” or “AI,” for intellectual property law. This emerging literature includes several analyses that breathlessly proclaim the imminent overthrow of intellectual property systems as we now know them. Indeed, some commentators have prophesied the demise of patentable innovation under the influence of AI research and development tools.

Although AI systems pose fundamental challenges to the many areas of law and legal institutions, careful consideration suggests that intellectual property generally, and the patent system particularly, encompasses sufficient flexibilities to address AI innovation. In many cases, previous accommodation of biotechnology within the patent system points the way similar accommodation of AI tools. However, the incorporation of AI innovation into patents reveals a significant gap in patent doctrine regarding issues of causation, which deserves resolution quite apart from the unnecessary furor over the intersection of AI and patent doctrine.

## Summoning a New Artificial Intelligence Patent Model: In the Age of Pandemic

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3619069](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3619069)

To combat the fast-moving spread of the pandemic we need an equally speedy and powerful tool. On the forefront against COVID-19, for example, AI technology has become a digital armament in the development of new drugs, vaccines, diagnostic methods, and forecasting programs. Patenting these new, nonobvious, and efficient technological solutions is a critical step in fostering the research and development, the huge investments as well as the commercial processes. This article considers the challenges of the current patent law as they apply to AI inventions in general and especially in the age of a global pandemic. The article proposes a novel solution to the hurdles of patenting AI technology by establishing a new patent track model for AI inventions (including the inventions that are made by AI systems and creative AI systems themselves). Unlike other publications promoting either complete abandonment of AI related patents, or advocating to maintain current patent laws, or recommending minor adjustment to patent laws, this article suggests a novel model of separate patent venue solely targeting AI inventions. The argument of this article is based on four pillars: the difficulty of having a patent-eligible subject matter, the hurdle of the “blackbox” conundrum, the confusion of who is “a person of ordinary skills in the art” (“POSITA”), and the criticality of establishing a new AI patent track model, a crucial step, especially during a global epidemic.

The first pillar of the argument is the difficulty of having a patent-eligible subject matter in AI inventions. We therefore propose the new AI patent track model that would extend the scope of patent protection to cover creative AI systems, including both the algorithms and trained models, and AI-made inventions in order to, inter alia, incentivize investments of the “Multi-Players”.

The second pillar of the argument of the argument is the hurdle posed by the “blackbox” conundrum of AI systems that undermines the explainability and transparency of the inventions. In analogy to already existing rules applied to microorganism patents that are hard to describe, we advise a depository rule for AI working models to sufficiently describe the otherwise inexplicable inventions.

The third pillar arises from the confusion of who is a person of ordinary skills in regard to the nonobviousness assessment of AI inventions. We submit an alternative standard of “a skilled person using an ordinary AI tool in the art” under the new track model to enable the evaluation of the patentability of complex AI inventions.

The fourth pillar of the argument is the criticality of establishing a new AI patent track model on the grounds that the current patent law regime has posed substantial hurdles and uncertainties for patenting AI inventions with regard to almost all patentability requirements. We analyzed each of the requirements to demonstrate that most, if not all, aspects of patent law are not suitable in the AI era; only a revolutionary new patent model specific for AI inventions could solve all the concerns while maintaining the patent incentive for innovations.

Our model also suggests an expedited examination with the aid of AI tools and a shortened patent lifetime in light of the fast AI development and technology elimination speed. The article concludes with the hope to harness AI technology for the wellbeing of humanity, in general and especially during tough times in the current COVID-19 era and in general.

### **The Road to Economic Recovery: Pandemics and Innovation**

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3638187](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3638187)

In this paper, we investigate the economic consequences of pandemics from an idea-based theory of economic growth. We assume that pandemics pose a threat to research productivity and analyse the long-term consequences of pandemic shocks to innovation output. We demonstrate that following a pandemic, innovation output is disrupted for approximately seven years. The effect of pandemic shocks on innovation output varies between countries, and sector to sector regarding economic activity. Pandemic shocks lead to a short-term drop in the number of patent applications. Crucially, the duration of a pandemic has a strong effect on innovation output. Overall, the effects of this most recent pandemic on future innovation output, and subsequently on growth, are expected to be felt long into the future. This paper supports the policies designed to reduce the effect of the “Great Lockdown” on research productivity. Policies that target the more innovative firms are moving in the right direction in terms of reducing the time it will take for innovation to recover from the effects of COVID-19.

# IP Law & Policy

## **The Need for the Tort Law Privileges of Self-Defense and Necessity in Intellectual Property Law**

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3642833](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3642833)

The COVID-19 pandemic has laid bare inherent tensions between the protection of intellectual property (IP) and the health of individuals touched by life-threatening medical conditions. Examples from around the world have made front page news: hospitals desperate for ventilator parts while 3D-printing instructions for such parts remain unshared for fear of liability; potentially lifesaving medicines whose manufacture and distribution on sufficient scale is limited by the threat of patent infringement; proprietary clinical data essential for making life-or-death decisions withheld from doctors and patients; the list continues. The threat of liability for IP infringement also dampens the ability to innovate under conditions of emergency, further contrasting the protection of IP with the protection of human lives. A number of policy responses for the current pandemic have been advanced, including the application of government rights under the Defense Production Act to IP contexts, compulsory licensing, legislation that would allow for emergency overrides to IP protections, and efforts to encourage companies to make their IP freely available voluntarily through the Open COVID Pledge. But fears of disrupting IP protections have curtailed the use of these measures, leaving the tensions between protection and life-saving access largely unaddressed.

In this Article we argue that the time is ripe for doctors, hospitals, independent compounders, medical products manufacturers, engineers and, ultimately, litigants and the courts to consider self-defense and necessity as an old-new tool for resolving IP disputes. Doing so would not only be ethically sound but would also help to resolve many of the public health critiques that have been plaguing IP law by attenuating ingrained misalignments between IP frameworks and the furtherance of public health goals. The Article demonstrates the need for the self-defense and necessity doctrines in IP law; explains how such claims may allow defendants to avoid liability in circumstances in which infringement is necessary to prevent adverse public health outcomes; and shows why the adoption of these doctrines is needed to increase preparedness ahead of future—indeed expected—outbreaks of infectious diseases.

## **Third-Party Interests and the Property Law Misfit in Patent Law**

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*Cardozo Law Review*, Vol. 41, 2020

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3634120](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3634120)

Courts and scholars have long parsed the characteristics of patent grants and likened them, alternately, to real or personal property law, monopolies, public franchises and other regulatory grants, or a hybrid of these. The characterizations matter, because they can determine how patents are treated for the purposes of administrative review, limitations, and remedies, inter alia. And these varied treatments in turn affect incentives to innovate. Patents are often likened to real property in an effort to maximize rights and allow inventors to internalize all of the benefits from their activities. And courts often turn first to real property analogies when faced with novel issues in patent law; yet they do not always end there. Sometimes, patents are public rights. Sometimes, they are protected by liability rules rather than

property rules. And sometimes, a U.S. patent cannot stop the resale or importation of goods it covers. Patents are very much like real property, it seems, except for when they are not.

This Article argues that these decisions are justified by a number of misfits between patent rights and traditional property rights and identifies and explores a previously understudied misfit that results from a lack of possession on the part of the patent holder and third-party property rights on the part of potential infringers. One well-studied misfit is that patent law imposes steeper information cost on third parties than is typically thought to attend private property. There are a number of other misfits, however, that have been under-examined. For example, patent law presumes a robust public domain — that is, a vast swath of “unowned” ideas, whereas traditional real and personal property entitlements do not expire and render goods or land available to all. Another understudied misfit occurs because patents affect third parties’ freedom to use their own property over which they exercise dominion. Traditional forms of property, in contrast, presume some level of dominion by owners.

This Article identifies and describes the set of patent law misfits and shows how, taken together, they explain the Court’s deviations from a property law framework. More than simply explanatory or predictive, however, this insight has normative weight. The misfit is real, and in contexts where it is most relevant, a strict application of property rules will work against the values embedded in the patent system. For this reason, we need a clear account of when and why property rights may be a starting point — but ought not be an ending point — for doctrinal evolution in patent law.

### Originality’s Other Path

Joseph Fishman (Vanderbilt University – Law School)

*California Law Review*, Vol. 109, 2021 Forthcoming

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3620118](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3620118)

Although the U.S. Supreme Court has famously spoken of a “historic kinship” between patent and copyright doctrine, the family resemblance is sometimes hard to see. One of the biggest differences between them today is how much ingenuity they require for earning protection. Obtaining a patent requires an invention so innovative that it would not have been obvious to a person having ordinary skill in the art. Copyright, by contrast, makes no such demand on authors, requiring an original work of only minimal creativity.

Except sometimes it doesn’t. Puzzlingly, in some copyright cases dealing with musical arrangements, courts have demanded a patent-like level of creativity from putative authors. While these cases might seem like outliers, they have a pedigree that is both lengthy and largely unrecognized. The proposition that copyright originality should require patent-style inventiveness beyond artisans’ everyday creations goes back all the way to an 1850 music-infringement decision by Justice Samuel Nelson. In fact, only four months later, Nelson himself would author the Supreme Court patent opinion that is now credited as the touchstone for patent law’s own nonobviousness doctrine. His corresponding vision for copyright, though, came first.

Drawing on original archival research, this Article challenges the standard account of what originality doctrine is and what courts can do with it. It identifies Nelson’s forgotten copyright legacy: a still-growing line of cases that treats music differently, sometimes even more analogous to patentable inventions than to other authorial works. These decisions seem to function as a hidden enclave within originality’s larger domain, playing by rules that others couldn’t get away with. They form originality’s other path, much less trod than the familiar one but with a doctrinal story of its own to tell. Originality and nonobviousness’s parallel beginnings reveal a period of leaky boundaries between copyright and patent, when many of the

Justices considered a rule for one to be just as good for the other. Their recurring intersections, meanwhile, muddy today's conventional narrative about copyright's historic commitment to protecting even the most modestly creative works.

### **COVID-19 Vaccine Research, Development, Regulation and Access**

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*SMU Centre for AI & Data Governance Research Paper Forthcoming*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3640153](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3640153)

Will the regulation of a vaccine for COVID-19 be left in the hands of health standards administrators and research conventions or will an alliance of political and economic imperatives, chorused by a loud philanthropic/humanitarian cadre push both the roll-out and access challenges? This brief review identifies current developments in the vaccine race and reflects on the way that political, commercial, hegemonic and humanitarian realities will influence law's regulatory relevance particularly through intellectual property regimes. The conclusion, because of this speculative moment, is watch this space.

The paper accepts the argument that substantive IP rights on their own are not to blame for adverse access outcomes, if they arise. But the need for compulsory licences and TRIPS exceptions reveals that a state cannot rely on the good intentions of successful manufacturers to promote social good when profits are potentially significant and market competition is constrained. The political and economic externalities pressuring more socially responsible commercial decision-making in the vaccine case are unique but even so law's normative framework for justice and fairness is a counterbalance to private property exclusion when world health is at stake.

## **Copyright Law**

### **Against Progress: Interventions About Equality in Supreme Court Cases About Copyright Law**

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*19 Chicago-Kent Journal of Intellectual Property 280 (2020)*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3645484](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3645484)

This symposium essay is adapted from my forthcoming book *Against Progress: Intellectual Property and Fundamental Values in the Internet Age* (Stanford University Press 2021 forthcoming). The book's primary argument is that, with the rise of digital technology and the ubiquity of the internet, intellectual property law is becoming a mainstream part of law and culture. This mainstreaming of IP has particular effects, one of which is the surfacing of on-going debates about "progress of science and the useful arts," which is the constitutional purpose of intellectual property rights.

In brief, *Against Progress* describes how in the 20th century intellectual property legal doctrine and scholarship focused on economic models of progress, which were framed in terms of wealth accumulation and market theories facilitating economic growth. The rise of digital technology that facilitates all sorts of copying at the turn of the century puts pressure on the anti-copying regulations defining intellectual property. Combine this technological development with the focus on economic rationales and incentive-based reasons for exclusive rights, and federal intellectual property rights

expand to regulate more of the behavior that technology enables. The result is an increase in the amount of intellectual property itself: more copyrighted works, more patents and more trademarks.

Despite expanding scope and the rise of “more” intellectual property, *Against Progress* explains how turn-of-the century intellectual property practice challenges the “progress as more” paradigm. Through various methodological interventions – close reading of cases, doctrinal analysis, and various qualitative empirical methods – *Against Progress* demonstrates how contemporary accounts of intellectual property are not primarily anchored by claims of “more” or in economic growth terms. Instead, creative and innovative practices (and disputes concerning them) revolve around adjacent values and principles central to our constitutional system such as equality, privacy, and community or general welfare.

In this short essay, I provide only two examples of the shifting narratives at play in intellectual property disputes that are refocusing concerns from economic resource allocation to fundamental values that ground the rule of law in the United States. These examples are drawn from the chapter on equality, which traces themes of equal treatment and substantive equality doctrine through intellectual property cases at the United States Supreme Court. This essay concerns two controversial copyright cases, but the chapter discusses cases about patent, trademark, and copyright law.

### **Derivable Works**

Joseph Fishman (Vanderbilt University – Law School)

*67 UCLA Law Review* 122 (2020)

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3619639](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3619639)

From sequels and spin-offs to physical merchandise, copyright and trademark law together give a creative work’s owner exclusivity over a range of derivative products. It’s often said that this enhanced appropriability encourages firms to spend money producing the underlying works. Less discussed, however, is what kinds of works it’s encouraging them to spend money on. How, in other words, does providing control over a work’s derivatives affect the direction of creative firms’ investment?

This Article offers a theory. Granting originators exclusivity over derivative works and their related merchandise can enable marginal investment to tilt toward what I call derivable works: works that, from the owner’s ex ante perspective, are most likely to generate marketable derivatives. Derivable works should be at the center of derivative-rights analyses because those rights selectively raise expected values for the subset of works from which derivatives predictably flow. By making ownership of rights in a derivable work often the most feasible entryway to derivative markets, IP law raises the opportunity cost of producing a standalone project. The more valuable the derivative markets become, the less attractive standalone projects look in comparison.

I examine this phenomenon through a case study of the U.S. film industry. Changing economics have increased the private value of protectable content that is best positioned to generate more protectable content. Filmmakers today are spending more to produce derivative films than before, and consumers are likewise spending more to see them. Studios are racing to launch new franchises and extending existing ones, while standalone films face new challenges to profitability. Though IP law isn’t solely causing these shifts, it’s contributing to them by raising the private value of derivable content. They may not realize it, but IP policymakers face a choice on which direction to encourage investment to go. What they decide can affect which films are likely to be made, who is likely to make them, and how consumers will likely be able to access them.

## Copyright Reform: Imagining More Balanced Copyright Laws

Michelle M. Wu (Georgetown University Law Center)

*Forthcoming in Michelle M. Wu, Copyright, Libraries, and the Public Interest (Hein). Georgetown Law Faculty Publications and Other Works. 2282.*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3624021](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3624021)

Earlier chapters of this book provide a history of copyright and libraries in the United States, a review of outdated language in the existing copyright code, and a discussion of actions by both copyright owners and the public to rebalance copyright outside of legislation. This chapter simply imagines what copyright could be if we disregard the known political and legal obstacles. It starts with no constraints, which one might argue is both impractical and foolish. Why spend time discussing what could be when treaties, self-interest, and powerful industry lobbies stand in the way?

The answer is simply that environments can be changed. They have been changed throughout history, whether through legislation (e.g., copyright terms), case law (e.g., fair use in relation to technology), or ground roots movements (e.g., the initial movement to recognize authors' rights). And if one hopes to change history, why not start first by exploring possibilities that we might not consider otherwise? Refusing to consider change out of fear of opposition translates to a voluntary surrender of power.

Beginning with restraints also blinds one to possibilities of a much better construct than could be achieved with them. If everything has to fit in a box, people will often discard anything they think won't fit at the outset. Only by removing the box can we imagine the full range of benefits of a given course of action. If the outcome is desired, then efforts can turn to whether or not there is a way to fit the outcome into the box. Or to decide if the benefits are so great that destruction of the box is in society's best interest. A vision should start with where one thinks the world should be, and then reality can help to shape the path.

Because this is the last chapter in the book, to fully understand how the guiding interests were chosen, one would need to read the preceding chapters.

## Contracts & Copyright: Contemporary Musician Income Streams

Kristelia Garcia (University of Colorado Law School)

*The Oxford Handbook of Music Law and Policy, Forthcoming*  
*U of Colorado Law Legal Studies Research Paper No. 20-32*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3620401](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3620401)

Musicians typically earn revenues from two sources: copyright law and contract. The proportion of revenue derived from each of these sources varies from artist to artist, but an understanding of the general distribution of earnings from each source is useful when considering proposed legislative amendments. Through a series of qualitative interviews with working musicians, this chapter contributes to the ongoing conversation around copyright's import to, and impact on, musician revenue at different career stages.

# IP & Trade

## Articles 7 and 8 As the Basis for Interpretation of the Trips Agreement

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*South Centre Policy Brief 79, 2020*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3632941](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3632941)

Articles 7 and 8 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) play a central role in assuring the members of the World Trade Organization (WTO) the right to implement public health measures. The Doha Declaration on the TRIPS Agreement and Public Health is also an important element for the interpretation of any provision of the TRIPS Agreement that may have public health implications. The most recent and prominent example of the use of articles 7 and 8 for interpretation in WTO law can be found in the WTO Panel decision of 2018 on the Australia – Tobacco Plain Packaging dispute.

## Why the 2020 U.S.-China Trade Agreement Needs Anti-Corruption Provisions for the Protection of Intellectual Property

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*Notre Dame Journal of International & Comparative Law, Forthcoming 2020*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3650977](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3650977)

The United States has created the ultimate enforcement weapon for its intellectual property (IP) rights in Phase I of the 2020 U.S.-China Economic and Trade Agreement (USCTA). Under the USCTA, the United States has a unilateral right to declare China in breach of the treaty and to impose trade sanctions. The USCTA forbids China from retaliating. China's only recourse is to withdraw from the USCTA. If China withdraws, however, the United States could reinstate the punitive tariffs that were suspended by the USCTA. As a result, China will be subject to tariffs no matter what it decides, either under the USCTA or due to withdrawal from the USCTA. China has been trapped into a no-win situation. As a matter of legal procedure, the USCTA is innovative and path-breaking; it is also clever and ruthless.

As a matter of substantive law, however, the USCTA fails to address problems that have long plagued multinational companies (MNCs) in China. These are problems of pervasive corruption by government and business entities that create barriers to effective on the ground enforcement of IP rights, which is essential to day-to-day operations of MNCs. These problems are especially serious in three areas: demands for payments by PRC authorities in the enforcement of trade secrets, the use of ex parte contacts to influence the results of civil IP litigation, and the use of business bribes in e-commerce platforms that have contributed to an explosion in online sales of counterfeit products.

Fortunately, the United States still has an opportunity to address these issues during the current negotiations on the second phase of the USCTA. This article will offer concrete suggestions on how to draft new provisions to address these major substantive problems that have long plagued MNCs in China.

## Floors and Ceilings in International Copyright Treaties (Berne/TRIPS/WCT minima and maxima)

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*Columbia Public Law Research Paper No. 14-659*

*forthcoming in Henning Gross Ruse Kahn and Axel Metzger, eds., IP BEYOND BORDERS (2021)*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3640668](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3640668)

This Comment addresses “floors” – minimum substantive international protections, and “ceilings” – maximum substantive international protections, set out in the Berne Convention and subsequent multilateral copyright accords. While much scholarship has addressed Berne minima, the “maxima” have generally received less attention. This Comment first describes the general structure of the Berne Convention, TRIPS and WCT regarding these contours, and then analyzes their application to the recent “press publishers’ right” promulgated in the 2019 EU Digital Single Market Directive.

Within the universe of multilateral copyright obligations, the Berne maxima (prohibition of protection for facts and news of the day), buttressed by the TRIPS and WCT exclusion of protection for ideas, methods and processes, should promote the free cross-border availability of facts and ideas, as well as of exercise of the Berne Convention mandatory exception for the making of “quotations” from publicly-disclosed works. Individual Berne countries of origin may protect excluded subject matter or preclude mandatory exceptions in their own works of authorship, but not in foreign Berne works. Nonetheless, member States might be able to elude Conventional maxima by resort to copyright-adjacent sui generis rights, such as the Digital Single Market Directive’s new press publisher’s right. This Comment considers the extent to which Conventional maxima may nonetheless have a preclusive effect on such maneuvers.

## Other IP Topics

### Does the Political Ideology of Patent Examiners Matter? An Empirical Investigation

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3619474](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3619474)

This study draws attention to the importance of exploring the relationship between the political ideology of patent examiners and their propensity to grant patents. To do so, we construct and analyze a database which pairs political ideology estimates derived from campaign contributions with individual patent examiners and their patent granting behavior. Our empirical analysis suggests that software patent applications assigned to liberal-leaning examiners are 39 percent less likely to be granted when compared to applications assigned to conservative-leaning examiners. We also explore changes in claim length, time to patent issuance, and the number of internal appeals, finding evidence suggesting that the observed differences in patent granting behavior are likely a result of liberal-leaning examiners being more stringent, rather than conservative-leaning examiners being more lenient. However, given the relatively small number of donating patent examiners, we stress that our study should not be viewed as providing a definitive answer on the role of political ideology in the issuance of patents. Rather, we prefer to interpret our results as evidence that we cannot robustly reject the possibility that the political ideology of patent examiners influences patent granting behavior. Overall, our study suggests more research on this topic is needed and underscores the need for broader data collection efforts, an expensive endeavor, which we argue is warranted given the central role of the patenting institution in the economy.

## The Effect of USPTO's Quality-Improving Initiatives in 2000 on the Claim Scope of Business Method Patents

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3636231](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3636231)

Patent quality and value has continued to be a concern for society over two decades. Among various measures for patent quality, patent scope or patent breadth has a strong legal basis, and theoretically, fewer elements or words should mean that the claim is broader in the same or similar technical field. Despite of such logical clarity and simplicity, the use of claim length as a measure of patent quality has not made much progress until recent large-scale analyses. The purpose of this article is to see and improve the practical usefulness of claim length as an indicator of patent quality through a case study. In this study, the effectiveness of USPTO's quality-improving initiatives implemented in 2000 for business method patents was examined by using claim length in a Difference-in-Differences (DID) study design. The patents classified into USPC Class 705 (Class 705 patents) were analyzed by using the minimum word count of independent claims in each patent (independent claim length). The DID analysis revealed that independent claim length of the Class 705 patents increased after the initiatives, whereas that of the control group remained in the almost same level. The effects of the initiatives were statistically estimated, and the average treatment effects estimated were positive and in a range of 17.0 to 23.8 words increase, as the independent claim length at patent grant. This article provides an empirical basis regarding the effects of USPTO's quality-improving initiatives in 2000 on the claim scope of business method patents, and at same time, shows the practical usefulness of the independent claim length as an indicator of the stringency of patent examination process and the claim scope in this area of technology as well.

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