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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 & Economics

Demystifying patent holdup

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76 Washington and Lee Law Review, 2019, Forthcoming
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3338026

Patent holdup can arise when circumstances enable a patent owner to extract a larger royalty ex post than it could have obtained in an arm's length transaction ex ante. While the concept of patent holdup is familiar to scholars and practitioners—particularly in the context of standard-essential patent (SEP) disputes—the economic details are frequently misunderstood. For example, the popular assumption that switching costs (those required to switch from the infringing technology to an alternative) necessarily contribute to holdup is false in general, and will tend to overstate the potential for extracting excessive royalties. On the other hand, some commentaries mistakenly presume that large fixed costs are an essential ingredient of patent holdup, which understates the scope of the problem.

In this article, we clarify and distinguish the most basic economic factors that contribute to patent holdup. This casts light on various points of confusion arising in many commentaries on the subject. Path dependence—which can act to inflate the value of a technology simply because it was adopted first—is a useful concept for understanding the problem. In particular, patent holdup can be viewed as opportunistic exploitation of path dependence effects serving to inflate the value of a patented technology (relative to the alternatives) after it is adopted. This clarifies that factors contributing to holdup are not static, but rather consist in changes in economic circumstances over time. By breaking down the problem into its most basic parts, our analysis provides a useful blueprint for applying patent holdup theory in complex cases.

IP & Innovation

IP protection in the data economy: Getting the balance right on 13 critical issues

Robert D. Atkinson (Information Technology and Innovation Foundation)
Working Paper
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3324641

Intellectual property (IP) systems are designed in large part to provide adequate incentives for creators and inventors to invest in the production of novel ideas and content, while at the same time encouraging beneficial diffusion of knowledge. For example, publishing patent disclosures ensures inventors can learn from each other, and limiting patent terms to 20 years ensures they can build on each other's innovations. As we move deeper into the data-driven economy, policymakers should take into account the need to maintain such a balance as they consider the relationship between IP rights and data.

The emergence of the data economy has led to a growing debate about data rights, related to both IP and privacy. Getting the debate right over data and IP is especially critical, because regimes that tilt too far toward granting data rights run the risk of stifling needed data sharing, while regimes that tilt foo far in the other direction risk limiting incentives for data collection and innovation.

But how should we conceptualize the role data has come to play in the economy? Is it really, as some have suggested, "the new oil"? (No.) And what are the most important issues to address when it comes to data-driven innovation and intellectual property rights? This paper analyzes 13 key considerations.

License to hack

Dyane O'Leary (Suffolk University Law School)
Suffolk University Law School Research Paper No. 19-5
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3328874

Legal hackathons are exploding in popularity. "Hacking" is a term often associated with illegal behavior but a hackathon is something different. At a hackathon, lawyers, technologists, data scientists, public interest organizations, law students, and just about anyone who is interested converge in a friendly, time-pressured competition aimed at solving some defined problem. For more than a decade, different industries have looked to hackathons as a source of new ideas. Today, the legal industry uses hackathons to spark creation of innovative tools to chip away at the access to justice crisis and improve the delivery of legal services.

But often lost in the excitement is a key piece to hackathon success: treatment of the intellectual property. For example, who owns the copyright in software created at a hackathon? What about a new business method? What about the rights to trademark a new design? Most hackathons have

some form of a participant agreement, but many outright ignore the “who owns it” question or fail to address it in a careful manner. This is a problem in need of a solution – or at least some concrete guidance.

This Article explores intellectual property rights in the context of legal hackathons. How intellectual property is approached at the start can impact the success (or not) of creations at the end. Taking rights away from participants risks alienating them and interfering with the collaborative, fun spirit most hackathons embody. Yet giving participants all the marbles may not be preferable either, especially if it disincentivizes organizers to support future development and help a tool survive beyond the hackathon doors. In circumstances where one size doesn’t fit all, this Article discusses pros and cons of varying approaches to intellectual property in hackathon participant agreements. Embodying the hackathon resolve to create something tangible and useful for others, the Article connects readers to an online repository of sample agreements as well as a participant agreement template.

IP & Litigation

After the trolls: Patent litigation as ex-post market making

Robert P. Merges (University of California, Berkeley - School of Law)
Working Paper
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3335463

Recent patent policy emphasizes the superiority of ex ante licensing over ex post patent assertion. Ex ante means before costs are sunk by a patent defendant, so licensing at this stage avoids the leveraging of a defendant’s investments in product design which is a presumptive aspect of litigation in the ex post period. Contrary to the dominant narrative (ex ante good, ex post bad) this Article defends patent litigation as a reasonable way to award compensation in the ex post (i.e., after product development) period. The literature on strategic delay, together with the sometimes heavy costs of negotiating patent licenses during an intensive product development project (including opportunity costs), point to a productive role for patent litigation: ex post market-making. Patent litigation determines which patented inventions contributed to product success during the all-out scramble for successful product development and market entry. But it does so after development is complete and the product market is established. This temporal decoupling – separating intensive development competition from a careful assessment of the contributions of individual patented technologies – is a rational way to appropriately compensate the various contributors to a new product in fast-moving, technology-intensive markets. The last part of the Article reviews the many ways that litigation has been reformed in recent years in response to the problem of rent-seeking litigation, i.e., patent trolls. Many patent doctrines have been adjusted to better police the “troll line”: the line separating socially worthless troll patents from value-adding patents that are worth enforcing. Because of these reforms, we can be confident that patent litigation primarily serves the positive function of rewarding (ex post) the actual contributors to a new product.

IP Law & Policy

Intellectual property, independent creation, and the Lockean commons

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Working Paper
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3327897

Copyright and patent law – which grant exclusive rights in two very different kinds of subject matter, but are nonetheless lumped together as "intellectual property" – are predominantly regarded by U.S. scholars as having the same theoretical underpinnings. This manifests in doctrine, as courts have ruled in a number of ways aiming to unify the two areas of law. One example of this tendency to theoretically unify copyright and patent law is Seana Shiffrin's paper "Lockean Arguments for Private Intellectual Property", which argues against Lockean understandings of intellectual property. This paper argues that Shiffrin's challenge is successful in the context of patent law, but not in the context of copyright, due to significant doctrinal differences between the two. The paper then outlines normative questions raised by these differences, as well as potential doctrinal implications that would result if copyright and patent law are shown to have distinct normative foundations.

Patent law's latent schism

Matthew Sipe (George Washington University Law School)
Working Paper
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3322703

Utilitarian theory has largely come to dominate intellectual property discourse and scholarship, nowhere more strongly than in the field of patent law. That is, patents are the incentive we offer for innovation, from which all of society ultimately benefits, despite short-term monopoly costs. On the other side, a minority of embattled jurists and scholars defend the relevance of freestanding moral principles, such as desert, autonomy, or justice, and argue for a re-incorporation thereof into patent doctrine and policy. This Article offers a unique and unifying reframing of this longstanding debate: the moral principles never left patent law, if you only know where to look. On the contrary, they have come to entirely dominate and control their own half of the field; on examination, the typical utilitarian theories do an excellent job of explaining modern patent validity law, but patent infringement law is unmistakably animated by broader moral principles — even at times outright hostile to a traditional economic approach.

This article examines in detail the most significant doctrines governing patent validity — novelty, non-obviousness, subject-matter eligibility, utility, written description, enablement, and inventorship — and demonstrates the strength of their relationship to utilitarian frameworks at the (often explicit) expense of others. In turn, the article explores the most significant doctrines with respect to patent infringement — relief (whether injunctive or damages), scope (vis-à-vis the doctrine of equivalents),

and defenses (inequitable conduct and prior use) — and builds the case that moral frameworks alone are capable of explaining their contours. Finally, the article offers an overarching theory as to the interrelated causes of this framework schism: the adjudicatory split between the USPTO and district courts, the influence of traditional property law, and the mix of private-law and public-law features that patents exhibit.

Rethinking the length of patent terms

Simon Lester (Cato Institute)
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American University International Law Review, Forthcoming
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3328596

The current 20 year patent term set out in international trade agreements does not have a firm evidentiary basis, but rather is a mostly arbitrary product of history. At one point there was experimentation among different countries, but that has been eliminated through the uniform rules of the TRIPS Agreement. However, economists are increasingly calling lengthy patent terms into question, and recent concerns about medicine prices could provide the impetus for policy-makers to take another look at the issue. The existing domestic and international legal regime makes rethinking patent terms difficult, but in order to get innovation policies right, it is important to think carefully about the foundations of the patent regime.

Copyright Law

The age of remix and copyright law reform

Yahong Li (The University of Hong Kong - Faculty of Law)
Law, Innovation and Technology, 12.1, Forthcoming
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3316523

The remix has emerged as a dominant force of creation in the digital and Internet age. The solutions under the current copyright law such as fair use as well as voluntary, compulsory and public licensing have failed to adequately protect remix works and remixers, and as a result, hampered the creativity of remix artists. New approaches are needed to cope with the challenges. This article proposes to add remix as a protectable subject matter; create a right to remix and grant it to remixers; obligate remixers to attribute source works to copyright holders and remunerate them for remixing; require the same remix rights and obligations to be passed on to future remixers; and impose a statutory levy on social media for using remixes. It is argued that the proposed approach can better protect remix creation and help achieve an optimal balance of interests between copyright holders, social media and users.

Brexit and copyright: A Pyrrhic victory

Eleonora Rosati (University of Southampton - School of Law)
Intellectual Property Forum, Forthcoming
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3321826

As things currently stand, the United Kingdom (UK) is set to leave the European Union (EU) in March 2019. At the time of writing (early January 2019) it is unclear on what terms the withdrawal of this Member State from the EU is going to happen, and whether there will be also a withdrawal from the European Economic Area (EEA).

The various scenarios on the table would have different implications as far as the freedom of shaping UK copyright is concerned. If the UK left the EU only and not also the EEA (a 'soft Brexit' scenario), then it would remain subjected to EU law and, together with this, also case law and jurisdiction of the Court of Justice of the European Union (CJEU). If, instead, the scenario was one of 'hard Brexit', i.e. one in which the UK leaves both the EU and the EEA, EU law would cease having character of supremacy. In such a situation, for the sake of the present analysis, there would be three main consequences. First, that country would no longer be bound to transpose relevant EU directives (should the relevant transposition term be still pending at the time of that Member State leaving the EU) into its own legal system or apply relevant EU regulations. Second, that country would no longer benefit from EU-wide rules and recognition principles found in certain EU legislation. Third, the CJEU would no longer have jurisdiction, including with regard to references for a preliminary ruling. While the first consequence appears relatively straightforward, the second and third consequences may be difficult to assess, due to their complexity. The second consequence relates to the implications that leaving the EU would have on the loss of EU citizenship for individual authors and rightholders or qualification as a EU business for corporate rightholders; the third consequence requires consideration of the legacy of CJEU case law, particularly in areas in which the Court has arguably gone beyond the literal text of relevant EU provisions and carried out a de facto harmonization of certain copyright concepts.

The law and economics of copyright law and copyright exceptions, limitations, and immunities

George Robert Barker (Australian National University; Law and Economics Consulting Associates Ltd)
Working Paper
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3315619

This paper provides a brief review of the law and economics of Copyright Law and Copyright Exceptions, Limitations, and Immunities.

Copyright law requires the creator's consent to copy, publish, convey, transfer or profit from their original work. Copyright exceptions are legal limitations on the requirement that the prior consent, or authorization of the rights holder is necessary to make use of creative works. Copyright exceptions thus permit certain acts (uses) which would otherwise constitute an infringement of the exclusive

right to copy. Copyright exceptions characterize the circumstances in which copyright will not be infringed by an unauthorized reproduction or presentation of creative works. Copyright limitations limit the scope or duration copyright holders' rights. Copyright immunities remove the sanctions imposed for breach of copyright law obligations e.g. immunity from civil damages.

This paper consists of three sections:

- First we briefly examine the origin and nature of copyright law, and copyright exceptions; and
- Second we briefly examine the economic rationale for copyright;
- Third we examine the rationale for copyright exceptions, (including the "fair use" rule), and various other limitations, and immunities (such as "safe harbors") in detail.

In the third section we discuss a number of economic rationales advanced for copyright exceptions, limitations and immunities including:

- Transaction costs Rationales - Monopoly Pricing Rationales
- Non-Rivalry and Non-divisibility rationales - Indirect Appropriability Rationales and
- Externalities rationales including network externalize and anti-commons rationales
- The paper concludes that the economic case for greater copyright exceptions, (including the "fair use" rule), and various other limitations, and immunities (such as "safe harbors") has been overstated.

IP & Asia

Another dimension of digital: 3D printing and intellectual property in Asia

Angela Daly (The Chinese University of Hong Kong (CUHK) - Faculty of Law; Queensland University of Technology - Faculty of Law; Tilburg University - Tilburg Institute for Law, Technology, and Society (TILT))
Jiajie Lu (Dongguan University of Technology)
Luke Heemsbergen (University of Melbourne)
In Adrian Athique and Emma Baulch (eds.), Digital Transactions in Asia. Abingdon: Routledge. 2019 (Forthcoming).
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3316554

3D printing has emerged onto the global stage as a new and potentially highly disruptive manufacturing technology, with an impact predicted by some to be as revolutionary as the Internet. However, much of the existing research from humanities, arts and social sciences disciplines concerns 3D printing in North America and Western Europe, with limited literature on 3D printing's trajectory in other parts of the world, including Asia. In this chapter, the relationship between 3D printing and other digital technologies will be considered from a western perspective, before we focus specifically on Asian developments, taking 3D printing in India and China as case studies. We will look at the approaches in these countries to innovation and intellectual property in general, how

the relationship is playing out in the 3D printing space and the extent to which the regional – and global – experience is converging or diverging.

China, 'Belt and Road' and intellectual property cooperation

Peter K. Yu (Texas A&M University School of Law)
Global Trade and Customs Journal, Vol. 14, 2019, Forthcoming
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3332346

In fall 2013, China launched the "One Belt, One Road" Initiative, covering over 60 percent of the world's population and about a third of global GDP. Now translated officially as the Belt and Road Initiative (BRI), this new development features two distinct routes: the land-based Silk Road Economic Belt and the sea-based 21st-century Maritime Silk Road.

Although burgeoning literature has emerged to analyze the BRI's benefits, drawbacks and ramifications, few scholars have explored the initiative's potential impact on international and regional intellectual property systems. Commissioned for a special issue on the BRI, this article aims to fill this void by examining the emerging role China and its BRI will play in the intellectual property area.

This article begins by exploring China's growing assertiveness in the international arena. It then explores six areas in which the BRI can play constructive roles in facilitating international and regional cooperation on intellectual property matters. Recognizing that this initiative has generated many concerns and complications, the article concludes by addressing three oft-raised questions relating to the initiative.

Other IP Topics

The consequences of invention secrecy: Evidence from the USPTO patent secrecy program in World War II

Daniel P. Gross (Harvard Business School; National Bureau of Economic Research)
Harvard Business School Strategy Unit Working Paper No. 19-090
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3329912

This paper studies the effects of the USPTO's patent secrecy program in World War II, under which approximately 11,200 U.S. patent applications were issued secrecy orders which halted examination and prohibited inventors from disclosing their inventions or filing in foreign countries in the interests of national security. Secrecy orders were issued most heavily in areas important to the war effort – including radar, electronics, and synthetic materials – and nearly all rescinded en masse at the end of the war. I find that compulsory invention secrecy was effective at keeping affected technology out of the public domain, but it appears to have reduced and delayed follow-on invention, reduced entry into patenting, and restricted commercialization. The results shed light on

the consequences of invention secrecy, which is widely used by inventors to protect and appropriate the returns to innovation, and yield lessons for ongoing policy debates over potential measures to protect U.S. invention against the growing incidence of foreign IP theft today.

Big data and trade secrets (a general analysis)

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Working Paper
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3316328

The role of Data used by various algorithms tools and techniques in business and the global economy is extremely high. There is no human activity present these days that do not capture data, right from the mobile devices that capture our movement data to the smart electronics in our house that can save electricity or even purchase items that are soon to be out of stock.

While there are many laws to keep competition in place Intellectual property is sometimes considered to go against competition and this can done through Trade secrets which is one of the most underused and rarely known IP is trade secrets which can be summarized as “Trade secrets are secrets that add value to a business. A generally less well-known form of intellectual property right, for many years trade secrets have been in the shadows, but today they are gaining traction as an effective way to protect certain intellectual assets. Any commercially valuable and sensitive information – a business strategy, a new product roadmap, or lists of suppliers and customers – can qualify as a trade secret. And unlike other IP rights, trade secrets can protect a much wider range of subject matter and are not limited to a set term of protection."

The U.S. Supreme Court has explained that for subject matter to be protected as a trade secret, the material must meet minimal standards of novelty and inventiveness to avoid extending trade secret protection to matters of general or common knowledge in the industry in which it is used.

This paper compares the extent of data protection that is given in the form of Trade secret in different regions by taking a closer look at the different legislature and acts enacted. The paper gives a conclusion that may suggest best practice from each region in an effort to have the best possible legislature to protect data as a trade secret and also an effort in harmonization of said laws.

US patent sales by universities and research institutes

Brian J. Love (Santa Clara University School of Law)
Erik Oliver (Richardson Oliver Law Group LLP)
Michael Costa (Richardson Oliver Law Group)
Forthcoming, Research Handbook on Intellectual Property and Technology Transfer (Jacob Rooksby, ed.)
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3316332

In this chapter, we explore the extent to which universities and other nonprofit research institutes currently participate in the secondary market for patents. We document 220 assignments, involving a total of 544 U.S. patent assets that appear to represent arms-length patent sales by universities (or other nonprofit research institutes) during the period 2012-2017. We present data on the entities and assets involved in these transactions, as well as the publicly available circumstances underlying each sale. Among other findings, we observe that foreign universities are the most active market participants. Overall, U.S. universities and labs account for less than one quarter of sales, and elite U.S. research universities are almost entirely absent from the market. We also find that few academic U.S. patent sales bear the hallmarks of technology transfer. Just eleven percent of assets appear to have been purchased with commercialization in mind. Virtually all other purchases appear to have been either defensive acquisitions by operating technology companies or purchases by non-practicing entities. Finally, we consider what conclusions policymakers and university administrators may draw from our data.

Patent policy regulation and public health

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Working Paper
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3324234

This paper analyzes the impact of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement on social welfare, when the effects on public health are taken into account. In particular, we study how the new international patent policy affects social welfare through the availability of pharmaceutical products. Extending the model developed by Grossman and Lai (2004) on optimal patent protection, this paper examines the externality execrated by the intellectual property rights enforcement on our definition of public health.

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