



IP Literature Watch

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

IP & Antitrust

The interface of competition and intellectual property law – Taking stock and identifying new challenges

Pedro Caro de Sousa (Organization for Economic Co-Operation and Development (OECD))

Forthcoming in Liber Amicorum Frederic Jenny

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3279355

The increasing prominence of the digital economy, a vital sector driving economic growth, is reflected in the increasing focus that competition authorities devote to intellectual property-intensive and high technology industries. This brings into relief longstanding tensions between competition and intellectual property (IP) laws. IP rights challenge some traditional assumptions about the benefits of competitive markets, in that they protect innovators from some forms of competition, thereby allowing them to price above competitive levels for a period of time. This conflict is more apparent than real, however, as competition law and policy encourages the innovation that IP rights promote. Ultimately, both policies seek to promote consumer welfare, economic growth and innovation.

At the same time, the interface between competition and IP law raises significant challenges regarding how the two regimes relate to each other, particularly in areas where they overlap. Approaches to the relationship between competition and IP laws have evolved over time, moving from the application of formalistic rules to a contemporary focus on the effects of IP-related practices. Even following these developments, new challenges regarding the interface between competition and IP laws keep arising as the economy evolves, new business practices develop and potentially anticompetitive conducts are identified.

The goal of this paper is to provide an overview of the competition/IP interface, with a focus on identifying the main challenges that competition law faces in this respect at the moment. Its purpose is

merely to identify challenges that the competition law community will likely face in coming years at the interface with IP laws and areas worthy of research.

With this goal in mind, the paper is structured as follows. Part II of provides a very brief recapitulation of the tensions between, and common goals of IP and competition policy. Part III reviews how the interface between IP and competition laws and policies has evolved throughout the years, concluding with a description of the current international consensus regarding this interface. Part IV then addresses current areas of tension between IP and competition. Part V concludes.

IP & Finance

Patent-to-market premium

Jiaping Qiu (McMaster University – Michael G. DeGroote School of Business)

Kevin Tseng (University of Kansas School of Business)

Chao Zhang (Shanghai University of Finance and Economics)

Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3285921

A firm's patent-to-market (PTM) ratio refers to the percentage of a firm's market value that is attributable to its patent market value. A hedging portfolio based on PTM ratio generates a monthly return of 71 basis points. The CAPM cannot be rejected for firms with low PTM ratios, but is rejected for firms with high PTM ratios. PTM ratio is a priced factor distinct from known factors in the cross-section of stock returns. PTM ratio is positively associated with future profitability. Our analysis suggests that real option is the channel through which PTM ratio predicts future stock returns.

IP & Licensing

Fostering by standards bodies of the formation of patent pools

Carter Eltzroth (Helikon.net)

Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3296514

This article presents the experience of standards development organisations, notably the DVB Project, in fostering the formation of patent pools covering patents essential to their standards. Based on this and related activities with the IEEE, the article sets out frameworks for SDO pooling efforts:

Pool fostering: fostering of pool formation, immediately following standardisation, for hand-off to a commercial facilitator chosen by patent holders; use of other tools to promote success of pool;
Gateway technologies: more complete facilitation of pool to resolve competitive issues in key technologies, including assistance to patent holders to set licensing terms, drafting of licensing documentation, providing forum for holders and other stakeholders to discuss license terms, in two cases for handoff to ETSI as neutral licensing administrator;

Streamlining: to assist in the marketability of otherwise “orphan” standards, provision by the standards body of a streamlined mechanism for pool formation and administration, through less cumbersome formation procedures, standard-form documentation and more efficient royalty collection and distribution; and

SDO as administrator: facilitation and administration by a standards body of pools covering its standards, as part of life-cycle services offered by the SDO and to generate revenues.

This review is timely because of the recent interest in pooling shown by regulatory authorities, as evidenced for example in the Communication of the European Commission on the EU’s approach to standard essential patents (European Commission 2017). In addition the frameworks proposed in this article can be a starting point for standards bodies as they consider their own approach to facilitate and to administer licensing programmes covering their own standards.

IP & Litigation

The pathways of multinational intellectual property dispute settlement

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

INTELLECTUAL PROPERTY AS PROPERTY: OF PHARMACEUTICALS, TOBACCO, COMMODITIES AND OTHER MATTERS, Christopher Heath and Anselm Kamperman Sanders, eds., *Kluwer Law International*, 2019, Forthcoming

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3284942

Resolving foreign intellectual property disputes is difficult. While most rights holders have initially relied on domestic litigation in countries in which they invest or conduct business – or host states in investment lingo – the arrival of international intellectual property, trade and investment agreements have provided new alternative mechanisms for resolving these disputes.

To help develop a deeper understanding of the different pathways of multinational intellectual property dispute settlement, this chapter brings together three types of dispute resolution mechanisms: domestic litigation in host states, state-to-state dispute settlement and investor-state dispute settlement. This chapter begins by identifying the various challenges multinational intellectual property rights holders encounter when they seek to resolve foreign disputes. It highlights the mixed success international intellectual property agreements have had in addressing these challenges.

The chapter then examines state-to-state dispute settlement and investor-state dispute settlement, focusing on their strengths and limitations. The chapter concludes by reviewing the overall arrangement involving all three types of dispute settlement mechanisms. It draws three observations, with an aim to improve multinational intellectual property dispute settlement.

IP Law & Policy

Constitutional tensions in agency adjudication

Christopher J. Walker (Ohio State University (OSU) – Michael E. Moritz College of Law)

Iowa Law Review, Vol. 104, Forthcoming 2019

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3289634

Last Term the Supreme Court decided two cases—*Lucia v. SEC* and *Oil States Energy Services v. Greene's Energy Group*—that illustrate the potential constitutional tensions in modern agency adjudication: the importance of political accountability, yet the dangers of political control. As part of the *Iowa Law Review*'s Administering Patent Law Symposium, this Essay examines these constitutional tensions and assesses two ways the Supreme Court (or Congress) could attempt to resolve them—i.e., by turning to Article III adjudication and by transforming agency adjudicators into “true adjuncts” of Article III courts. The Essay concludes by revisiting the patent adjudication proceedings at issue in *Oil States* to explore how these constitutional tensions and potential solutions may play out at the U.S. Patent and Trademark Office.

Institutional design for innovation: A radical proposal for addressing 101 patent eligible subject matter

Kristen Jakobsen Osenga (University of Richmond – School of Law)

American University Law Review, Forthcoming

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3283933

The United States—the land of innovation—has an innovation problem. This problem is due in part to the erosion of effective and reliable patent rights. One of the primary causes of this erosion is patent eligible subject matter. The current chaos of subject matter eligibility arose through a series of Supreme Court cases decided in the early 2010s that created an unintelligible and unworkable test. Multiple parties, from academia, from the bar, from industry, and more have offered proposals to fix this doctrine. However, the various proposals are doomed to fail.

Instead of simply adding to the cacophony of ineffective reform proposals, this article advances a radical solution that calls for situating patent eligible subject matter inquiries with the institution best suited for the task and may enhance and incentivize innovation. Specifically, this article argues patent eligibility inquiries should not be undertaken by the Patent Office. Before a patent is issued, the question of patent eligibility should not be considered by the examiner or by the Patent Trial and Appeals Board (PTAB or Board). After a patent is issued, patent eligible subject matter should not be the basis for any post-grant review at the Patent Office. Instead, to the extent patent eligible subject matter is in question, these decisions must be taken to the courts. Making this change to vest the decision making power with the courts ensures that issue is before the best institution for the task, and should also incentivize courts to craft a workable, more certain test for patent eligible subject matter; strengthen patent rights; and ultimately enhance innovation.

Data exclusivities and the limits to TRIPS harmonization

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

Florida State University Law Review, Vol. 45, 2019, Forthcoming

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3296236

2019 marks the silver anniversary of the WTO TRIPS Agreement. Policymakers and commentators remain deeply divided about the strengths and limitations of this agreement. On the one hand, they marvel at its success in establishing international minimum standards for the protection and enforcement of intellectual property rights. On the other hand, they widely criticize the agreement for imposing high "one size fits all" standards upon developing countries.

Regardless of one's perspective, the harmonization project advanced by the TRIPS Agreement, and continued through the TRIPS-plus bilateral, regional and plurilateral agreements, has been at the forefront of the international intellectual property debate. While this article is interested in exploring this continuously controversial project, the discussion will focus on a topic that has been underexplored by international intellectual property scholars—the limits to TRIPS harmonization.

To help examine these limits, this article focuses on the protection of undisclosed test or other data for pharmaceutical or agrochemical products. It begins by discussing issues on which the TRIPS negotiating parties had achieved, or had failed to achieve, consensus. The article then examines the negotiation of new international minimum standards under the TPP Agreement, the proposed RCEP Agreement and the recently completed USMCA.

The article continues to identify three sets of additional complications that have affected the efforts to develop international minimum standards at both the multilateral and nonmultilateral levels. Specifically, the article examines the arrival of new technologies, new politics and new regimes. It concludes by drawing six distinct lessons regarding the TRIPS harmonization project.

Copyright Law

Democratizing access to survey evidence of distinctiveness

Jake Linford (Florida State University – College of Law)

Trademark Law and Theory: Reform of Trademark Law (Dinwoodie & Janis, eds), Elgar, 2019, Forthcoming

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3276315

Under US law, a trademark is distinctive, and therefore valid and protectable, if it is "capable of identifying products or services as coming from a specific source." Some marks are treated as inherently distinctive, and protected from their first use, based on presumptions about how consumers will interpret the relationship between the mark selected and the goods or services offered. Other marks are not inherently distinctive and therefore must acquire distinctiveness in the eyes of consumers. US courts consider the distinctiveness of marks by categorizing them along a spectrum famously articulated in *Abercrombie & Fitch Co. v. Hunting World, Inc.*

Consumer perception is critically important to assessing trademark validity and scope. But many inaccurate presumptions about consumer perception are baked into courts' categorization of trademarks along the Abercrombie spectrum. Failing to properly account for how consumers understand and use trademarks can distort commercial markets.

Courts and trademark examiners might thus prefer litigants to present better evidence of whether consumers see a given mark as distinctive and source signifying. Consumer surveys provide evidence of distinctiveness on which courts frequently rely. Unfortunately, the costs of conducting a trademark survey have historically been high enough to discourage many mark owners from offering survey evidence of consumer perception. Well-heeled litigants can fund surveys, but those with a smaller war chest cannot.

But as new platforms lower the costs of finding survey respondents, we may see a democratizing effect as more litigants can afford to conduct surveys. For example, Amazon's Mechanical Turk (MTurk) provides access to a constantly rotating panel of potential survey respondents. Psychology and marketing professors are utilizing MTurk with increasing frequency, in large part due to the platform's convenience and affordability. But trademark litigants appear not to be taking advantage of the platform. This chapter argues that litigants could use MTurk to generate consumer trademark surveys at significant cost savings, and that US courts and the United States Patent and Trademark Office should admit properly conducted MTurk surveys into evidence.

Unfortunately, cheaper surveys will not fully democratize the use of survey evidence. The costs of finding survey participants pale in comparison to the costs of hiring experts to conduct and interpret survey evidence. If courts are to consider evidence of distinctiveness from a consumer perspective, the market for trademark expertise may be overdue for some disruption. This chapter thus also argues that US trademark litigants should be able to rely on more reasonably priced providers of survey expertise because testimony from less highly credentialed experts should still be admissible under US evidentiary standards.

Copyright and internet service provider 'liability': The emerging realpolitik of intermediary obligations

Kevin O'Sullivan (University College Cork – School of Law)

Forthcoming in International Review of Intellectual Property and Competition Law

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3293951

Online service providers are increasingly the focus of renewed efforts to enforce copyright online in the European Union (EU). Traditionally, these providers benefitted from safe-harbour immunity to the extent that their role in assisting online enforcement was relatively minimal. In light of recent proposals for reform, and the spread of the 'blocking injunction' in the EU, this traditional position is coming under pressure. That pressure finds expression by way of a principle of accountability, leveraged by the entertainment industry and policymakers alike to carve out new obligations for these intermediaries, under the existing legal framework. This article focuses on the position of these intermediaries under Art.16 of the European Charter of Fundamental Rights. Protecting the freedom to conduct a business,

this provision has come to underpin a discourse of commercial fundamental rights, argued to have the capacity to curb the spread of obligations via accountability. This article takes a skeptical view, arguing that lessons from judicial approaches to the blocking injunction at the Member State level, indicates that the discourse of commercial fundamental rights may well overstate the strength of this rights-paradigm as a counter to obligations generally.

Copyright's market gibberish

Andrew Gilden (Willamette University – College of Law)

Washington Law Review, Forthcoming

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3295280

There is a growing contradiction at the core of copyright law. Although courts and scholars frequently assert that copyright is only about authors' economic interests, copyright law routinely protects interests such as privacy, sexual autonomy, reputation, and psychological well-being. It just uses the language of money and markets to do so. This Article shows that copyright law routinely uses economic rhetoric to protect a broad range of noneconomic interests — a practice it names “market gibberish.” Market gibberish muddies copyright jurisprudence and has sweeping practical, conceptual, and distributive impacts.

In a wide range of copyright cases, plaintiffs use economic and market-based theories to achieve goals that have little to do with economic rights. If plaintiffs can plausibly tell a story of market harm, courts will often respond by manipulating economic rhetoric to provide the desired outcomes. For example, courts have protected celebrities' rights to permanently suppress wedding photos and sex tapes, under the theory that they have the “right to change their mind” and someday reap profits from these materials. When courts engage in market gibberish, they obscure the diverse range of economic, emotional, and cultural interests at stake within copyright law. Instead of dogmatically hewing to economic incentives and market rhetoric, this Article argues that courts should engage in a more transparent examination of the interests actually at stake in copyright disputes.

This Article makes three primary contributions. First, it provides the first comprehensive account of market gibberish and shows, through detailed analysis of case law, that litigants have long used market gibberish to advance their noneconomic goals. Second, it shows how the prevalence of market gibberish erodes copyright theory and practice. Rather than rigorously police market interests — as many scholars have proposed — this Article argues that courts should more explicitly engage with the diverse motivations for asserting copyright infringement. An interest-transparent approach would shed light on the complex normative work copyright is already doing and better distinguish between legitimate and abusive copyright assertions. Finally, this Article shows how market gibberish contributes to inequality under copyright law. A plaintiff's ability to tell a story about potential markets is often limited to the most powerful rightsholders — famous artists, celebrities, and corporate creators — and not to the wide range of vulnerable and lesser-known individuals who are turning to copyright to stop the viral spread of their words, images, or voices.

Other IP Topics

Imitative pasts, innovation pathways and intellectual property

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

INNOVATION AND TRIPLE HELIX, Anselm Kamperman Sanders, ed., Edward Elgar Publishing, 2019, Forthcoming

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3293718

Throughout history, countries have transformed from imitators to innovators. Cases in point are Germany, the United States, Japan, Singapore and South Korea, all of which have crossed over from the pirating side of the intellectual property divide to its more promising side. Thus far, it has been unclear how much of that crossover can be attributed to the development of a well-functioning intellectual property system, as opposed to other factors, such as the improved quality of higher education and increased research-and-development expenditures.

As important as intellectual property rights have been, their levels of protection and enforcement have not always been a good proxy for a country's innovative capabilities. Innovation comes in many different forms. While the past two centuries have seen intellectual property rights providing a major boost to innovation, such innovation can also be driven by necessity, patronage, grants and prizes. In the past decade, the relationship between intellectual property and innovation has become even more complicated with the growing popularity of open source projects, crowd source arrangements and 'IP without IP' scholarship.

To interrogate this relationship, the present chapter draws on three decades of intellectual property developments in China. China was chosen for this study because it has recently transformed from the poster child of intellectual property piracy and counterfeiting to become one of the world's innovative powers. The chapter begins by recounting this dramatic transformation. The chapter then notes that the form of innovation found in today's China is different from the breakthrough innovation embraced by the United States and other leading innovative powers. This chapter concludes by identifying two distinct lessons on innovation, drawing on China's experience and innovation model.

Emojis and intellectual property law

Eric Goldman (Santa Clara University School of Law)

Gabriella Ziccarelli (Santa Clara University School of Law)

Working Paper

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3275803

Everyone loves emojis, and why not? They are a fun and an increasingly ubiquitous way for people to express themselves. But despite their superficial frivolity, emojis can raise potentially complex and serious legal issues, including novel and complicated questions about intellectual property (IP). This essay surveys how United States IP law protects emojis, and why such protection may be problematic.

Statutes, common-law rights, and the mistaken classification of patents as public rights

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Iowa Law Review, Forthcoming

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3289338

Patents are increasingly swept up into the operations of agencies in the modern administrative state. This has raised anew the fundamental question whether patents are private property rights or special privileges, because this determines how constitutional guarantees apply to patents in administrative proceedings. If patents are private rights, full constitutional protections apply to them, such as the guaranty of due process. If patents are special privileges — deemed “public rights” — then they may be redefined or eliminated by the discretionary processes of administrative tribunals, such as the Patent Trial & Appeal Board. Today, courts and commentators reduce this fundamental legal classification to whether a right is born of a statute (public right) or a court decision (private right). They thus conclude that patents are public rights because they are “creatures of statute” enacted by Congress as authorized by the Constitution.

The classification of patents as public rights solely given their statutory provenance is profoundly mistaken. Modern courts and commentators have misconstrued one heuristic used by earlier courts as part of a broader inquiry in distinguishing between private rights and public rights. It was only a heuristic because all legal rights share mixed origins in both statutes and judicial decisions, including both property rights in land and in inventions. This Article surveys these well-known sources of property rights in both statutes and judicial decisions, revealing that conflating “common law” with private property rights is more legal myth than historical fact. As cases proliferate at the intersection of patent law, administrative law, and constitutional law, it is a fundamental error to classify patents as public rights in relegating these vested private property rights to the vagaries of administrative processes and decrees.

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