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INTRODUCTION

This article is about the unique connection that has emerged between copyright law’s orphan works problem and the pending controversy that Google, Inc., has created with its “Google Print” project.¹ Delving more deeply into this connection can provide us with information concerning a core element of copyright law, the fair use doctrine. Moreover, the Google Print project is an important and instructive example of the orphan works problem. It is my contention that these connected doctrines present a rational policy-based argument. A policy-based solution is important because it is a solution to the Google Print lawsuit and it is distinctive from what has been offered by all parties to the Google lawsuit and the various commentators.

Recently, the Copyright Office created the Report on Orphan Works (hereinafter “Report”).² This report has the potential to greatly affect the Google Print problem. Specifically, the Report was partially created in response to the pressures being put on traditional copyright law.³ This pressure comes from the ongoing digitization of nearly all forms of creative works and the need for copyright protection. The Report has focused on how emerging digital media, such as Google Print, will deal specifically with orphan works.⁴ A high-ranking official of the United States Copyright Office has recently stated that the Report’s proposal for a specific legislative amendment is high on the Copyright Office’s agenda as well as the agenda of the Judiciary

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¹ Google is being sued over this project in two separate lawsuits by large collections of book publishers and authors. See generally Complaint, The Author’s Guild v. Google, Inc., filed, No. 05-CV-8136 (S.D.N.Y. Sept. 20, 2005); Complaint, McGraw-Hill Cos. v. Google, Inc., filed, No. 05-CV-8881 (S.D.N.Y. Oct. 19, 2005). The plaintiffs collectively represent a big swath of the publishing industry. Thus, the Google Print lawsuits are not unlike the series of lawsuits in which major sectors of the music and film industries, as represented by the Recording Industry Association of America (RIAA) and the Motion Picture Association of America (MPAA), have brought actions against various putatively infringing companies such as Napster, Inc., and Grokster, Ltd. Nonetheless, there are fundamental differences as well, as will become apparent. The most significant difference is that the fair use defense stands a better chance in the present context than it did in those contexts.

² U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 1 (2006) [hereinafter REPORT].

³ Id. at 4.

⁴ Id. at 37.
Committee of the next Congress. Thus, the present is an ideal time to critically evaluate the proposed legislation.

The Report on Orphan Works uses the term “orphan work” to describe a situation in which, “the owner of a copyrighted work cannot be identified and located by someone who wishes to make use of the work in a manner that requires permission of the copyright owner.”

Copyright gives mini-monopolies so that people will be directly induced to create. This is because the public may benefit from these creations either through their direct consumption or through their use in the production of other creative works. With orphan works,

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6 REPORT, supra note 2, at 1. The Report says its definition is not categorical and encourages others to proffer definitions as well. Id. at 34. See also Notice of Inquiry, 70 Fed. Reg. 3739, 3741 (Jan. 26, 2005). Elsewhere in the Report, the definition is given a slightly altered form. REPORT, supra note 2, at 71. The Report notes that it is not an orphan works situation if the potential user is able to communicate with the owner, even if the owner is not responsive. Id. at 34. It also notes that orphan works are not the same as “out of print” works, although a single work may be both. Id. at 34 n.68. The metaphor of an orphan is somewhat inapt. Orphan children do not have parents anywhere. If you think you have no parents but you are wrong and unbeknownst to you, you do, you will think you are an orphan but you will be wrong. Orphan works on the other hand are neither orphans, nor are they categorically so. Rather, it is almost always a question of transaction costs; if a high enough price were paid, ownership could be determined. There may be examples such as old photographs found in an unmarked box in a state historical society, however, that carry no identifying marks and for which there would appear to be no means to track down the creator due to the generic nature of the composition and lack of identifying information. Here it may indeed be the case that no amount of expenditure would allow the users to be located.

7 As this statement indicates, American copyright is conventionally understood to adhere to an instrumentalist logic. Rights are created, maintained, or extinguished, depending on their causal impact in promoting the goals of copyright. See generally Gillian K. Hatfield, The Economics of Copyright: An Historical Perspective, 38 COPYRIGHT L. SYMP. (ASCAP) 1 (1992). While the instrumentalist goals of copyright are often stated in abstract and formulaic terms, Landes and Posner note that a more detailed specification of these goals is more informative and accurate. They contend that is important to note that more localized or specific economic concerns merit economic analysis as well. WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 9-10 (2003) (“Given the emphases of the existing scholarly and popular literature concerned with intellectual property, it may come as a surprise to many readers that the economic arguments that we make for intellectual property protection are not based primarily on a belief that without legal protection the incentives to create such property would be inadequate. That belief cannot be defended confidently on the basis of current knowledge. The concerns we highlight have rather to do with such things as optimal management of existing stocks of intellectual property, congestion externalities, search costs, rent seeking, and transactions [sic] costs.”). A parallel point can be made for the orphan works problem, in which the concerns are not confined to the
however, potential users, who wish to be law-abiding, lose this inducement because they are unable to locate the owners in order to secure their permission to use the work by purchasing it, licensing it, or gaining free access. Thus, the larger, indirect purpose of copyright is ill-served, as potential users will fear the risk of infringement liability and be deterred from what might otherwise be a welfare-producing use of the work. The Copyright Office puts it this way:

> Even where the user has made a reasonably diligent effort to find the owner, if the owner is not found, the user faces uncertainty—she cannot determine whether or under what conditions the owner would permit use. Where the proposed use goes beyond an exemption or limitation to copyright, the user cannot reduce the risk of copyright liability for such use, because there is always a possibility, however remote, that a copyright owner could bring an infringement action after that use has begun.8

The Orphan Works Report was drafted by the Copyright Office at the request of Congress.9 In order to develop a report that took account of the perspectives of various concerned parties, the Copyright Office gathered these perspectives by taking the topic on the road, as it were, conducting roundtables in Berkeley and Washington, D.C.10 In addition to the responses received in this context, the Copyright Office also placed a notice in the Federal Register seeking comments.11 In response to the Copyright Office’s request, it received over 850 comments from a wide variety of parties.12 In fact, the list of contributors is a virtual “who’s who” list of stakeholders and non-traditional access/incentives tradeoff but look at more localized factors in detail, such as the relative preference for opt-out versus opt-in, in relation to when Google uses unauthorized works. Whether copyright is at its core utilitarian, non-utilitarian, or a combination, is a matter of longstanding controversy. For purposes of the following analysis, I will assume it is the former.

8 REPORT, supra note 2, at 1.
9 Id.
10 Id. at 19. The Copyright Office’s pilgrimages outside the Beltway have come to be referred to as “roadshows.” Id.
12 REPORT, supra note 2, at 1. “Virtually every interest group typically involved in copyright policy debates was represented in the comments . . . .” Id. at 17.
governmental organizations, which is a testament to the centrality of the issue of orphan works to meaningful copyright reform.13

Accordingly, the Copyright Office has developed a thoughtful and well-crafted response to the orphan works problem. The response addresses the concern over the lack of legal access to orphan works by potential users. Moreover, it also acknowledges that the established rights of owners need to be respected. Because the Copyright Office’s proposed solution to the orphan works problem takes a middle road, it is of course open to criticism from parties on either side of the issue; at one extreme, some commentators have argued that orphan works should be in the public domain, while at the other extreme, commentators have argued that any special treatment for orphan works is contrary to fundamental principles of copyright law.14

Despite these widely divergent first-order preferences, the Copyright Office proposal may, at the end of the day, be palatable to nearly all parties as a compromise solution to a problem that is recognized by all.15 Thus, depending on one’s overall view of the merits of the proposal, it may actually have a chance of becoming a reality. I will argue that the likelihood of a compromise bears an important relationship to the Google Print project and its preferable legal adjudication.

Currently, Google claims that, under the circumstances, the unauthorized uses in which it engages are fair.16 Google’s main legal defense turns on an appeal to the fair use doctrine.17 The position that

13 The following were a few of the contributors: Creative Commons, Electronic Frontier Foundation, Public Knowledge, RIAA, MPAA, PPA, The Authors’ Guild, and Google, Inc. Id. at 17-18.
14 Id. at 89.
15 Id. at 2 (“Thus, there is good evidence that the orphan works problem is real and warrants attention, and none of the commentators made any serious argument questioning that conclusion.”).
16 See Google, Information for Publishers about the Library Project, http://books.google.com/googlebooks/publisher_library.html (last visited Nov. 13, 2007) (“The use Google makes is fully consistent with both the history of fair use under copyright law, and also all the principles underlying copyright law itself. Copyright law has always been about ensuring that authors will continue to write books and publishers continue to sell them. By making books easier to find, buy, and borrow from libraries, Google Book Search helps increase the incentives for authors to write and publishers to sell books. To achieve that goal, we need to make copies of books, but these copies are permitted under copyright law.”). See also Capitol Hill, WASH. INTERNET DAILY, Jan. 19, 2006, http://www. warren-news.com/internetservices.htm (“...case law shows Google Book Search as not seeming to break copyright law in letter or spirit.... ‘The Google Book Search program plainly appears to meet the standards of the ‘fair use doctrine.’” (quoting Nancie Marzulla, President of Defenders of Property Rights)).
Google takes represents a major challenge to the traditional conception of fair use. Indeed, if Google is correct, and its use is deemed fair, this case could significantly broaden the scope of the fair use doctrine. Such a judicial determination would matter not only to owners of copyrights in books, but it would matter to copyright owners of all media. Thus, in addition to the book industry, other content industries have reason to be concerned about the outcome of the Google Print lawsuits, as there is no reason in principle that the other copyright-dependent industries would not fall victim to unauthorized “snippet searches” and the copying of whole texts needed to produce such snippets.18

In specific reference to the Google lawsuits, the parties want an all or nothing outcome; the plaintiffs want all of Google’s uses to be declared infringements while Google wants all its uses to be declared fair. However, there is a third option, one in which some uses are fair and others are not. Orphan works may present a logical place to draw the line between those works that should be a fair use and those works that should not.19 Despite the initial plausibility of this solution, I will reject it in favor of another one. I will argue that the Orphan Works Report provides an alternative to fair use as a solution to the problem presented by the Google Print lawsuits; namely, instead of fair use, the treatment of orphan works should be determined as suggested in the

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18 The Google Print project is thus discernible from another of Google’s projects that is also of importance to copyright law—its acquisition of the popular website YouTube. Google has made audiovisual works searchable through Google Video and YouTube, which each offer whole copies of unauthorized works available to internet users (along with user-generated content). Google does not claim that the appearance of unauthorized copyrighted works on its video sites is fair use, however. Instead, Google’s defense of such large-scale unauthorized uses rests on the Digital Millennium Copyright Act’s notice and take-down provisions, under which Google is obligated to take down works once it is notified by their owners of the infringing uses. Digital Millennium Copyright Act, 17 U.S.C. § 512 (2006). Google could, however, create a search engine that would produce snippets of audio works, visual works, and audiovisual works. In the present context, Google would presumably claim fair use as opposed to protection under a DMCA safe harbor. There have been lawsuits involving searches for visual content. See Kelly v. Arriba Soft Corp., 336 F.3d 811 (9th Cir. 2003); Perfect Ten v. Google, Inc., 416 F. Supp. 2d 828 (C.D. Cal. 2006). In these lawsuits, full texts of the works were produced by the user searches, rather than snippets, albeit thumbnail-sized versions of the whole images. Arriba Soft, 336 F.3d at 815; Perfect Ten, 416 F. Supp. 2d at 833.

Orphan Works Report, under which limitations are put on remedies for infringement when users of orphan works perform diligent searches for the owners.

We should not look to whether Google would prefer this solution. Clearly it would not, as is indicated by its arguments in the lawsuits.\textsuperscript{20} The important question is, whether Google could live with the proposed orphan works legislation and yet still find it worthwhile to go ahead with the Google Print project. Of course, this implicates questions of the welfare-generating potential of Google Print and its foreseeable profitability. I will argue that, despite lawyerly protestations, there is strong reason to think that Google could live quite comfortably with the limitation on remedies approach proffered by the Copyright Office. I will further argue that such a result would be preferable from the perspective of social welfare.

Part I will briefly examine the Google Print lawsuits in order for the reader to better understand their connection to orphan works. Part II will discuss, in more detail, orphan works, the orphan works problem, and the Copyright Office’s attempt to solve this problem by means of its proposal for legislative change. Finally, Part III will then attempt to answer the question as to which is the better solution to the problem for copyright presented by orphan works: that offered by the fair use alternative as advocated by Google, that offered by the Orphan Works Report, that offered by the status quo, or perhaps some alternative solution.

Discussed throughout this article are the overall implications for fair use generally. Both the Orphan Works Report and commentators have noted that the orphan works issue is independent of the issue of fair use.\textsuperscript{21} One of the interesting results of looking more closely at orphan works is that this claim is seen to be incorrect. While it is understandable that the Copyright Office might wish to avoid any imbroglio regarding fair use when its main concern is orphan works, nevertheless, I will argue that these issues are connected in an important manner. The connection is that one cannot normatively evaluate the fair use of orphan works apart from the availability of the remedial advantages of the proposed orphan works legislation. This is an implication of economic analysis under which all such seemingly categorical distinctions as that between fair use

\textsuperscript{20} See supra note 16.

\textsuperscript{21} REPORT, supra note 2, at 4 (“For purposes of developing a legislative solution we have defined the ‘orphan works’ situation to be one where the use goes beyond any limitation or exemption to copyright, such as fair use.”); id. at 87 (“Several commentators stated strongly that the fair use defense should not be affected in any way by an orphan works provision.”).
analysis and the rules regarding remedies are instrumentally justified and thus subject to alteration when the utilitarian calculus so dictates.

I. GOOGLE’S GLOBAL SNIPPET SEARCH

A. An Explanation of the Google Print Project

The Google Print project represents what is surely the most comprehensive and complex fair use fact pattern the world has ever seen. First, Google plans to copy every book in the world—all sixty or so million of them. Second, Google makes three distinct types of unauthorized copies of owners’ works. Google makes whole copies of works for its database, and from these, “snippets” of text are produced in response to user search requests. The copying of full texts is necessary in order for Google to provide its users with a search engine that will produce “snippets” of text from various sections of these books. These texts will be searched millions upon millions of times as Google Print users enter their search requests. Finally, Google produces digital copies that it gives to libraries, presumably in return for those libraries letting Google copy their collections of books.

B. The Copyright Implications of the Google Print Project

Google downplays any distinction between orphan works and non-orphan works when it makes reference to the underlying works. This makes sense as drawing the distinction raises the issue of distinguishing the two types of works in terms of their appropriate

22 How Much Information? Print Media Summary, http://www2.sims.berkeley.edu/research/projects/how-much-info/print.html#origflowworld (last visited Oct. 26, 2007) (“The U.S. engages in the world's largest trade in printed products, producing about 40% of the world's printed material... we can also estimate the worldwide stock of books (including those out of print). The national library and copyright repository of the United States—the Library of Congress—contains about 26 million books. Therefore, the world stock of books might be approximately 65 million titles.”).

23 In a previous article, I performed an extended doctrinal examination of fair use as applied to Google’s copying of books. See Hetcher, supra note 19, at 2-3.

24 Id. at 26.

25 Id. at 49-50.

26 Id. at 53-55.
treatment under the fair use doctrine. In terms of litigation strategy, Google would presumably like to avoid this issue as its position is that all works used in the Google Print project are fair uses, not merely those works that are orphans. To draw attention to the distinction between orphan works and non-orphan works in terms of their disparate levels of associated transaction costs is to invite a potentially distinct policy response that tracks these disparate levels.

The reason the fair use analysis is especially complex is that each of these three distinct types of copying will likely receive its own fair use analysis. Because there appears to be no other fact pattern in the case law involving three types of copying, most salient for purposes of fair use analysis is the manner in which courts have dealt with the few cases involving two types of copying. Applying the doctrinal four-factor test to each of the three types of copying under the facts of Google Print, one is led to the conclusion that Google’s use of snippets has a strong claim to being a fair use because the uses are highly transformative and not harmful to the owners’ markets, as the owners are not, and cannot, readily market snippets. But when it comes to the fair use analysis of the whole copies for use in Google’s database or the copies that are created to be given to the participating libraries, Google is likely to lose the fair use analysis because the whole copies are not transformative but rather “superseding,” and there is a harm to owners’ markets for licensing use of whole digital copies of their works.

As discussed infra, I will consider orphan works as plausible candidates for the category of works for which efficient bargaining is not possible, as by definition orphan works are works for which the creator or owner is not known. In such situations, the transaction costs of reaching a deal are not only high, but insurmountable. For non-orphan works however, the situation is fundamentally different. Google’s position that it is not possible to bargain with owners will not be plausible for works owned by extant publishers or available members of the Author’s Guild who are not only locatable but in the business of transacting with regard to their works. Thus, if the lawsuit is ultimately settled by a court that applies transaction cost analysis, Google will lose in its dispute with the publishers and the authors who belong to the Author’s Guild, but it may prevail with respect to orphan works. The following section looks at the Orphan Works proposal currently being proffered by the Copyright Office to see if it might help in the solution to the orphan works problem.

27 See, e.g., Sega Enters. v. Accolade, Inc., 977 F.2d 1510, 1510 (9th Cir. 1992); Kelly v. Arriba Soft Corp., 336 F.3d 811, 811 (9th Cir. 2003).
28 Hetcher, supra note 19, at 47.
29 Id. at 58.
II. **The Orphan Works Proposal**

A. *Locating the Potential Users and Owners*

The core problem of orphan works is that the works go unused despite the fact that had the owner and potential user been able to bargain, a mutually beneficial, as well as socially beneficial, use would have come about. The scope of the orphan works problem is uncertain.\(^{30}\) There is little empirical data; however what there is suggests that the problem is probably significant in terms of the number of works that may be involved. For example, Carnegie Mellon University did a study of the feasibility of obtaining permission to digitize and provide web access for parts of its collection. It discovered that for the works in the study, twenty-two percent of the publishers could not be found.\(^{31}\) The Copyright Office explicitly states that the orphan works problem is a threat to the public interest.

Concerns have been raised that in such a situation, a productive and beneficial use of the work is forestalled—not because the copyright owner has asserted his exclusive rights in the work, or because the user and owner cannot agree on the terms of a license—but merely because the user cannot locate the owner. Many users of copyrighted works have indicated that the risk of liability for copyright infringement, however remote, is enough to prompt them not to make use of the work. Such an outcome is not in the public interest, particularly where the copyright owner is not locatable because he no longer exists or otherwise does not care to restrain the use of his work.\(^{32}\)

While not employing the terminology of economics, the Report is in effect characterizing the orphan works problem as, in important part, a

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\(^{30}\) *REPORT, supra* note 2, at 21.


\(^{32}\) *REPORT, supra* note 2, at 1.
problem of transaction costs—namely, the cost of the potential user locating the owner or owners.

Additionally, under conventional copyright economics, creative works are modeled as possessing a public goods structure.\textsuperscript{33} The salient feature of public goods is that consumption of the good by one person does not reduce the amount available for others to consume. Consequently, such goods have the feature that, once created, marginal copies can generally be produced at nearly zero cost. The cost of copies is very low when they are made of paper or vinyl, and may be virtually zero when the copies are digital.\textsuperscript{34} The implication of this public goods structure is that social welfare will be maximized when the number of consumed copies of a work is maximized. But such maximizing uses will not occur in orphan works situations because there is no possibility for an agreement due to the inability of the owner and the potential user to interact.

\textbf{B. Conducting a Reasonably Diligent Search}

From the perspective of rights under the Copyright Act,\textsuperscript{35} there are two major situations in which the orphan works problem arises. One is where the potential use is of the whole work, implicating the §106(1) right of reproduction.\textsuperscript{36} The other situation arises when the work is used as a part of some larger derivative work, which implicates the §106(2)\textsuperscript{37} derivative works right.\textsuperscript{38} The Orphan Works Report creates what is in effect a semi-safe harbor for both types of uses, although the precise specifications of the safe harbor are different for each. If a potential user fulfills certain conditions, namely performs a “reasonably diligent search” for the owner,\textsuperscript{39} and gives attribution when possible,\textsuperscript{40} then if she uses the work and the

\textsuperscript{33} LANDES & POSNER, \textit{supra} note 7, at 14 (“[Intellectual property] is a “public good” in the economist’s sense that consumption of it by one person does not reduce its consumption by another. More accurately, it has public-good characteristics, for we shall show that in some circumstances propertizing intellectual property can prevent overuse or congestion in economically meaningful senses of these terms.”).

\textsuperscript{34} See \textsc{Chris Anderson}, \textit{The Long Tail: Why the Future of Business is Selling Less of More} (2006).


\textsuperscript{36} A copyright owner has the exclusive rights “to reproduce the copyrighted work in copies or phonorecords.” \textit{Id.} § 106(1).

\textsuperscript{37} A copyright owner has the exclusive right “to prepare derivative works based upon the copyrighted work.” \textit{Id.} § 106(2).

\textsuperscript{38} Other copyrights pertain to either whole copies or partial copies; that is, one cannot without authorization display, distribute, perform, or digitally transmit whole copies or parts of copies. \textit{Id.} § 106.

\textsuperscript{39} REPORT, \textit{supra} note 2, at 8.

\textsuperscript{40} \textit{Id.} at 10.
If a user meets his burden of demonstrating that he performed a reasonably diligent search and provided reasonable attribution to the author and copyright owner, then the recommended amendment would limit the remedies available in that infringement action in two primary ways: First, it would limit monetary relief to only reasonable compensation for the use, with an elimination of any monetary relief where the use was noncommercial and the user ceases the infringement expeditiously upon notice. Second, the proposal would limit the ability of the copyright owner to obtain full injunctive relief in cases where the user has transformed the orphan work into a derivative work like a motion picture or book, preserving the user’s ability to continue to exploit that derivative work. In all other cases, the court would be instructed to minimize the harm to the user that an injunction might impose, to protect the user’s interests in relying on the orphan works provision in making use of the work.42

Elsewhere, the Report further specifies what constitutes “reasonable compensation” when it notes that the appropriate remedy is the amount the parties would have agreed to had they actually bargained prior to the use.43 However, it is important to note that the copy is still an infringement.

C. Allowing Owners to “Opt-Out”

Thus, under the Orphan Works Report, if the owner, once located, does not want to bargain, she may refuse and the potential

41 Id. at 11.
42 Id.
43 Id. at 116. Though the Report does not discuss it as such, this is plausibly seen as the Copyright Office’s attempt to implement Kaldor-Hicks efficiency. In the typical situation, it is the judge who decides what the Kaldor-Hicks outcome would be. This will usually involve a judge making an educated guess.
user will be out of luck. Interestingly, Google has announced that if owners object to a use of their work, Google will allow the owner to “opt-out,” that is, to inform Google that it does not approve of the use.\footnote{Google Book Search Help Center, http://books.google.com/support/bin/answer.py?answer=43756&topic=9011 (last visited Nov. 14, 2007).} In such a circumstance, Google has stated that it will respect the author’s wishes and remove the work from its database.\footnote{Id.} This is odd in the sense that if the use is fair, then Google has no duty to allow the owner to opt-out. Conversely, if the use is not fair, Google has no right to copy the work in the first place. The obvious question is why would Google promise an opt-out provision when it would not be legally incumbent upon it to do so should it prevail? Presumably, Google is calculating that by demonstrating this degree of flexibility, it is showing its \textit{bona fides} when it comes to being willing to reach a solution that is highly productive of social welfare and yet respectful of the wishes of book owners.\footnote{But see Pat Schroeder & Bob Barr, \textit{Reining in Google}, \textit{WASH. TIMES}, Nov. 3, 2005, at A18 (“Google’s position essentially amounts to a license to steal, so long as it returns the loot upon a formal request by their victims. This is precisely why Google’s argument has no basis in U.S. intellectual property law or jurisprudence.”).}

The Orphan Works Report is clear in its support for the protection of authors’ rights. It states that the hope is that the proposed rule change will lead to a regime of increased transactions between owners and potential users.\footnote{REPORT, \textit{supra} note 2, at 97; \textit{see also id.} at 8 (“First, any system to deal with orphan works should seek primarily to make it more likely that a user can find the relevant owner in the first instance, and negotiate a voluntary agreement over permission and payment, if appropriate, for the intended use of the work.”). The Orphan Works Report contends that it does not want the proposal to serve as a shield for those who seek to act in bad faith. \textit{Id.} at 98.} This claim is an important part of the Copyright Office’s argument because, if true, all parties will likely benefit from the proposed legislation.

\textbf{D. Potential Economic Repercussions and Their Correlation to the Public Good}

The Report also commented on economic repercussions. Concerning the economic conception, the Report found that the best indicator of welfare enhancement is a voluntary exchange, such as that which results from a market transaction.\footnote{See also Wendy J. Gordon, \textit{Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors}, 82 \textit{COLUM. L. REV.} 1600, 1605 (1982).} Note that the requirement that all parties benefit need not be satisfied under an economic
account, as overall welfare may be maximized in a situation in which one party gains at another party’s expense. Nevertheless, from a pragmatic perspective, it will be much easier to bring about legal change when the interests of all parties are served.\textsuperscript{49} Accordingly, the Report’s key proposal appears well constructed when viewed in a pragmatic light. If it is to be politically feasible, the document should not be a huge departure from established rights. Otherwise, politically powerful stakeholders will strongly object because they will be made to suffer a grievous harm—when judged from the status quo ante—under the proposed rule change.\textsuperscript{50}

The fact that the Report’s proposal may be politically feasible should not lead theorists to shun it, as the proposal may create significant change. Most importantly, potential users will have less risk in using orphan works. Thus, they will likely use them more often. This serves a public good because these works are currently going under-utilized because potential users cannot reach the owners to contract into what would otherwise be win-win situations. In the absence of such an agreement, many potential users may be deterred from using a work, even in instances in which an owner would be unlikely to become aware of the use, or object to the use were she to become aware, or be able to garner much revenue were a transaction to occur.

As the Report notes repeatedly, in practice, many owners will never surface.\textsuperscript{51} There are a few reasons for this assertion. First, with some works, people may not even realize they have ownership, as the work, or a fractional interest in the work, may have been inherited.\textsuperscript{52} Alternatively, the work may be owned by a defunct company. Second, many uses will likely go unnoticed. This may be because the use is essentially private. Finally, for many works, there is a good chance that the owner will never come across the work or have the work called to her attention. Thus, there is severe under-deterrence in the

\textsuperscript{49} In a situation in which all parties benefit or are neutral, the conditions for Pareto optimality will be satisfied and there will be no need to resort to a Kaldor-Hicks efficiency criterion.

\textsuperscript{50} \textit{REPORT, supra} note 2, at 8 (explaining we should expect established rights holders to feel a potential loss of rights acutely, as generally people suffer more when they lose something than they would have suffered in never gaining it in the first place); \textit{see} Russell Korobkin, \textit{The Endowment Effect and Legal Analysis}, 97 NW. U. L. REV. 1227, 1228 (2003).

\textsuperscript{51} \textit{REPORT, supra} note 2, at 11.

\textsuperscript{52} \textit{Id.} at 28.
sense that from a rational actor perspective, one is unlikely to be
detected as not conforming, and even if one is, the penalty is only
what one would have had to pay if one had actually bargained.

E. How Piracy Is Affected

One repercussion of this framework is that the Copyright
Office is indirectly promoting piracy because it supports rule changes
that will increase unauthorized uses. The term piracy is heavily
loaded, however. The reality is more nuanced than that, as the
proposed rule change would also change the normative complexion of
these unauthorized uses. First, while still an infringement, and indeed
a willful one, the unauthorized use would nevertheless be in good faith
in the sense that it came subsequent to a reasonable search for the
owner by the user. Moreover, the penalty for infringement would, in
most cases, be dramatically less than under the present rules regime.
The Report notes in passing that the amount of damages may
sometimes be zero. It is a Grundnorm of our legal system that lower
penalties, other things equal, signify less wrongful acts. By reducing
penalties, then, the proposal in effect is reducing the wrongfulness of
infringing on orphan works. While the creative content industries will
undoubtedly continue to cry that they are the victims of piracy, from a
risk-management perspective, these pirates are about as threatening as
Johnny Depp. Second, from a rational choice perspective, the content
industry will be less successful in threatening everyday consumers
with lawsuits, as the smaller potential awards will change the calculus
leading to settlements.

Thus, while ostensibly defending established copyrights, the
Orphan Works Report is subtly subversive because its implementation
into law would bring about more private uses. Therefore, the proposal
would have the salutary effect of both promoting a market in formerly
orphan works while also leading to more use of those works that
remain orphans.

F. The Problem of Uniformity

One of the refrains of the Report is that different solutions may
be appropriate for different categories of works. For example,
different databases and different sets of best practices may vary by
industry. Accordingly, the Copyright Office notes that, “[o]ur
recommendation permits, and we encourage, interested parties to
develop guidelines for searches in different industry sectors and for
different types of works.”^54 The Report notes as well that the criteria for a reasonably diligent search will also vary according to the category of work and other factors.\(^55\) Moreover, the Report attempts to craft a solution that aims to meaningfully address these differences. For example, it rejects the call for a government-run registry of orphan works by arguing that the private sector is better equipped to develop registries or databases that are customized to the specific challenges presented by particular categories of works.\(^56\)

The Orphan Works Report envisions a world in which there are less orphans due to mechanisms that allow owners and potential users to come together such as through these registries.\(^57\) Nevertheless, many works will not be available in such registries. From the perspective of many potential users, this may be beneficial, as the existence of a registry presumably will, for most users, create a duty to check this database as an element in the user’s reasonably diligent search. Thus, for the myriad works that are not put in such registries, the potential user may plausibly claim to have conducted a reasonably diligent search, based on evidence that the registry was fruitlessly searched.

Once again, the practical effect overall is to make uses of orphan works have a lower risk. This is a key point that must be kept in mind. Accordingly, a new option is added for putative users of orphan works, who can either hope for fair use or alternatively perform a reasonably diligent search in order to fall within the orphan works safe harbor. The latter option will undoubtedly be more attractive to some creators, as it will provide them with more certainty of outcome than will a claim to fair use—which is often seen as notoriously open-ended and uncertain in its outcome. Indeed, due to this uncertainty, some commentators contend that fair use is an inadequate option for unauthorized users of works. Lessig makes this

\(^{54}\) Id. at 10.
\(^{55}\) Id. at 9 (“It is not possible at this stage to craft a standard that can be specific to all or even many of these circumstances. Moreover, the resources, techniques and technologies used to investigate the status of a work also differ among industry sectors and change over time, making it hard to specify the steps a user must take with any particularity.”).
\(^{56}\) Id. at 74-75.
\(^{57}\) Id. at 74 (“Although most commentators agreed that a mandatory owner registry would violate Berne and would in general be ill-advised, many commentators expressed support for the creation of some sort of voluntary owner registry.”) (emphasis in original).
point forcefully. As Lessig argues, the point is not academic as the unpredictability of the fair use analysis shows up in the marketplace. Lessig gives the example of documentary filmmakers who are hamstrung in their unauthorized uses of orphan works, even though these uses are likely fair uses, due to the fact that potential programmers of such works require the works to be insured. Specifically, insurers are typically unwilling to take the risk of insuring works that contain unauthorized uses, despite the fact that these uses are in all likelihood fair uses, due to the risk aversion of the insurers. Thus, while theoretically fair use may provide protection to fair users, in practice it does not uniformly do so.

I share Lessig’s concern with the unpredictability of fair use but draw a different lesson than does Lessig, who argues for a number of measures to shrink copyrights in order to reduce reliance on fair use. There is another option to avoid the uncertainty of fair use analysis, which is to create safe harbors that potential users of creative works may sail into if they are willing to perform the requisite due diligence as set out in the Orphan Works Report. For example, the type of problem envisioned with Lessig’s example of the documentary filmmaker is improved upon under the Orphan Works Report, as the filmmaker can do a reasonably diligent search and then use the work if the search is unsuccessful. However, if the search is successful the filmmaker can attempt to bargain for the use.

G. The Orphan Works Report and Its Emphasis on Public Entities

One of the striking features of the Orphan Works Report is that it says relatively little about uses of orphan works by private individuals. The focus is instead on use by public entities, particularly not-for-profit entities such as museums and archives. From a policy perspective, this makes perfect sense as these types of entities are of special concern to copyright law. Yet, this focus is nevertheless striking as most policy proposals to bring copyright law up to speed with the digital revolution have been concerned with the main categories of mass consumer content, such as music, film, software and computer games, or the rights or welfare of private individual users.

59 Id. at 98.
60 Id. at 292-93 (arguing for five-year renewable copyright terms with a seventy-five-year maximum).
61 See generally REPORT, supra note 2.
However, equitable situations are different for private actors and public entities such as museums and archives. Private individuals generally are ignorant of the law, and, typically, copying will be limited to a small number of instances. For museums and archives, however, the situation is often dramatically different, as they may hold large numbers of orphan works. In some of the instances discussed in the Report, hundreds or thousands of works are at issue. Public entities are in a better position to know the law. Accordingly, they can be expected to respond more readily to the changed incentives introduced by altered legal and regulatory regimes. The stakes will be dramatically higher for public entities, due to the potential liability for a large number of works.

Additionally, the public nature of these institutions makes it less likely that unauthorized uses will go unnoticed. These public, not-for-profit entities also have some characteristic features that often create difficult orphan works situations. For example, such institutions often contain large collections of family photographs or letters for which tracking down current ownership may be nearly impossible. These types of items appear to fall into a category referred to in the Orphan Works Report as “ephemera.” These works are often technically copyright-protected, despite the fact that they are not works that are consciously owned or subject to attempted exploitation. Nevertheless, archives and museums are uneasy about using these works; this hesitancy may be prudent as an owner might surface and sue for infringement.

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62 Id. at 25 n.32 (citation omitted) (describing one library at Cornell University with a collection of “over 350,000 unpublished photographs... [y]et only 1% of the photographs have any indication as to who created the photograph”); id. at 117 (“[M]useum representatives explained that they would like to use hundreds or even thousands of orphan works in their collections”).

63 Google could be potentially liable for the infringement of more works than even these major cultural institutions. In addition, because Google is a commercial entity, the requirements for getting into the safe harbor will be more onerous.

64 REPORT, supra note 2, at 24.

65 The Report acknowledges that users may take what they consider to be “acceptable risks” when ownership is unknown. Id. at 26 (“In spite of this uncertainty, however, users occasionally exploit works having indeterminate ownership. This typically occurs only when the user perceives an acceptable risk based on the facts surrounding the work and the use at issue, and almost always after the user has performed some degree of due diligence in attempting to locate copyright owner based on the limited contextual information available.”).
The notion of ephemera is a little discussed concept in traditional copyright law. The Orphan Works Report does not define the concept but instead provides examples. Ephemera may have features of particular interest, as they are often created by artists and writers who are not seeking monetary gain. Accordingly, a rule change that provides less compensation in cases of infringement will not reduce the incentive to create such works. It was famously said that only a blockhead would write for free. Millions of people, however, do precisely that. The most widely heralded contemporary examples are blogs and other user-generated content, such as short video clips posted on popular websites like YouTube and MySpace. Although it has always been true that people have created things for free, it has not always been the case that the product of such creativity was granted a federal copyright. This changed with the passage of the 1976 Copyright Act, which granted copyright protection upon fixation rather than publication. This legislative change, along with the development of the Internet, has dramatically increased the number of copyright-protected ephemera. In an online world, the cost of publishing one’s writing has been reduced to practically nothing. As economics would predict, a lower cost of publication has increased the number of publications.

Ephemera may play an important role in the production of knowledge. Copyright discussion often focuses on the creative aspects of works. But, for museums and archives of certain sorts, it is often not the artfulness or originality of the works, per se, that gives them their value. For example, photographs and letters from World War II are of value because of what they can teach us about the underlying events, rather than their aesthetic qualities. Nevertheless, under copyright law these works are protected because the law has a low bar for what is copyrightable. A low bar may make sense, all things considered, but it still does not maximize welfare locally with regard to ephemera. It will often be the case that the owners of ephemera do not even know they are owners. For example, say a World War II veteran dies and his children donate his war photos to the state historical society. Unless they are lawyers, the children will not

66 Id. at 26 (“such as postcards, brochures, and pamphlets”).
68 People write for free online at a scale that has generally been a surprise to commentators. See generally Yochai Benkler, The Wealth of Networks: How Social Production Transforms Markets and Freedom (2006). One would, of course, need to elaborate on the notion of what it means to write for free in a world in which some write for non-pecuniary, but nevertheless real, benefits, such as reputational enhancement or improved job prospects. See Anderson, supra note 34.
realize that, when they gave the physical work away, unless acting explicitly to the contrary, they nevertheless retained the copyright in the work. If, years later, the archive wanted to use some of these works in an exhibit, it would need to secure permission to display these works or to reproduce any of them, say for a catalogue, promotional materials, or even for postcards in the institution’s gift shop.

Here the worth of the works may be negligible in terms of market value. The public would likely lose out on the products of hard to reach owners because of the excessive damages a presenter may face.69 If authorization is required, most of these works would never be used. This example demonstrates how distorted the copyright policy discussion becomes when it focuses so heavily on unauthorized copying of works created and promulgated for commercial purposes.

The goal then is to create one set of copyright rules that will efficiently protect explicitly commercial works, but not overprotect ephemeral works. This means that copyright law must contain a rule that allows for a distinction between these two types of works. The traditional means used by copyright law to draw this distinction is the “fair use” doctrine. Indeed, it is likely that courts would be much more likely to find uses of orphan works to be fair than non-orphan works, under an application of factor one of the fair use four-factor test, which looks to the purpose and character of the use.70 The complaint against the fair use test, however, is not that it might not work in principle to protect unauthorized uses of orphan works, but that this outcome is sufficiently uncertain so that many parties are unwilling to take the risk. In particular, museums and archives claim that fair use is too shaky of a ground upon which to base their potentially large and very public uses of orphan works.71 An important argument in favor of the Orphan Works Report, then, is that it will provide greater certainty, which will have the effect of promoting increased use of orphan works.

An interesting feature of the Orphan Works Report is that while it is a distinct proposal for dealing with orphan works other than how they would be dealt with under the fair use doctrine, and while

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69 REPORT, supra note 2, at 12 (“A vast majority of commenters in this proceeding agreed that the prospect of a large monetary award from an infringement claim, such as an award of statutory damages or attorneys’ fees, was a substantial deterrent….”).


71 REPORT, supra note 2, at 50.
the Orphan Works Report explicitly attempts to decouple its role with regard to orphan works from that of fair use, nevertheless, the Report incorporates parallel elements to those contained in fair use analysis, either explicitly or implicitly. Three of the most important factors in fair use analysis are the consideration of superseding versus transformative uses, commercial versus non-commercial uses, and creative versus factual uses. Each of these features of fair use analysis is touched upon in the Report, but within an orphan works rubric. Specifically, the Report echoes the fair use doctrine by giving favored treatment to transformative uses. Transformative works are given special treatment with regard to injunctive remedies and the reliance principle.\footnote{Id. at 55-56.} The proposal would limit the ability of the copyright owner to obtain full injunctive relief in cases where the user has transformed the orphan work into a derivative work like a motion picture or book, preserving the user’s ability to continue to exploit that derivative work.\footnote{Id. at 11.} This is of great practical importance because it is a great disincentive to use orphan works when an owner may later surface and be able to delay a large project, such as a motion picture, simply because it contained some small element from a work whose owner could not be readily determined at the time of initial use. Rather than take this chance, many creators of transformative works will simply forego the use of the orphan work. The effect will be that the quality of the transformative work will suffer, to the detriment of all. Under the orphan works proposal, as long as the creator of the transformative work takes sufficient care to locate the owner before using the work, she will not have to fear that the owner of the orphan work may later surface and hold up the release of the transformative work, seek statutory damages, or seek to extract rents from the release of the work which are out of proportion with the value of the orphan work in relation to the larger transformative work.\footnote{Id. at 98.} In other words, the Report allows creators of transformative works to rely on the fact that they diligently searched for the owner and can move forward with creating new transformative works.

The second fair use-esque principle incorporated into the Orphan Works proposal is to provide a safe harbor for non-commercial works.\footnote{Id. at 107.} The stated reason is that when the use of an orphan work is of a commercial nature, the budget will be able to accommodate a more thorough search for the owner of an orphan work;\footnote{Id. at 37.} thus, the hurdle that the unauthorized user must overcome in
order to successfully perform a reasonably diligent search and, accordingly, fall within the safe harbor provision will be more difficult to overcome. This parallels the treatment of unauthorized works under the first factor of the fair use test, in which courts are less likely to find commercial uses to be fair uses.

The Orphan Works Report says little to distinguish creative works from more factually based ones. Presumably the distinction would count for something here as well. What is typically said in a fair use context is that factual works receive “thin” protection. Thus, a court is more likely to find fair use where such works are concerned. Conventional normative logic would seem to call for this principle to be generalized apart from a fair use context as the background First Amendment concerns that animate the distinction in the fair use context do not disappear once fair use is no longer an issue. In other words, works of a factual nature are perhaps less deserving of preferential treatment in an orphan works context as well as in the context of factor two analysis under the fair use test. How this could be operationalized in the orphan works context is that the requirement for a reasonably diligent search would be less stringent when the work is more factual in nature. This intuitively seems right as it, for example, would require less searching prior to the use of a casually-taken photograph by an everyday camera user as compared to the use of an artistic photograph taken by an established professional photographer such as Ansel Adams. The former is more factual and the latter is more aesthetic.

The Orphan Works Report says little about the commercial use consideration, but what it does say is important. Specifically, commercial uses may be open to the safe harbor afforded by the proposed orphan works legislation. Some commentators had sought to restrict the treatment to non-commercial uses. In particular, the not-for-profit libraries and archives fought for a rule that would have sharply divided commercial from non-commercial entities. This suggestion was not unreasonable in light of the fact that the brunt of copyright owners’ objections to unauthorized uses is largely aimed at for-profit uses of their works. Such commercial uses, if permitted

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78 In fact, the Report’s treatment of the issue is brief to the point that one of the few commentators on the topic thus far appears to have misread the Report on the issue. Simon Teng, The Orphan Works Dilemma and Museums: An Uncomfortable Straitjacket, 2 J. INTELL. PROP. L. & PRAC. 30, 37 (2007).
under a permissive orphan works rule, would be likely to overshadow the amount of uses by museums, archives, and the like. Currently, there are a relatively small number of such institutions, and they must receive outside funding in order to operate. By contrast, if orphan works could be incorporated into for-profit business models, it would be reasonable to predict a growth in such uses until market equilibrium is reached where all economically viable free uses of such works have been exploited. Thus, less restrictive commercial use poses a much greater threat to owners of orphan works.

Nevertheless, the Report failed to draw a hard and fast distinction between commercial and non-commercial uses of orphan works. This is an important victory for commercial users of orphan works such as Google. Another reason for the not-for-profits to fight for separate treatment is that they arguably have a better case within copyright tradition for claiming special treatment. Libraries get special treatment under § 108 of the Copyright Act.79 It is reasonable for museums and archives to argue that they are like libraries in that their mission is not to make money but to promote knowledge by serving as cultural repositories. It is of interest, then, that the Copyright Office resisted this invitation to draw a bright line rule in favor of a more nuanced approach in which the commercial/non-commercial distinction is relevant but not dispositive. This can be seen as tracking the approach developed in recent case law with respect to fair use, where the trend has been away from making commercial use a determining factor.80

III. THE POLICY IMPLICATI ON OF THE ORPHAN WORKS PROPOSAL FOR THE GOOGLE PRINT PROJECT

In this Part, I will look at the Google Print project from within a normative economic framework. The key issue is whether the Google Print project should be found to be fair use in order to best promote social welfare, even when the cost of upsetting the status quo rights distribution is taken into account. It is best to begin this third and final Part by summarizing the manner in which it ties together the previous discussion. Part I concluded that if a court is to apply black-letter law, it will most likely reject Google’s fair use argument. Part II

examined the Copyright Office’s Orphan Works Report and the problem in copyright law that the Report is meant to remedy. At first blush, the connection between these topics would appear slight. One reason for thinking this is that the Copyright Office told us so. As noted earlier, the Copyright Office mentions this disconnect a few times in the Report. Indeed it is understandable that the Copyright Office would wish to leave this thorny topic outside of discussion. This is because, for the “copyleft,” there is a general understanding that the fair use doctrine is shrinking as a result of new digital rights media. The Copyright Office is understandably defensive regarding even a perceived diminution in fair use rights or privileges.

Against this background, the Copyright Office may not want to appear to be borrowing from Peter to pay Paul when it comes to the impact of its actions on fair use. Nonetheless, despite this presumed goal of the Copyright Office, I will argue that, starting from economic assumptions, the topics are necessarily connected—due simply to the instrumentalist logic of the economic approach. The complete extent of the connection, however, has yet to be explored.

A. The Economic Argument for the Google Print Project as Fair Use

On the economic model, fair use is a function of transaction costs in the sense that when these costs are high enough to create a market failure, the conventional account fair use will be justified to solve the market failure. An implication of the instrumentalism of the economic model is that any factor that may have a material impact on the particular market failure becomes relevant to the fair use calculus regardless of whether it fits neatly into the traditional four-factor analysis, or for that matter, whether it fits into the traditionally stated desiderata of copyright law—to promote the arts and sciences.

One possible response to this is that it unreasonably relies on the prospect of a court being willing to delay its proceedings due to the

81 See generally Report, supra note 2.
83 Gordon, supra note 48.
84 U.S. Const. art. I, § 8, cl. 8.
mere possibility of new legislation. In the present context, this potentially materially relevant factor is the change in remedies proffered by the Copyright Office in the Orphan Works Report. Moreover, the positive impact on social welfare that the Google Print project may have, in comparison to a finding of fair use, should also be contrasted with an orphan works-related solution. But this is incorrect as it would be an implication of the economic approach that if some potentially materially significant hypothetical outcome is not a certainty but a possibility, then this possibility would simply need to be “discounted” in the probability sense of the term.

In the present case, the result after such discounting appears to leave a materially significant economic reason to take an interest in the Google Print program. The Copyright Office notes that the Orphan Works proposal is high on the legislative agenda of Congress. Given the amount of vetting and process the Orphan Works Report has already gone through, and the fact that the Report was initiated by Congress, legislative action appears likely. Contributing toward this possibility is the fact that the legislation may be broadly characterized as pro-copyleft, yet not in a manner that is likely to cause the copyright industry lobby to be adamantly opposed. The reason is that corporate interests appear generally protected ways by the Orphan Works Report.

A related though distinct response is that the fair use test simply does not take account of factors outside of the usual purview of common law adjudication of the four-factor test. This is specifically

85 See REPORT, supra note 2, at 17 (noting that the Judiciary Committee asked the Copyright Office to investigate the orphan works problem).
86 See, e.g., id. at 97 (“[a]n owner might ignore a permission request for many legitimate reasons and in many situations… a large corporate owner might receive thousands of such requests and it would be unduly burdensome to respond to all of them….”); id. at 106 (describing how a diligent search includes efforts to locate those involved in the creation of the work other than the legal owner, such as the director of a film if the production company is no longer in business); id. at 117 (stating that corporate copyright owners generally favor reasonable compensation for relief and then discussing this as the correct solution). In fact, from a normative overview perspective, it may be a success of the proposal that it serves to better differentiate treatment of big budget works and thus works whose creation is hugely subject to incentives, from small, incidental, ephemeral works, that are not induced by, and whose production would not be significantly altered by, a change in incentives. The Report refers to “enthusiast uses” that are of limited interest to the general public. Id. at 38. Not only are these works not commercial, but it appears to matter to the Copyright Office that the uses are undertaken in “honor” or “celebration” of the original creator. Id. at 39. It is this sort of work that should come most easily within the orphan works safe harbor as opposed to the large-scale, commercially-oriented works that the copyright industry is most interested in protecting through its lobbying efforts.
relevant when the activity is one which would occur in a distinct branch of government. While this response might be open to a doctrinal formalist, or for that matter those with a variety of normative views, it is not open to the practitioner of economic analysis. To think otherwise would be, at the end of the day, to commit oneself to some form of rule utilitarianism over act utilitarianism. It would certainly not be heretical to do so, as rule utilitarianism is in some of its many forms colorable at the least. Nevertheless, act utilitarianism is widely and reasonably considered the stronger position. If one takes a position that implicitly relies on a dubious premise, such as undergirds rule utilitarianism, one should at best establish it, but at the least acknowledge the assumption. Under the more plausible act utilitarian version of economic analysis, it is simply not possible for this analysis to cut off material factors simply because they happen to bring into play another branch of government or one of its administrative arms.

At the end of the day, the economic approach is about the choice between alternative forms of regulation in order to produce the best social order as understood in utilitarian terms. Any rule dividing up sub-areas of law or commerce for optimization is a rule of thumb subject to override when the test of social welfare so dictates.

If the Orphan Works Report becomes law, over time both institutional and informal arrangements would shift such that there might plausibly be a positive impact on rates of market failure in the orphan works context. This should not be surprising given that the Report makes clear, explicitly and implicitly in a variety of remarks that its goal is to promote more transactions and less orphans. Less orphans means less market failure and more market transactions which in turn mean more liquid markets and, thus, more efficient resource allocation.

Whether this result comes by way of judicial decision-making or via a change in statutory rules regarding remedies should be a matter of agnosticism; the ends justify the means. Grasping this conceptual point does not bring us any nearer, however, to answering the all important substantive question as to whether the orphan works alternative is, in fact, more likely to be welfare-maximizing than is the fair use alternative. Thus, the larger question is elevated to whether the impact of the Orphan Works Report, were it to become enacted into law, would be superior to a fair use finding on the part of a court.

87 Russell Hardin, Morality within the Limits of Reason 14-17 (1988).
88 Id. at 16-17.
Either way, Google can argue that, even beginning from an act utilitarian premise, there is strong reason to believe its fair use argument. If successful, Google would argue that the result would be more welfare-maximizing under its approach. Google can argue that a formalistic application of the fair use test does not capture the deeper structure of fair use analysis for two of the three types of copying necessary for the Google Print project and therefore for the project as a whole.

Some commentators have referred to a fifth factor; that the test should seek to maximize social welfare, even if this means rejecting a doctrinal application of the four-factor test. In their view, the four-factor test must be viewed as a prima facie analysis—a sort of rule-of-thumb approach to promoting welfare. The main idea is that while in the general run of cases the four-factor test will tend to promote social welfare; it cannot be expected to always do so. Conversely, act utilitarians should be particularly interested in those situations in which it is unlikely to do so.

Indeed, an aspect of indirect utilitarian analysis is that it may make sense for certain institutional actors to follow the rules, while simultaneously making sense for other actors to be in a position to abrogate them in the name of a more direct approach to welfare maximization. In the well-known example provided long ago by John Rawls, we may not want the police to abrogate procedural rules in the name of maximizing welfare in individual instances, yet we may be more comfortable with judges or prosecutors exercising a greater degree of discretion in administering justice in order to promote welfare. Similarly, it might be sensible to argue that trial courts should not seek to abrogate the established fair use doctrine in an attempt to maximize welfare in individual instances. However, it is plausible for Google to argue that this role is, at the very least, properly suited for appellate courts both in terms of the impact of Google Print and in terms of the important precedent that is likely to be set.

Google will likely contend that the dispositive question is whether it can establish that social welfare would be increased in a

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91 See Schroeder & Barr, *supra* note 46, at A18 (“[a]uthors may be the first targets in Google's drive to make the intellectual property of others a cost-free inventory for delivery of its ad content, but we will hardly be the last. Media companies, engineering firms, software designers, architects, scientists, manufacturers, entertainers and professional services firms all produce products that could easily be considered for 'fair use' by Google.”).
world with Google Print in comparison to a world without Google Print. In addition, Google can argue that just as the distinction between distinct branches of government is irrelevant to utilitarian analysis, so too is the distinction between the three distinct uses of plaintiffs’ works arbitrary from the perspective of act utilitarian analysis. The proper utilitarian test would consider the overall welfare effects and, thus, consider the welfare implications of the three uses taken together. Google will argue that this is the real meaning of the trend toward the increased importance given toward the consideration of transformative uses in recent case law.92

Google can make a solid case that its snippet search engine is an engine of social welfare. It is little exaggeration to say that for any Internet user to have the ability to do electronic searches of all books for free is a revolutionary advance in making the tools of learning available that makes the Dewey decimal system look quaint by comparison. Perhaps Google’s best argument for why Google Print will promote social welfare stems from the fact that universal snippet searching is not a service that would be provided by any of the individual contributing libraries because no library has all the books that will go into the Google database. There is an undeniable efficiency in users having the ability to perform searches through all books at one site rather than having to go to separate sites to perform searches.

Additionally, it is Google’s ability to create premier search algorithms that sets it apart from the other major search engines, despite the fact that competing search engines are operated by companies with great technical expertise and financial resources. (i.e., Microsoft, Yahoo, and AOL). Google’s website search engine is widely regarded as providing the most useful search results. Accordingly, it is reasonable to think that it would be in the best position to construct the best search engine for book snippets as well. These other online giants have also made steps toward constructing book search engines. However, what distinguishes Google’s efforts is that these other companies are creating search engines that will search books that are in the public domain or for which authorization has

92 See, e.g., Blanch v. Koons, 467 F.3d 244 (2d Cir. 2006); Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605 (2d Cir. 2006). Courts are increasingly finding that the other factors of the test are to be judged in light of the overriding factor of transformative use.
been given. 93 The reason for placing this self-imposed restriction on the search domain is obvious—it is to avoid the potentially huge legal liability were the unauthorized copying necessary to compile a complete database of books found to be in violation of copyright law. By contrast, Google is evidently willing to take the substantial gamble that it will be able to prevail in its lawsuit and thus not be deterred in its effort to construct the most comprehensive database. If successful, the public will be the beneficiary because users will have access to the most complete database. However, if Google is unsuccessful, the public will be worse off in not having the database available and Google will be subject to potentially crippling legal liability. Thus, one can view Google’s very risky legal strategy of continuing to copy books while the lawsuit proceeds through the courts as heroic in terms of the level of risks it is willing to assume.

Beyond Google’s lack of risk aversion, it may be the only entity capable of completing such a task. It is unlikely that an under-funded library or governmental entity, such as the Library of Congress, could create anything comparable to the comprehensive database contemplated by Google. Presumably, the Copyright Office would agree; it cites monetary considerations as one of the reasons for rejecting the suggestion that it take upon itself the task of constructing and maintaining a database of copyrighted works. 94 If the Copyright Office sees itself as not being the most efficient provider of a simple registry of copyright protected works, clearly it would not see itself as in the best position to take on a task that would be exponentially more complex and expensive—maintaining not a simple registry but a searchable database of the digital contents of millions of works. Note that it is not only the construction of the database itself that would be expensive, but also the development and constant improvement of the search algorithm.

In addition to cost, a government-run algorithm may also raise First Amendment concerns. The construction of search algorithms is a complex process that could easily raise censorship concerns. This is significant because there is no such thing as a neutral search; choices must be made that will determine the search results. 95 Furthermore, with all due respect to music, movies, and the entertainment industry generally, the sorts of works of great learning copied into the Google Print project database are at least as close to the core of what copyright


94 REPORT, *supra* note 2, at 105.

95 *See BENKLER, supra* note 68, at 75-80.
law is about—promotion of science and the arts. 96 Thus, Google can argue that not only will it provide access to the most complete set of texts, but also that these are texts of a sort that is of particular importance to copyright law.

Another utilitarian argument colorably offered by Google is that its project will not harm the established markets of copyright owners. This is because unlike the situation in the file-sharing cases involving copying of CDs and DVDs, where the market for the originals was superseded by the unauthorized copies, Google does not sell whole copies of the books. Indeed such a system may help owners because they cannot sell snippet results. Indeed, Google can plausibly claim that book sales will be enhanced by searchers becoming aware of the existence and relevance of new works, due to learning about them by means of snippet searches.97

In addition, Google will point out that because it is willing to allow authors who do not want to participate to opt-out, it is providing the most efficient mechanism to promote the interests of the vast majority of parties. In short, it is a transaction cost issue, and the more people who participate in the project will result in a lower transaction cost. A high level of participation means that less transaction costs would be needed to get to the welfare-maximizing outcome.98

96 U.S. CONST. art. I, § 8, cl. 8. While the can of worms opened here cannot be adequately explored in the present context, entertainment per se is no longer slighted in the case law as it once was; nevertheless, libraries and serious scholarship are at the least first among equals, as embodied in § 108 of the Copyright Act, which gives libraries special use privileges. See 17 U.S.C. § 108 (2006).

97 See Hetcher, supra note 19, at 45.

98 See, e.g., LANDES & POSNER, supra note 7, at 12-13 (“[r]educing transaction costs is the very raison d’etre of property rights…”). One might initially speculate that digital technology would materially reduce transaction costs and the so-called orphan works problem by making information more available. Search technology in particular should be able to help make this information searchable. There is irony, then, in the fact that Google, the leader in online search, the company that holds the grand ambition to make all of the world’s information accessible, should base its argument for fair use on the claim that the company should have the works for free in part because ownership information is unavailable. Google opens itself to the embarrassing rejoinder that if it wants to collect the world’s information, it should begin with information on the ownership of those works it copies without permission. This glib remark packs rhetorical punch but in the end is unfair because issues of ownership of copyrights will often be complex and contested, just as may be the case for a parcel of real estate. What is true is that when Google talks about making all of the world’s information available, it may implicitly be wedded to a simplistic conception of information. Legal claims of various sorts, may often be
Conversely, given the millions of works at issue and the difficulty of locating the owners of all these works to obtain rights, Google can argue that requiring explicit permission would, in practical terms, bar the project from ever existing. Google compares the situation to that of opt-out versus opt-in with regard to its search engine for websites. 99 Contrary to popular understanding, when a person performs a typical Google search, she is not searching the Internet but rather searching a vast Google database consisting of copies of the millions of websites found on the Internet. 100 Importantly, however, this database does not contain the sites whose owners have requested that Google not use its spiders to find and copy these sites. In other words, Google allows website owners to opt-out from having their websites included in Google’s database. Google argues that it has determined through experience that the vast majority of website owners prefer to have their websites included in Google’s database and therefore these websites do not avail themselves of the opportunity to opt out. Thus, the opt-out method is more efficient than the opt-in, since this means that fewer users need to take action to achieve their desired outcome. Moreover, Google claims that a parallel argument pertains to books; because most book owners would want their books available on Google Print, it reduces transaction costs if those owners who do not want their books included in the database opt out.

The response of copyright owners will be that this shifting in presumption turns copyright upside down. From the perspective of economic analysis, however, this response is without merit. For utilitarians, rights are justified instrumentally. 101 In other words, rights are only worth protecting so long as they promote welfare. If turning traditional protections on their head will serve to promote social welfare, then this is precisely what will be called for by an economic analysis.

From the economic perspective, at the end of the day, all plaintiffs in the Google case have are their established rights, which they plausibly see as being turned upside down. However, these are not inalienable human rights, but rather instrumentalist rights that are a

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101 See generally John Stuart Mill, Utilitarianism, in Utilitarianism, Liberty & Representative Government (1914).
Google’s overall argument then, seen in its most favorable light, is that while, as a general rule, the four-factor test is welfare-promoting, this will not always be the case, and there is good reason for thinking that the Google Print project is just such an exception to the rule. In other words, the so-called fifth factor supports Google in the fair use analysis. Black-letter law may indeed often serve as a guide to welfare maximization, but unless we are to be rule worshippers, we must be ready to abandon established rules when required by the \textit{desiderata} of social welfare maximization.

For the above reasons, Google can plausibly argue that the Google Print project will likely promote social welfare in comparison to a world without it.

\textbf{B. Solving Google’s Orphan Works Problem Through a Change in Remedy}

The comparison usually done by Google, and its defenders, is between the world without Google Print and the world with Google Print. From this starting point, it is plausible to argue that, all things considered, the general public would be better off in a world with Google Print than in a world without it because of the overwhelming amount of utility that it would provide. But this conclusion is not complete and does not sufficiently set the standard with which we should analyze the difference. Instead, the proper comparison is between Google Print and a functional equivalent that has the benefits of Google Print but that avoids the unpredictable consequences which may follow from dramatically expanding the scope of the fair use doctrine.

Even under this standard it is appropriate to apply a transaction cost analysis. However, whereas in the previous Part it was applied to fair use, here it can be applied to a compelling alternative to fair use. This would be a situation where works with a high transaction cost may enter the orphan works safe harbor. Here, works with a high transaction cost would avoid the more onerous remedies, such as statutory damages, otherwise available to successful plaintiffs in copyright infringement suits. The key question, then, becomes whether treating infringement of orphan works to a less serious remedy may be equally or more efficient in promoting the use of

\footnote{102 It goes without saying that to say that copyrights are instrumental is not to say anything one way or the other regarding the nature of other types of rights.}
2007 Orphan Works 33

works, as compared with the situation in which they are given fair use status.

While Google clearly would prefer the outcome in which it is deemed to be a fair user on a mass scale, the remedial regime, as contemplated by the Orphan Works Report as applied to commercial ventures, might not be entirely unattractive to Google. Under the proposed rule change, Google would have to pay reasonable fees to surfacing users of previously orphaned works. While this is of course less desirable to Google than not having to pay anything, nevertheless the total amount may not add up to much in the grander scheme. This is because, as a practical matter, there may be relatively few surfacing owners of orphan works. This will be true for a variety of reasons based on the characteristics of orphan works discussed in Part II; recall our discussion of unaware owners and those that have a de minimis interest.

In addition to the cost analysis, the fact that owners will likely sell more books once included in the database suggests that even if they surface, these owners will be inclined to license use of these works at modest rates. Thus, in a world in which the Copyright Office’s proposal were enacted into law, it appears likely that Google would still have an incentive to go forward with the Google Print project.

Either regime would be a boon to Google because both allow Google to use millions of orphan works in a commercial enterprise. While in one scenario Google does everything for free, the other results in a relatively small cost. Concerning the latter scenario, so long as the benefit to Google outweighs the cost—which appears likely—it will still be a net benefit to Google. Thus, it is not the case that a court should find the unauthorized use of orphan works to be a fair use just because a judicial determination of fair use is better than the opposite determination when these are the only two choices. The reason is that a court can, instead, find such cases not to be a fair use and Google will still have the incentive to do the Google Print project and deal with the surfacing owners. Society is the beneficiary either way as the Google Print project will go forward. Of course, there will be some amount of redistribution of money from Google to surfacing owners, but this redistribution is economically neutral as the size of the economic pie is not affected, but merely the size of the slices that go to the various parties.103

103 From a non-economic normative perspective, such redistribution from Google to millions of small time authors may be desirable. Molly Shaffer Van Houweling, Distributive Values in Copyright, 83 TEX. L. REV. 1555, 1540-41 (2005).
The important point is that the viability of Google’s fair use defense may turn on this consideration, as the fact that Google could get access to orphan works through the change in remedies offered in the Orphan Works Report, if enacted, may be a reason for a court to reject Google’s fair use claim as its transaction cost rationale no longer holds, given that access to the works can be safely gained by means of performing diligent searches. As noted earlier, the Copyright Office made it a point to note that its proposal was distinct from the consideration of fair use. We now see, however, that this is not the case. The fair use analysis of the Google Print project is inexorably influenced by other options that are available for achieving the same goal.

This point may be better understood by comparison with two of modern copyright law’s formative cases; Williams & Wilkins Co. v. United States and American Geophysical Union v. Texaco, Inc.104 In Williams & Wilkins, a high profile case, the Second Circuit found a large-scale copying practice to be a fair use, for what appears to be fairly transparently economic reasons. In American Geophysical v. Texaco, defendants relied on Williams & Wilkins as precedent. Texaco involved the unauthorized copying of academic journals in the hard sciences by scientists and researchers within commercial corporations. The court rejected Texaco’s fair use argument on the basis that the cases were different, because the Copyright Clearance Corporation (CCC) had recently emerged. Moreover, the court held that Texaco should license the use of works rather than rely on fair use.105

Additionally, the court distinguished Williams & Wilkins by noting that the CCC had not existed at that time and, thus, a finding of fair use was appropriate in this circumstance in order to most appropriately solve a market failure. Specifically, the court wanted to solve this market failure because it had special implications for social welfare, as the case involved an attempt by an administrative agency to promote public health.106

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104 Williams & Wilkins Co. v. United States, 487 F.2d 1345 (Ct. Cl. 1973), aff’d per curiam by an equally divided court, 420 U.S. 376 (1975); Am. Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994).
105 Am. Geophysical Union, 60 F.3d at 932.
106 It has been little commented on that this overt recognition of public health as a compelling factor is significant as an indication of a deep shift toward an economic conception, as the promotion of science and the arts is the totemic normative rationale in copyright law, not the health and welfare of the citizenry.
Now apply the logic of these cases to the orphan works problem. Just as the CCC changed the factual situation vis-à-vis utility generation such that what was once a fair use was no longer a fair use, due to the emergence of an entity that promised to provide a better route to enhanced social welfare, so too for the shift in remedies promoted in the Orphan Works Report.

Google will argue that there is an important difference, however, which is that in *Texaco* the CCC was already in place. By contrast, the Orphan Works Report’s proffered shift in remedies is a proposal, not a reality. Nonetheless, there is a compelling response to this based on the framework assumed in this article. Economic logic forces the question; would it make sense for a judge in the Google cases to refrain from finding fair use in order to give Congress time to enact the proposals contained in the Orphan Works Report?¹⁰⁷

The key factual question is whether Google will be able to generate significant revenue transacting deals with advertisers such that Google Print is profitable. Under a scenario in which Google will be able to generate such revenue, it can be predicted that the Google Print project will continue to make use of orphan works in the interim before a possible change in remedies comes through new legislation. Given that the Orphan Works Report is on the table, legislatively speaking, it would seem that a welfare-maximizing court would want to take into account the prospect that the Report will become law, and, if so, what impact this will have on the feasibility of the Google Print project or a functional equivalent.

In the end, however, a court may need to decide the Google Print project lawsuits prior to potential legislative movement on the Orphan Works Report. In this situation, a court might well find use of orphan works by Google to be a fair use, even if the court thought that in a first-best world Congress would pass the Orphan Works Report such that there would not be the need for fair use for the works at issue in the Google Print project. A court might follow the logic of *Williams & Wilkins* and *Texaco*: find fair use when no alternative is currently in place, but do not do so if and when an alternative means of lowering transaction costs has emerged that also allows owners to benefit from licensing their works. The implication is that if we are sufficiently convinced of the importance of snippet searching for the progress of knowledge, then, given the current unavailability of the

¹⁰⁷ Owners of a work cannot readily negotiate with each user. Performing rights organizations (PROs) such as ASCAP and BMI perform this function in the musical context. A potential user of other types of works may also find it easiest to deal with a PRO-type organization. The Copyright Office appears to think that such an organization might be suitable in the orphan works context. This seems to be just what the Copyright Office has in mind in encouraging Registries to form.
limitation on remedies as found in the Orphan Works proposal, fair use may be the next best means to enhance the prospects that orphan works will be copied and made searchable.

Bringing the analysis to a close, the broader question is what is the implication of the great welfare potential of the Google Print project? We have seen that on an instrumentalist account, the fact that Google Print is welfare-enhancing is not enough to establish fair use as the proper choice by a court because the legislative solution proffered in the Orphan Works Report may be more preferable still. Although the issue bears greater scrutiny in an ideal world, the Report’s route may be preferable. It lowers the risk of using orphan works, yet when authors do appear they are entitled to compensation, thus maintaining the incentive to create. In terms of static analysis, it may be a wash whether fair use or the orphan works solution is implemented, as either a post hoc transfer is made to the orphan works owner or it is not, which just shifts money. But on a dynamic analysis, it will incentivize creators for the orphan works rule to win out, as it would provide greater incentive to create. The incentive to create is enhanced because creators will know that their creations will be able to support them or their successors at some later time even if their works should become orphaned for a time. Surfacing owners of potentially orphaned works will lose the chance of a windfall gain from detecting an infringing use, but they will be compensated as more people will use the works due to the reduced chance of being hit with a huge statutory penalty.

Another potential advantage of the proposal is that it provides more certainty. Users will be able to take affirmative steps to come within the safe harbor rather than simply acting and then having to rely on the vagaries of the fair use doctrine when later being sued. In the particular case of Google, however, this certainty may be elusive. Google will need to avoid individualized searches for owners, and so it will claim that under its particular set of circumstances, a “reasonable amount of search” should require no individualized search unless the process can be automated so that it can coexist with the Internet. In its filing with the Copyright Office, Google says that any database should be machine searchable.\(^{108}\) Apparently, Google thinks this is what it would need to perform reasonably diligent searches. This may be a desirable goal but it does not describe the current situation, nor is it likely to any time soon, as the complex nature of property rights often

\(^{108}\) See REPORT, supra note 2, at 95-107.
leaves issues of ownership thorny and thus unlikely to prove amenable to being machine searchable. This means Google will not have much certainty ahead of time that its uses will be likely to qualify for the safe harbor, were the proposed statutory regime to be implemented.

Importantly, however, Google appears to be an outlier here with regard to the scope of its project, namely, requiring the unauthorized use of whole copies of millions of works. The proposal may be more effective in providing more certainty for other types of commercial users, not to mention non-commercial private users. Smaller commercial projects may also find that it is in their interest to perform diligent searches for some small number of owners because they could rely on the safe harbor. This will help, for example, the cut-and-paste creative types like the documentary filmmakers Lessig discusses.\(^{109}\) Google, then, is an outlier of sorts, as it has the interest and wherewithal to practically function outside the reach of the law by widespread unauthorized copying without perhaps a colorable claim to having performed a reasonably diligent search, at least as this concept is currently being used by the Copyright Office. Thus, it will be incumbent on Google to convince a court that it must take the opportunity presented by the lawsuit to let the relevant doctrine evolve toward a regulatory regime in which an automated search may constitute a reasonably diligent search.

**CONCLUSION**

This article studied the so-called orphan works problem and the Copyright Office’s proffered solution. The analysis was carried out in the context of what is the largest and most significant unauthorized use of orphan works to date—the Google Print project. Part I briefly examined the Google Print lawsuits. Part II looked in greater detail at the Orphan Works Report in order to set the stage for Part III, which considered the pertinent policy issues that arise at the intersection of orphan works and the Google Print project litigation. First, we saw that orphan works present an important and under-studied problem for copyright. Next, we saw that the treatment of orphan works proposed in the Orphan Works Report may be preferable as a means to deal with orphan books such as those at issue in Google. This is important in the particular context of the Google Print lawsuit but it carries a broader lesson as well for copyright theory. Despite what the Copyright Office says, one cannot stave off fair use analysis from other developments in copyright. The ostensible reason to try to do so is the oft-quoted language from the legislative

\(^{109}\) LESSIG, supra note 58, at 95-97.
history to the 1976 Act, namely, that the statute was not meant to change fair use doctrine. What we have seen, however, is that while statutory changes may not be meant to alter the fair use calculus, they may inevitably do so nevertheless, at least under the utilitarian assumption that undergirds the economic approach to copyright. If the rationale for fair use is based on transaction costs, then it may be the case that a statutory change affects this transaction cost analysis. We saw that the Orphan Works Report, if enacted, promises to have this type of impact. The effect would be to encourage more use of orphan works by, in effect, decriminalizing them, which will be significant in helping foster a more liquid market, such that there will be less orphan works. These significant benefits would arise without reliance on the mercurial fair use argument.
GENERAL MOTORS V. CHERY: A JUDICIAL LESSON FOR FOREIGN OPERATORS IN CHINA

Luigi Russi*, Oliver Mirsch§

INTRODUCTION

Recent litigation involving car manufacturers General Motors and Chery should draw the attention of western companies interested in the automotive industry in China. The case of General Motors v. Chery, where General Motors accused Chery of infringing its design patents, highlights the need for stronger industrial design protection in China.

I. THE INCREASED NEED FOR INDUSTRIAL DESIGN PROTECTION IN CHINA

A. The Chinese Auto Market: A Growing Reality

B. The Case: General Motors v. Chery

II. REGULATION OF INDUSTRIAL DESIGN PROTECTION IN THE PEOPLE’S REPUBLIC OF CHINA

A. The Evolution of Chinese Patent Law

B. The Present Situation

1. Requirements of Design Protection

2. Application Procedure

3. The Role of the Patent Re-examination Board


5. Enforcement of Right

CONCLUSION

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in operating within the People’s Republic of China to the problem of securing protection for their industrial designs.

In the last few years there has been a twofold phenomenon. First, China’s auto sector, which features the entry of many ambitious Chinese auto manufacturers, has exploded industrially. Second, the Chinese economy has continued to thrive, thus turning China from a “manufacturing-only country” to a market with enormous potential. In particular, the latter phenomenon is expected to continue into the future assuming China’s economy continues to grow consistently with expert predictions.\(^1\) As a result, more companies have decided to expand their business into China.

With the influx of foreign businesses into China, competition has become increasingly aggressive and some operators have not hesitated to use unorthodox business practices. These practices often affect Intellectual Property Rights (hereinafter “I.P.R.”). Additionally, entrepreneurs damaged by unfair conduct have often blamed Chinese legal authorities for being excessively “tolerant.” However, complaining operators should begin by blaming themselves for not resorting to the protection schemes presently available in China. This proposition for self-examination can be found in *General Motors v. Chery*.

Indeed, foreign entrepreneurs sometimes ignore the recent legal evolution in the People’s Republic of China (hereinafter “P.R.C.”) with particular reference to the protection schemes devised for industrial designs. These protection schemes have brought about compliance with international standards and, significantly, have brought particular attention to I.P.R. enforcement. Therefore, when doing business in the P.R.C., a safer strategy is to resort to the legal tools specifically designed to tackle I.P.R. infringement problems.

Under Chinese Patent Law, there are legal remedies for industrial design infringements.\(^2\) Whereas other jurisdictions protect

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other I.P.R.s under separate laws, the P.R.C. protects inventions, utility models, and designs under the patent paradigm. This Note seeks to provide an introduction to the regulation of industrial design patents in China to foster awareness of existing legal tools and there ability to increase safety for foreign operators. In Part I, after presenting an overview of the Chinese automobile market, the General Motors v. Chery case is presented in order to set out a clear scenario illustrating the dangers that may arise from the failure to register industrial designs. Part II examines the issue of Chinese industrial design protection in two respects: (1) its historical evolution and (2) its present configuration.

I. THE INCREASED NEED FOR INDUSTRIAL DESIGN PROTECTION IN CHINA

A. The Chinese Auto Market: A Growing Reality

China’s accession to the World Trade Organization (hereinafter “W.T.O.”)\(^3\) has brought about enormous pressure to change and supplement legislation in the economic field. There has been a shift toward expanding the open market through the reduction of trade barriers, tariffs, and quotas on both imports and exports. As a consequence, these changes enhance China’s prospects of engaging in the competitive global market economy.

Along with other industrial sectors, the Chinese automobile industry has displayed potential. Falling prices for vehicles and improved trade conditions, in terms of lower import tariffs, make vehicles more affordable than ever. For example, the price reduction for automobiles amounted to seven-percent and eight-percent for the years 2002 and 2003 respectively.\(^4\) As a result of these improved market conditions and the increased affordability of vehicles for Chinese citizens, more than 1 million cars were sold in 2002. Moreover, during the first three quarters of 2003 there was a sixty-nine-percent increase in sales or, in total figures, an increase of 1.45 million vehicles. Predictions indicate that the growth in the

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\(^3\) China has been a member of the World Trade Organization since December 11, 2001. WTO China – Member Information, http://www.wto.org/english/tratop_e/zwto_e/countries_e/china_e.htm (last visited Sept. 23, 2007).

automobile sector will continue. Specifically, private car sales are expected to rise throughout 2007 and should make up sixty-five percent of the total vehicle sales in China.

A few additional considerations may provide further evidence of the Chinese automobile market’s huge potential, which could soon become the largest market for imported and domestic cars. Such considerations include the possible future improvement of the leasing and financing systems. This would provide more opportunities for China’s citizens to invest in a vehicle and therefore “catch” a larger number of potential customers who would otherwise only be able to buy a car on credit. Additionally, further governmental interest in, and promotion of, the automobile industry could make this market more attractive for domestic producers. Conversely, increasing demand and special interest for imported foreign vehicles and related brands makes the Chinese market enticing for foreign companies. Finally, the importance of the automobile industry in China, and its growth in comparison to other economically strong nations, is significant. From 2001 to 2005, China experienced the largest compound annual growth rate of automobile sales, a 12.3 percent increase.\(^5\)

\[\text{B. The Case: General Motors v. Chery}\]

After having briefly outlined the potential of the Chinese automobile market, the facts of the General Motors v. Chery case shall provide an example of the risks which may be faced by foreign companies operating in China. The best response to some of the risks would be, as we aim to explain throughout the paper, patenting one’s industrial designs. In particular, this could prevent aggressive competitors from taking unfair advantage of one’s designs, which are a crucial element in determining the consumer’s choice.

On December 16, 2004, General Motors Daewoo Auto & Technology Co. (hereinafter “GMDAT”), an Inchon, South Korea unit of Detroit-based General Motors Corp., filed a lawsuit before the Shanghai No. 2 Intermediate People’s Court\(^6\) against local auto maker Chery Automobile Co. Ltd. In their complaint GMDAT’s alleged extreme similarities between Chery's “QQ” model and the Daewoo

\(^5\) See id. at 19.

\(^6\) After objections on jurisdictional grounds by the defendant, the Supreme People’s Court appointed the Beijing No. 1 Intermediate People’s Court in May 2005 to handle the case.
Matiz-based Chevrolet “Spark.” Both vehicles, the QQ and the Spark, were sold in China. Specifically, in May 2003 Chery’s first mini-car, model QQ, was launched on the market and, since learning of the strong resemblance between the two models in April 2003, GMDAT hired various organizations to analyze and investigate the vehicles’ similarities. According to General Motor’s (hereinafter “GM”) Korea-based subsidiary, results of the investigations showed remarkably identical body structure, exterior design, interior design, and key components, as well as the inter-changeability of a vast majority of parts in the Matiz/Spark and QQ.

Because GM Daewoo had not secured a design patent under Chinese law for the Matiz/Spark, GM pursued a legal claim against Chery under China’s Unfair Competition Law. However, under Chinese Patent Law to assert market confusion a party must prove that its design was famous domestically before the infringing design first entered the Chinese market. Such a requirement was then impossible for GMDAT to meet, given that the Spark was introduced on the Chinese market some six months after the QQ. In their claim, GMDAT asked Chery to publicly apologize for its infringement, provide compensation for an estimated economic loss of RMB 75 million, and pay litigation and investigation expenses amounting to RMB 5 million – a total of RMB 80 million (§ 9.7 million).

Before initiating legal proceedings, GMDAT also submitted a request before the Patent Re-examination Board (hereinafter “P.R.B.”) to invalidate the design patents owned by Chery. Specifically, the South Korean auto maker contended that (1) Chery copied and used GMDAT’s trade secrets to create the QQ and that (2) Chery's patents copied features of the Matiz/Spark, which was launched prior to Chery registering the patents for the QQ. In other words, GM sought to

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9 In May 2003, when Chery started marketing the QQ, GMDAT had just signed a technology licensing agreement with its joint venture Shanghai Automotive Industry Corp., SAIC-Wuling Automobile Co. Ltd. of Guangxi, and authorized it to manufacture and sell the Spark model in China; the actual sale of the vehicle started several months later.
attack Chery’s patents claiming that (1) the designs did not originate from Chery and (2) that the designs lacked novelty.

In regards to the latter claim, due to the lack of official sources, it is not clear whether General Motors alleged that Chery’s design patent application was posterior to the marketing of the Spark, or if its argument referred to the granting of the design patent. As to the first possibility, it may be inferred that had the application been filed after the marketing of the Spark it would have also been posterior to the QQ (which preceeded the Spark by about six months). If the former is true, the lack of novelty due to previous disclosure by Chery itself would then have been obvious. Therefore, the second possibility seems more plausible, although it does not embody a very strong claim, given that the Chinese P.L. requires that novelty be evaluated as of the date of filing rather than on the date of its grant.

At any rate, due to the Matiz model also being known abroad (it went on the South Korean market in 1998), at a time when it was reasonable to believe that Chery had not yet filed any design patent application, the decision to uphold the validity of Chery’s patents brings about several interesting legal consequences. As could be anticipated, the complaint before the P.R.B. was dismissed on the grounds that General Motors did not have any registered right over the design of the model. Court litigation eventually came to an end after the parties reached a settlement agreement in November 2005. The details of the settlement were not disclosed. Embodied in statements such as “China is a culture known for rampant, enterprising knockoffs and lax enforcement of intellectual property rights,”11 this episode brought criticism from market operators regarding China’s attitude towards IP protection.

In the following paragraphs we will attempt to show that, despite such opinions, China’s struggle for modernity has brought about a different attitude regarding IP protection, and that had GMDAT’s designs been registered, the outcome may have been different.

11 Patricia Vowinkel, Plaintiff, Start Your Engines! U.S. Automakers Believe It Is Better to Do Battle with the Pirates of Intellectual Property and Cope with all the Other Risks Involved in an Emerging Market like China to Win a Share of an Important New Growth Market, 16 RISK AND INSURANCE, No. 6, May 1, 2005, at 46 available at http://findarticles.com/p/articles/mi_m0BJK/is_6_16/ai_n13726610.
II. Regulation of Industrial Design Protection in the People’s Republic of China

Much of the criticism which arose after the General Motors v. Chery case is rooted in China’s stereotypical image as a country substantially disrespectful towards I.P.R.s. In the following paragraphs we shall try to argue how such a negative image likely lacks factual support in light of the efforts undertaken by China to establish higher standards of protection, and that the outcome of General Motors v. Chery is essentially attributable to the non registration of the Matiz/Spark designs. Essentially, the observation that unpatented designs do not enjoy strong protection does not necessarily imply that design protection is generally scarce.

Our position is better understood after considering the cultural background in which the Chinese government’s policy of strengthening I.P.R. protections was implemented. A brief analysis of the historical evolution of patent protection in China may prove helpful in providing a basic frame of reference against which to measure the actual depth and effectiveness of legal improvements.

A. The Evolution of Chinese Patent Law

Throughout Imperial China (221 B.C.-A.D. 1911) Intellectual Property was never granted any serious form of protection. Specifically, the period of time spanning from the first Imperial dynasty, the Qin dynasty (221-206 B.C.), to the beginning of the twentieth century, the notion of Intellectual Property did not appear. Economic, technological, and cultural factors indicate the reasons for such a phenomenon.

As for the economic and technological factors, the pre-industrial nature of the Chinese economy excluded countries like China from the process of large-scale commercial innovation. For western countries, these innovations likely served as an incentive for the establishment of intellectual property law.

With regards to the cultural factor, specific emphasis has been tied to the role of the “dominant Confucian vision of the nature of civilization and of the constitutive role played therein by a shared and still vital past.”12 In particular:

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12 WILLIAM P. ALFORD, TO STEAL A BOOK IS AN ELEGANT OFFENCE: INTELLECTUAL PROPERTY LAW IN CHINESE CIVILIZATION 19 (Stanford University Press 1995) (hereinafter ALFORD).
that vision saw civilization as defined by a paradigmatic set of relationships, each bearing reciprocal, although not necessarily equal, responsibilities and expectations, which the parties were morally bound to fulfill. Only through encountering the past—which provided unique insight into the essence of one’s own character, relationships with other human beings, and interaction with nature—could individuals, guided by nurturing leaders, understand how properly to adhere to those relationships of which they were a part.\(^{13}\)

The first consequence of such a vision was that, “under any circumstance, the appropriate conduct had to be determined according to the hierarchical position of the different subjects, in keeping with ritual rules and ancient customs (the \textit{li}).”\(^{14}\) Of course, this implied a “preference for the rule of man . . . over that of law.”\(^{15}\) This preference was based on the assumption that the law was a less appropriate instrument for preserving the hierarchical structure of society. Provisions embodied in the law would be obeyed only in consideration of the sanctions supporting them, and not because of spontaneous adherence to the social order, which could instead only be achieved by instilling ritual rules and ancient customs in the individual’s conscience. Since Confucius, (A.D. 551-479) such attitudes have rooted themselves deeply in Chinese culture. This has caused hostility towards formal rules and judicial methods of conflict resolution which historically originated from the practice of applying the \textit{li} for the solution of disputes.

The second consequence of the Confucian hierarchical vision of society—based on the belief that “[t]he essence of human understanding had long since been discerned by those who had gone before and, in particular, by the sage rulers collectively referred to as the Ancients, who lived in a distant, idealized ‘golden age’”\(^{16}\)—was that “[t]o avail themselves of that understanding in order to guide their

\(^{13}\) Id. at 19-20.


\(^{15}\) Id.

\(^{16}\) ALFORD, supra note 12, at 25.
own behaviour, subsequent generations had to interact with the past in a sufficiently thorough manner so as to be able to transmit it.”

This interaction with the past also implied using other people’s creative endeavours to replicate them. Thus, allowing “the user’s comprehension of and devotion to the core of civilization itself, while offering individuals the possibility of demonstrating originality within the context of those forms and so distinguishing their present from the past.” Clearly, this focus on the past and its creative replication has directly affected the developing concept of intellectual property in China.

In this context, the intervention of external forces produced the appearance of formal rules protecting I.P.R.s. Specifically, the semi-colonial status China acquired, and the consequent expansion of foreign economic involvement, forced the Chinese government to address issues like invention, trademark, and copyright protection. Yet, the situation did not yield effective or formal protection of I.P.R.s.

The Nationalist party, the Guomindang, ascended into power after the tumultuous period that followed the Qing Dynasty’s end in 1911. The Guomindang promoted a more pronounced policy of modernizing existing institutions, a policy which also comprised “[t]he development of laws regulating creative and inventive endeavour.” As a matter of fact, such promulgated laws protected not only inventions, but also utility models and designs – though they reportedly had little application.

The failure has been blamed on the reliance such laws cast upon a legal structure and consciousness that did not represent the real Chinese situation:

there appears to have been scant recognition in these laws, and scant acknowledgement in their application, that the overwhelming majority of their fellow Chinese citizens were unfamiliar not only with the niceties of “modern” intellectual property but with the very idea of vindicating rights through

17 Id.
18 Id. at 29.
19 China acquired a pseudo-colonial status after struggling with foreign powers, which began with the Opium War (1839-42) and eventually ended after the Boxer Uprising of 1900.
20 During this period, China entered into several treaties, including the Mackay Treaty of 1902 with Great Britain and the Treaty of 1903 with the United States, which obligated China to grant protection to foreigners’ intellectual property.
21 ALFORD, supra note 12, at 50.
active involvement in a formal legal process meant to be adversarial in nature.  

Formal rules protecting I.P.R.s came into existence with the birth of the People’s Republic in 1949. In particular, a dual-track system for inventions was adopted for patent protection. The scheme consisted of: (1) certificates of invention, which entitled the inventors to select benefits, including monetary ones, although the State actually held the right to exploit and disseminate those inventions, and (2) patents, which endowed inventors with full ownership and control over their creation. However, few inventors ever received patents during this early regime. In the years immediately preceding the Cultural Revolution, general state-ownership of inventions supplanted this system. It was only after the long parenthesis of “lawlessness,” represented by the Cultural Revolution (1966-1976), that China’s struggle for modernity in the attempt to make up for time lost during the previous years led to a new favourable governmental attitude regarding the protection of I.P.R.s. In 1978, the 1963 regulations were amended to include both monetary and honorific rewards for inventors. Then, in 1984 China issued its first patent laws.

In its original version, the P.L. contained the essential patent elements: (1) the adoption of the first-to-file rule, and (2) the inclusion of utility models and designs. Nonetheless, several flaws were present:

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22 Id. at 54. Traditional Chinese thought ranked the various instruments that administered state functions and maintained the hierarchal social harmony; rules and ancient customs (li) prevailed over the formal written law of the state. “Public, positive law was meant to buttress, rather than supersede, the more desirable means of guiding society and was to be resorted to only when these other means failed to elicit appropriate behavior.” Id. at 10. This supplemented the traditional perspective, which viewed the Chinese people as a family and the ruler as a parent, whose task, rather than regulating people’s behaviours through laws and punishment, was to lead them by the higher principles embodied in the li so as to instil in them the correct perception of their position within society. The presence of “unwritten norms” along with the parent-ruler ideology are important elements to understand when contrasting the heterogeneity of the Guamindong IP regulations, which was inspired by Western legal traditions, to the Chinese legal and cultural framework.


24 SURVEY OF THE CHINA MAINLAND PRESS No. 3117, at 6 (Dec. 11, 1963) (discussing how the change was enacted by the Regulations on Awards for Inventions, which was promulgated by the St. Council, Nov. 3, 1963).
1. The duration (twenty years for inventions and ten years for utility models and industrial designs)\textsuperscript{25} and scope of the rights conferred by patents were considerably inferior to international standards;

2. “[A]fter millennia of bureaucratic control a judicial system of People’s Courts still had to be established. In the meantime, law enforcement, including the enforcement of patent rules, was mainly a matter of administrative prosecution at local level.”\textsuperscript{26} Therefore, the Chinese P.L. was primarily aimed toward administrative conflict resolution;

3. “[T]he Patent Law largely limit[ed] itself to administrative or criminal remedies, each of which le[ft] principal remedial powers in the hands of officialdom. Little [was] provided in the way of civil remedies, which, presumably, would [have] vest[ed] more discretion with patentees.”\textsuperscript{27}

As to the last two issues, there is a profound link to the historical preference for informal means of conflict resolution over judicial remedies.\textsuperscript{28} As a result of this preference, parties bringing their controversies before “courts”\textsuperscript{29} would receive – in the past – hostile treatment from the officials to whom the claim was addressed for not privately resolving the matter.

\textsuperscript{25} P. L., \textit{supra} note 2, art. 42.

\textsuperscript{26} \textsc{Peter Ganea} & THOMAS PATTLOCH, INTELLECTUAL PROPERTY LAW IN CHINA 7 (Christopher Heath ed., Kluwer Law International 2005) [hereinafter \textsc{Ganea et al.}].

\textsuperscript{27} ALFORD, \textit{supra} note 12, at 73-74.

\textsuperscript{28} This was the general circumstance during Imperial China. To this end, the famous statement proffered by Emperor Qing Kang Xi in the eighteenth century should be recalled: “Therefore, I wish that those addressing themselves to courts be treated without mercy and in such a way that they will feel aversion towards the law and shake at the thought of appearing before a magistrate.” E. DELL’AQUILA, IL DIRITTO CINESE - INTRODUZIONE E PRINCIPI GENERALI [CHINESE LAW - INTRODUCTION AND GENERAL PRINCIPLES] at 7 n. 8 (1981).

\textsuperscript{29} The principle of separation of powers never found application in the Chinese context. In particular, during Imperial China, 

\[\text{Although the central government and, to a certain extent, also the governments of the provinces were organized according to a functional division of offices (“legislative”, administrative and judicial ones) ... such division responded exclusively to organizational necessities within the administration and did not exclude various overlapping ... Furthermore, it did not extend to local officials, who instead kept on concentrating in themselves all of the statue powers.}\]

\textsc{Cavaleri}, \textit{supra} note 14, at 84.
Proceeding to the analysis of contemporary protection for Industrial Designs, two factors should serve as parameters to measure the effective progress resulting from the 1992 and 2000 Amendments to the P.L:

1. The increase in the scope of protection from a substantive point of view (e.g. protection term), and
2. The larger role acquired by courts over administrative authorities and, consequently, the increased availability of discretionally actionable civil remedies to the patentee. 30

B. The Present Situation

1. Requirements of Design Protection

The definition of design adopted by the Implementing Regulations of the Patent Law 31 (hereinafter “I.R.P.L.”) is “any new design of the shape, the pattern or their combination, or the combination of the colour with shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.” 32 This definition is clearly affected by the scheme of protection provided for designs under the patent paradigm. For instance, in order to refer to the embodiment in a utilitarian article, a common feature of most industrial design laws, the term “industrial applicability” is used. Additionally, an originality requirement is conspicuously absent from this definition. Other jurisdictions, including the United States, 33 often require differing amounts of originality, 34 which typically entails

30 In force since July 1, 2001.


33 See 35 U.S.C. § 171. In particular, such requirement is construed in the U.S. as prescribing that “a design which simulates an existing object or person is not original as required by the statute.” [U.S. Patent and Trademark Office, MANUAL OF PATENT EXAMINING PROCEDURE § 1504.01(d) (Aug. 2006)].

34 For instance, Article 3.2 of Directive 98/71/EC on the legal protection of designs speak of “individual character” as a separate requirement from novelty. (Council
exercising creativity\(^{35}\) in addition to novelty. This discrepancy, however, does not hinder compliance with Article 25.1 of the Agreement on Trade-Related Aspects of Intellectual Property Rights\(^{36}\) (hereinafter “T.R.I.P.”), which merely requires protection of designs that are “new or original.”

Additional analysis of the definition of “design” adopted by the I.R.P.L. shows that the definition highlights most of the criteria the design has to meet in order to be eligible for patent protection. These criteria include that the design must:

1. Consist of patentable subject matter;
2. Be new;
3. Create aesthetic feeling; and
4. Be industrially applicable.

In order to complete the preceding list, one must also add:

5. The absence of conflict with prior rights – a criterion specifically introduced by Article 23 of the P.L.\(^{37}\)

Designs for which a patent may be granted also must consist of: (1) shapes (i.e. “the form in which an article is made or, in other words,

\(^{35}\) See Bennage v. Phillippi, 1876 C.D. 135, 137, 9 O.G. 1159 (Comm’r Pat. 1876), which states that “[t]he arbitrary chance selection of a form of a now well known and celebrated building, to be applied to toys, inkstands, paper-weights, etc. does not [...] evince the slightest exercise of invention....” (emphasis added).


\(^{37}\) Any design for which a patent right may be granted must not be identical with and similar [sic] to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and must not be in conflict with any prior right of any other person. P.L., supra note 2, art. 23.
something three-dimensional”38), (2) patterns (i.e. “something embossed, engraved or placed upon an article for the purpose of its decoration or, in other words, [...] to something essentially two-dimensional”39), (3) combinations of shapes and patterns, (4) the combination of a shape, pattern, or both with a colour. Regarding the last category, it is important to notice that the I.R.P.L 2000 Amendment excluded colours alone, without combination with either a shape or pattern, from the relevant subject matter. Under the previous wording of Rule 2(3) I.R.P.L., “designs could consist of shapes, patterns as well as colours (or combinations thereof).”40

Additionally, as of the date the application is filed, “a protected design shall not be identical or similar to any other design which is published anywhere in the world, or which is used domestically.”41 Specifically, this requirement focuses on the absence of anticipation of the aesthetical solution by a previous one.42 However, it must be acknowledged that the P.R.B.’s decision to uphold the validity of Chery’s patents strongly restricts the possibility to destroy a design’s novelty, thus orienting the Chinese Industrial Design Protection System towards a territorially qualified.43

In order to explain this proposition, it is relevant to notice that, in its invalidation request, General Motors contended that the Spark had been launched prior to Chery registering the patents for the QQ. Indeed, we have already observed (see Part I.B., supra) how such an allegation probably did not reference Chery’s application that had been filed after the marketing of the Spark (and, therefore, also of the QQ), in which case the lack of novelty would have been obvious. However, the alternative interpretation of GM’s contention does not

39 Id.
41 See GANEA ET AL., supra note 26, at 20.
42 P.L., supra note 2, art. 24. (provides for a grace period, which can be relied upon in case (1) the invention-creation was presented at an exhibition sponsored or recognized by the Chinese Government, (2) it was first made public at a prescribed academic or technological meeting or (3) it was disclosed by any person without the consent of the applicant. In the event one of the above situations occurred, the disclosed invention-creation would not be deemed to have lost its novelty, provided that the application was filed within six months).
43 See W.I.P.O., supra note 38, § 2.656.
prove any more satisfactory. If it were the patent right which had been granted after the marketing of the Spark, this would not have been enough to destroy novelty, which must instead exist as of the date of filing. However, what is relevant is that the Matiz/Spark had been sold abroad before the QQ (in 1998), at a time when it was reasonable to believe that Chery had not submitted an application. In light of this last point, those designs embodied in the QQ which were identical or similar to those embodied in the Matiz should have been deemed as having been disclosed. Nonetheless, the design patents for the QQ were upheld, thus considering the novelty requirement not to have been destroyed by such disclosure – contrary to the literal wording of Article 23 P.L.

This episode should serve as an incentive for foreign producers to patent their designs, given that the P.R.B. could never deny the destruction of novelty after publication in China of a design patent, since this would go beyond even a restrictive interpretation of Article 23 P.L.

Nonetheless, it does not necessarily follow from such a qualified standard of novelty that a person may obtain valid rights within the Chinese jurisdiction simply by registering a design which she has seen overseas and copied. This is because Article 6 of the P.L. stipulates, in regards to non-service “invention-creations”\textsuperscript{44} (but a similar reasoning may be carried out with respect to service “invention-creations”\textsuperscript{45}), that “the right to apply for a patent belongs to the inventor or creator.”\textsuperscript{46} In light of the foregoing, the actual author of the design could file a request for invalidation before the P.R.B. which should include the “necessary evidence”\textsuperscript{47} to establish to whom the patent right has been granted was not entitled to apply for it.

As illustrated in *General Motors* – provided that General Motors in its invalidation request before the P.R.B. unsuccessfully accused Chery of stealing its designs – gathering the required evidence might prove to be a difficult task. It follows that it would be a better choice to patent one’s designs as soon as possible, so as to reduce the time span in which the designs may be copied and patented by somebody other than the person entitled to file an application.

Concluding the examination of the novelty requirement, it should be observed that in order for two designs to be identical, they not only have to look exactly alike but they have to be intended for identical or similar uses. Consistently, similar designs must display

\textsuperscript{44} P.L., *supra* note 2, art. 6.

\textsuperscript{45} *Id.*

\textsuperscript{46} *Id.*

\textsuperscript{47} I.R.P.L., *supra* note 31, R. 64.
common features as well as being intended for identical or similar purposes. In other words, the analysis must not only take into consideration the external appearance of the designs, but also the uses for which the products are capable.

The requirement of eliciting aesthetic feelings differs from the novelty requirement because it serves a different function. In fact, novelty aims to discriminate between new and non-new designs in order to accord protection only to the former, whereas the aesthetic relevance of a design – as opposed to the functional relevance – should simply be thought of as an excluder. An industrial design is primarily aesthetic in nature and does not protect any technical features of the article to which it is applied. It follows that innovations relating to the functional profile of a certain product should be protected through other means, especially under utility model patents.

Given that industrial designs are protected under the P.L., the industrial applicability requirement may be construed, *mutatis mutandis*, according to the provision of Article 22 of the P.L. In particular, given that a design should not, as we have just seen, have any functional features, it may not be “used” and it may not “produce effective results.” Therefore, it all comes down to the possibility of making the product into which the industrial design is incorporated.

Finally, we consider the requirement that there be an absence of conflict with prior rights. “The term ‘prior rights’ is mainly related to trademark rights and copyrights. Whereas novelty can only be destroyed by a publicly disclosed prior design, a conflicting right may exist in undisclosed form; for example, as an unpublished copyrighted work.” Furthermore, I.R.P.L. Rule 65 specifies that, in case of conflict with a prior right, the P.R.B. may not accept the design invalidation request unless backed by a final administrative or judicial decision confirming infringement. The rationale for this provision is

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48 P.L., *supra* note 2, art. 22 (“Practical applicability means that the invention or utility model can be made or used and can produce effective results.”).

49 The “industrial applicability” requirement displays several commonalities with the requirement, present in some jurisdictions (e.g. United Kingdom), that “the design be applied to a specific article, and it will be infringed only by use on that article, although, in assessing novelty, any article to which the design has been applied can be invoked as an anticipation” CHRISTINE FELLNER, *INDUSTRIAL DESIGN LAW*, § 2.003 at 16-17. (1995).

50 GANEA ET AL., *supra* note 26, at 22.

51 “Where a request for invalidation of a patent for design is based on the ground that the patent for design is in conflict with a prior right of another person, but no
found in the need to put an end to situations, frequent in practice, in which infringement cases brought before AICs were suspended pending an invalidation procedure – thus allowing the infringing behaviour to continue.  

In addition, the right of priority may also be considered a “prior right.” The priority right, has been introduced pursuant to Article four of the Paris Convention. It stipulates that not only will the later application have to “be treated as if it had been filed already at the time of the filing, in another member country, of the first application the priority of which is claimed.” It also stipulates that “another filing, the publication or exploitation of the invention, the putting on sale of copies of the design, or the use of the mark, . . . cannot give rise to any third–party right or any right of personal possession.” Therefore, if a design patent were granted to third parties on the same subject matter, the priority-enjoying applicant could file a request for invalidation of the infringing patent before the P.R.B.

effective ruling or judgment is submitted to prove such conflict of rights, the Patent Re-examination Board shall not accept it.” I.R.P.L., supra note 31, at R. 65.

[AICs] are the local bureaux of the State Administration of Industry and Commerce. The State Administration of Industry and Commerce (SAIC) is a government agency under the State Council responsible for the registration and general supervision of the business activities of industrial and commercial enterprises as well as the enforcement of rights. There are bureaux of SAIC on all administrative levels (so called AICs), including provinces, autonomous regions and municipalities directly under the central government. While SAIC has overall responsibility for the protection of trade marks and other IP rights through registration at the national level, the local AICs must enforce those rights in the regions where the infringement or unlawful act occurs.

Thomas Pattloch, China, in INTELLECTUAL PROPERTY LAW IN ASIA 44 (Christopher Heath ed., 2003). Incidentally, the administrative authority competent for handling patent affairs is, instead, the SIPO (State Intellectual Property Office) and its Patent Office.


Paris Convention for the Protection of Industrial Property, supra note 53, art. 4(B).

It is interesting to observe how a similar result, although arising from a different formulation, is obtained as regards invention and utility model patents. Namely, Article 22 of the Patent Law states that novelty will be destroyed by the previous filing, by any other person, of an application (application 1) which described an invention or utility model identical to that contained in another application
Before closing the overview of the requirements for patentability, it is interesting to delve a little deeper into “aesthetic feeling.” Indeed, one commentator, upon observing that “vehicle exhaust systems, alternators, electrical components, and gear boxes” have been granted design patents and, given that “[t]hese ‘design inventions’ would not be good candidates for patent protection in most other countries,” seems to infer that the broad formulation adopted by Rule 2(3) I.R.P.L. – which speaks of “aesthetic feeling” – would not serve as an excluder. This is unlike Section 171 of Title 35 of the U.S. Code, which explicitly speaks of “ornamental designs,” thereby excluding from protection any functional features. It should be recognized that “eliciting an aesthetic feeling” may have a wider meaning than the expression “ornamental design,” and that there may be designs which, although not properly ornamental in their purpose, may display external features sufficient to elicit an aesthetic feeling.

Nonetheless, the overall scheme of protection seems tailored to protect only those features relating to the appearance of a certain article, and not functional features (including features that are important because they provide a solution to a specific practical or technical problem) which the product the design is applied to may display. In fact, pursuant to Article 11 of the P.L., only manufacture, import, and sale are mentioned as the exclusive rights granted to a design patent holder: use is not included in such scheme of protection (contrary to what Article 11 of the P.L. stipulates as to inventions and inventions).

(application 2) and was published after the date of filing of the latter (application 2). This being said, the application filed first will be determined by the date of filing which, according to Patent Law Article 10, shall be the priority date if a priority right is claimed. In other words, novelty will be destroyed by the subsequent publication of an application which, since enjoying a right of priority, has to be treated as having been filed on the date of the first application, the priority of which is claimed. P.L., supra note 2, arts. 10, 22. A similar mechanism to enact a priority right can also be found in Articles 89 and 54(3) of the European Patent Convention. The pertinent sections state that “since the EPC - according to its Preamble - constitutes a special agreement within the meaning of Article 19 of the Paris Convention, … is clearly intended not to contravene the basic principles concerning priority laid down in the Paris Convention.” Enlarged Board of Appeal of the European Patent Office, Decision G-3/93 of August 16, 1994, Official Journal of the European Patent Office 18, 22 (1995).

58 Id.
utility models). Additionally, usage may be a way of exploiting intellectual creations separate from manufacture, sale, and import only if such creations could serve a practical purpose. In other words, if the creation solved a specific technical problem, thereby displaying functional features.

Furthermore, Article 56 of the P.L. states that the scope of protection may only be determined by the designs or photographs submitted in the application. Therefore, no specific claims may be put forward regarding functional innovations. Accordingly, although a wider range of aesthetic creations may be patented as designs compared to other jurisdictions, such as the United States, this does not mean that features different from those pertaining to the appearance of the product may be protected under a design patent. Indeed, for the latter, other schemes of protection, such as that of utility model patents, may be more appropriate.

2. Application Procedure

Applications by foreigners have to be made through officially appointed patent agents, as stated by Article 19 of the P.L. The 2000 Amendment to the P.L. has strengthened the reliability and independence of such agencies by:

1. Introducing a third paragraph to Article 19, which introduces a duty of confidentiality upon the patent agent on the information obtained during the course of the agency relationship until the application is published or granted, and;
2. Imposing a specific duty on the patent agent to comply with instructions obtained from the applicant.

Applications must be in Chinese. The application for a design patent, according to P.L. Article 27, must consist of:

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60 P.L., supra note 2, art. 11.
61 Id. art. 56.
62 Such as the Patent Agency of the China Council for the Promotion of International Trade (CCPIT) and the NTD Patent and Trade Mark Agency in Hong Kong. See ALFORD, supra note 12, at 72.
63 P.L., supra note 2, art. 19.
64 See ALFORD, supra note 12, at 72.
65 P.L., supra note 2, art. 19.
1. A request containing the name of the product incorporating the design;67
2. Drawings or photographs of the design, which must “clearly show the subject matter for which protection is sought,”68 since, as specified by P.L. Article 56, the extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs;
3. The indication of the product incorporating the design and the class to which that product belongs. 69 These requirements are important in assessing industrial applicability;
4. When necessary, a brief explanation specifying the essential portion of the design, the colours for which protection is sought and the omission of the view of the product incorporating the design.70 The indication of the essential part is important in order to judge similarity or identity, since the examiner shall limit his comparative observations to the essential parts that attract the attention of the observer. The non-essential parts are not considered, although “[t]his does not mean. . . that so-called ‘partial’ designs (i.e. designs which seek protection of a part of a certain product and explicitly excluded other parts from protection) are protected. This is because P.A. [§] 56(2) stipulates that the scope of protection ‘shall be determined by the product incorporating the patented design as shown in the drawings or photographs.’”71
5. When required by the Patent Office, a sample model of the product incorporating the design must also be supplied.72

Regarding the possibility of filing international applications, it is important to recall that although China joined the Patent Cooperation Treaty (PCT),73 a PCT international application must be

68 I.R.P.L., supra note 31, R. 27 (specifying that “[w]here an application for a patent for design seeking concurrent protection of colours is filed, a drawing or photograph in colour shall be submitted in two copies.”).
69 P.L., supra note 2, art. 27.
71 GANEA ET AL., supra note 26, at 21 (footnotes omitted).
for the protection of an invention. Importantly, the PCT encompasses the filing of applications for patents covering inventions, inventors’ certificates, utility certificates, utility models, and various kinds of patents and certificates of addition. An international application thus cannot validly be filed for certain other forms of industrial property rights which fall outside the scope of “inventions,” such as designs. Nonetheless, under the Hague Agreement Concerning the International Registration of Industrial Designs, a WIPO-administered treaty, a procedure for an international registration exists. However, China is not presently a Member State.

Additionally, a six-month international priority is recognized, starting from the previous date of filing for an application for the same design in a foreign country. Such a right of priority is subject to the existence of an international treaty to which both countries are a party. An alternative basis for the recognition of this right are bilateral agreements between a foreign country and China, or the principle of reciprocity; “[t]he last two methods will no doubt rarely be of importance given the well-subscribed membership of the Paris Convention.” A declaration stating that an application has been filed in a convention country must be filed with the initial application. A certified copy of the earlier application must also be filed within three months of the application in China. Otherwise, lacking the declaration or the submission of a copy of the previous foreign application, “the claim to the right of priority shall be deemed not to have been made.” Furthermore, if foreign priority is claimed, the filing date

74 See id. art. 2(i).
75 See id. art. 2(i-ii).
77 See id. art 5. An applicant can file a single international deposit either with the WIPO or the national office of a country which is party to the treaty. See id. art. 4(1). The design will then be protected in as many member countries of the treaty as the applicant wishes. See id. art. 5(1)(v), art. 1(xviii-xix).
79 GANEA ET AL., supra note 26, at 14 n.36 (“Meaning the Paris Convention, the complicated term was introduced because at the date of enacting the [Patent Act] (March 12, 1984) China was not yet a party to the Paris Convention”).
80 PENDLETON, supra note 40, at 24.
81 P.L., supra note 2, art. 30; accord I.R.P.L., supra note 31, R. 32(1) (specifying that the declaration must mention the date and number of the first application, as well as the country in which it was filed).
against which to measure novelty will be the priority date, rather than
the date of filing in China.\textsuperscript{82}

Once the application is filed pursuant to Article 40 of the
P.L.,\textsuperscript{83} only a preliminary examination will take place. The content of
the preliminary examination is further specified by Rule 44(1) of the
I.R.P.L..\textsuperscript{84} Such control verifies whether:

1. The design is contrary to the laws of the State or social
morality, or detrimental to public interest;
2. The foreign applicant without habitual residence or business
office in China is allowed to apply for design protection
according to Article 18 of the P.L.;\textsuperscript{85}
3. The foreign applicant operates through a patent agency, as
prescribed by Article 19(1) of the P.L.;\textsuperscript{86}
4. Two or more designs under one application obviously do not
belong to the same aesthetic concept;
5. Amendments to the application for a design patent go beyond
the scope of the disclosure as shown in the initial drawings or
photographs;
6. The design \textit{obviously} does not meet the requirements
contained in the definition of “design” contained in Rule 2 of
the I.R.P.L.;\textsuperscript{87} for instance, in obvious cases the examiner
might establish lack of novelty if he finds that a similar or
identical design has been previously filed and already
published in the \textit{Patent Gazette};
7. The design for which protection is sought has already been
granted a patent; however, in this respect, “[t]he examiner may
refrain from preliminary examination if, at the date of entry
into examination, neither an application of identical subject

\textsuperscript{82} See P.L., supra note 2, art. 10.
\textsuperscript{83} P.L., supra note 2, art. 40.
\textsuperscript{84} I.R.P.L., supra note 31, R. 44(1).
\textsuperscript{85} P.L., supra note 2, art. 18 (stipulates that design protection in China may be
sought only under the condition that the country, to which the foreign applicant
belongs, recognizes that Chinese applicants are, under the same conditions as those
applied to its nationals, entitled to the patent right, the right of priority and other
related rights in that country. Such requirement of equal treatment may be satisfied
by either the existence of international or bilateral agreements to which the two
countries are members or, lacking such an agreement, by the principle of
reciprocity).
\textsuperscript{86} Id. art. 19.
\textsuperscript{87} I.R.P.L., supra note 31, R. 2.
matter filed by another applicant nor an application for the same subject matter by the same applicant is known to him;”88
8. The division of the application has obviously extended the original scope of disclosure, contrary to what is provided by Rule 43 of the I.R.P.L.;89
9. Given the filing by two or more applicants for patent for identical designs, the application under examination was filed after the other duplicate application for the design.

To summarize, the preliminary examination actually represents an incomplete substantial examination which is limited to the surface. The examination process accounts for a dialogue between the applicant and the examiner. In fact, within two months from the date of filing, the applicant may amend the application on his own initiative90 and, after the preliminary examination, if such examination revealed weaknesses in the application, the applicant shall be notified thereof and provided a specific time limit to amend the application.91

Where the preliminary examination presents no cause for rejection, the Patent Office issues a decision to grant the patent right for design.92 Once the applicant receives notification of this decision, he has two months to go through the formalities of registration.93 If the applicant completes the formalities of registration within the time limit, the Patent Office shall grant the patent right, issue the patent certificate, and announce the patent through publication in the Patent Gazette.94

3. The Role of the Patent Re-examination Board

In order to provide a complete picture of the application procedure, one has to understand the role of the Patent Re-examination Board. The P.R.B. hears appeals of patent rejections by the Patent Office. Specifically, pursuant to Article 41 of the P.L., where a patent applicant is not satisfied with a rejection decision he may, within three months of receipt of the notification of rejection,
amend the application to correct the defects noted in the rejection and request that the P.R.B. review the amended application.95

Once the P.R.B. receives the re-examination request, it remits the request for re-examination to the department of the Patent Office that made the original decision.96 Where the department upholds its rejection, despite any amendments the applicant made upon filing the re-examination request, the P.R.B. shall honour the department’s decision and notify the requesting person.97

Re-examination only takes place in the event that the first examination does not prove successful.98 If, after re-examination, the P.R.B. is in favour of upholding the rejection decision because the application fails to comply with the relevant regulations, it will request that the applicant submit his observations within a specified time limit.99 If the P.R.B. still finds that the request does not comply with the various provisions of the P.L. and the Implementing Regulations, it will maintain the earlier decision.100 On the other hand, when the P.R.B. finds the decision rejecting the application does not comply with the provisions of the P.L. and related Implementing Regulations, or the amended application has removed the defects as pointed out by the decision rejecting the application, the P.R.B. will issue a decision revoking the previous rejection and will notify the examination department that the examination procedure should continue.101

The P.R.B.’s role does not end with the application procedure; it can also get involved after a patent is granted. Moreover, it also has the authority to rule on invalidation requests.102 Invalidation procedures can only be initiated upon a party’s initiative, not ex officio.103 Furthermore, invalidation may be sought on grounds of non-conformity to the regulations relevant to the grant of the contested patent.104 Specifically, Rule 64(2) of the I.R.P.L. specifies that the opponent in a design patent invalidation procedure may claim:

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95 P.L., supra note 2, art. 41.
97 P.L., supra note 2, art. 38.
98 Id. art. 41.
99 Id. supra note 31, R. 62.
100 Id.
101 Id.
103 Id. R. 64. Article 45 of the P.L. entitles “any entity or individual” to request invalidation of a patent right. P.L., supra note 2, art. 45.
104 I.R.P.L., supra note 31, R. 64.
1. The design is identical with or similar to a design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, or is in conflict with a prior right of the opponent himself;105

2. The amendments to the application carried out in the course of the granting procedure go beyond the scope of the disclosure as shown in the initial drawings or photographs;106

3. The subject matter of the patent grant is not a “design” pursuant to I.R.P.L. Rule 2(3);107

4. A patent has already been granted for the same design;

5. The design patent does not comply with the national laws or the order public;

6. The patent grant did not respect the first-to-file principle.

Incidentally, it must be noted this list is not exclusive. Indeed, from a formal point of view, the I.R.P.L. are administrative regulations which the State Council has the power to enact according to Article 89(1) of the Constitution of the People’s Republic of China (hereinafter “Constitution”), provided they are “in accordance with the Constitution and the statutes.”108 Thus, the P.L. has to be considered the hierarchically superior source of law. Therefore, it may be

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105Id.; P.L., supra note 2, art. 23. According to Rule 65(3) of the I.R.P.L., where a request for invalidation of a patent for design is based on the ground that the patent for design is in conflict with a prior right of another person, but no effective infringement ruling or judgment is submitted to prove such conflict of rights, the P.R.B. shall not accept it. As we have previously seen, this measure has been adopted in order to prevent the situation where trademark or infringement proceedings had to be suspended after the filing of an invalidation request, thus allowing the infringing behavior to continue.

106 I.R.P.L., supra note 31, R. 64; P.L., supra note 2, art. 33.


109 Such hierarchy of sources originates from the Constitution, which establishes that “administrative rules and regulations, decisions, or orders of the State Council that contravene the Constitution or the statutes” may be annulled by the Standing Committee of the National People’s Congress, that is the permanent body of the National People’s Congress, since the latter normally, according to Article 61 of the Constitution, only meets once a year. XIAN FA art. 61, art. 67, § 7 (2004) (P.R.C.). All in all, “China's legislative body is divided into three different levels. The first level is the National People's Congress and Standing Committee. The laws and rules published at this level overrule legislation published at other levels if the latter conflicts with the former. The second level is the State Council. The State Council
inferred that, with respect to situations not included in the list of grounds contained in Rule 64(2) of the I.R.P.L., the broad provision contained in the P.L., which accords invalidation as a remedy when the “grant of the . . . patent right is not in conformity with the relevant provisions of [the P.L.],”110 may still apply. Indeed, there are other situations which do not fit any of the previously listed grounds, but which would nonetheless lead to the granting of a patent in violation of the relevant provisions of the P.L. For example, such a situation would arise if a patent were granted to a person who copied the design from its author and who, therefore, was not entitled to file an application for it pursuant to P.L. Article 6(2).111

After a request for invalidation is submitted to the P.R.B., the person making the request may add reasons or supplement evidence within one month from the date when the request for invalidation was filed.112 Then, the P.R.B. examines the request for invalidation.113 In the course of the examination, the challenged patentee may not amend its drawings, photographs, or the brief explanation of the design.114

publishes what are called ‘administrative statutes.’ The Chinese courts decide cases relying only on the legislation published by these two levels. The third level consists of departments under the State Council. These departments may also publish rules, orders, regulations, and circulations from time to time. The local administrative authorities apply these rules to enforce intellectual property rights in addition to their other responsibilities. The courts may also make reference to these rules as necessary, but courts will not rely on them when deciding cases.” Zheng Chengsi, *The TRIPs Agreement and Intellectual Property Protection in China*, 9 DUKE J. OF COMP. & INT’L L. 219, 220 (1998) (footnotes omitted). On the formal structure of the Chinese legal order see also Zhu Guobin, *Constitutional Law, in INTRODUCTION TO CHINESE LAW* 44 (Wang Chenguang & Zhang Xianchu eds., 1997).

110 P.L., supra note 2, art. 45.

111 Such a situation is not comprised within the cases of “conflict with prior rights” or “conflict with the national laws,” given that what breaches Article 6(2) of the P.L. and infringes the design author’s right to apply for a patent is not the design (as required by Rule 64(2) of the I.R.P.L.), but the patent which has been granted upon it. See id. art. 6(2); I.R.P.L., supra note 31, R. 64(2). To put it differently, Rule 64(2) of the I.R.P.L. requires that the subject matter be in conflict with prior rights or the national laws, whereas Article 6(2) of the P.L. is breached by the entitlement of the exclusive rights - connected to a patent - to the wrong person. See P.L., supra note 2, art. 6(2); I.R.P.L., supra note 31, R. 64(2).


113 Pursuant to I.R.P.L. Rule 64(1), the invalidation request should state in detail the grounds for filing the request, make reference to all the evidence submitted, and specify to which of the invalidation grounds each piece of evidence pertains.

114 I.R.P.L., supra note 31, R. 68. This provision illustrates a disparity of treatment with respect to holders of invention or utility model patents, whose rights to amend
Furthermore, the P.R.B. may, at the request of the parties concerned or in accordance with the needs of the case, decide to hold an oral hearing.

The examination stage is then followed by (a) the issuing of a decision on the request, (b) the notification to the parties, (c) the registration of the invalidation decision, and (d) its announcement by the State Intellectual Property Office. Where the patentee or the person who made the request for invalidation is not satisfied with the decision of the P.R.B. declaring the patent right invalid or, instead, upholding it, that party may institute legal proceedings in the People's Court. After a decision on any request for invalidation of the patent right is made no further requests may be filed to the P.R.B. if based on the same facts and evidence.

The consequence of the invalidation decision is that the invalidated patent right shall be deemed to have been non-existent from the beginning. However, the retroactive effect of the decision declaring the patent right invalid has been limited in the following situations in which the final effects are already manifest: judicially enforced administrative rulings or court judgements on infringement, executed decisions concerning the handling of infringement disputes, and performed license or assignment contracts. Nonetheless, despite the occurrence of one of the foregoing situations, whenever damage has been caused to other persons in bad faith on the part of the patentee, compensation is due regardless. Furthermore, even in the absence of bad faith, license or assignment agreements already performed may nonetheless be affected by invalidation where the P.B.R.’s decision has inflicted unduly high damage upon the licensee or assignee. In this case, partial or full reimbursement of the

the patents are limited to the claims. The rationale behind the disparity in treatment lies in the need to keep the invalidation proceedings simple. Allowing the holder of a design patent to amend the drawings would, for all intents and purposes, be akin to allowing invention or utility model patent holders to amend not only their claims, but the very technical contents of their creations (e.g., the description). Such a situation, however, by affecting the subject matter of the exclusive rights, rather than the latter alone, would have the dreadful side effect of making room for potential (and perhaps more numerous) grounds for invalidation. Instead, the idea is that of prohibiting changes which affect the subject matter, and allowing the patentee to intervene only as to the extension of his right. In designs, however, since the scope of protection sought is only defined by drawings, photographs and, when necessary, a brief explanation, but not by actual claims, the proposed solution is not practicable.

115 P.L., supra note 2, art. 55.
117 P.L., supra note 2, art. 47.
118 Id.
119 Id.
120 Id.
licensing or transfer fee is provided for. Of course, all relationships that have come into existence before the invalidation of the patent right, but that have not yet completed the performance stage, will also be retroactively affected by invalidation decisions.


Once the application procedure has been successfully completed, and assuming that no invalidation requests are filed, the next step is to understand which rights are granted to the patent holder. In particular, P.L. Article 11(2) establishes that, if conducted for commercial purposes, the following acts require the permission of the design patent owner:

1. Manufacture;
2. Sale; and
3. Import of products incorporating the patented design.

The extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in drawings or photographs. “This means that only design elements on the surface of the designed product which are visibly perceivable fall under the scope of protection. Not included in the protection scope are designs which are dictated by the product function to an extent that does not allow any alternative design.” Conversely, the patentee will be responsible for timely submitting the prescribed annual fee, whose non-payment shall lead to the cessation of the right.

In order to correctly determine the extension of the exclusive right which the patent owner is entitled to, it is also crucial to examine those situations which, by statutory provision, do not constitute infringement, despite being unauthorized manufacture, sale, or import of products incorporating the patented design. These are set forth by P.L. Article 63:

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121 Id.
122 Id.
123 GANEA ET AL., supra note 26, at 77.
124 P.L., supra note 2, arts. 43 & 44.
1. If after the sale of an article, which the design is applied to or in which it is embodied, that was made or imported by the patentee or with the authorization of the patentee, any other person offers to sell or sells that article (regardless of the consent of the patentee), such person will not be deemed to have infringed the patentee’s exclusive right. This is clearly an application of the principle of exhaustion;

2. Any person who has already made - or made the necessary preparations for making - the article which the design is applied to, or in which it is embodied before the filing of the patent application, may continue to make or exploit it regardless of the patentee’s consent, within the original scope only;

3. Whenever a foreign means of transport temporarily passes through the territory, territorial waters, or territorial airspace of China using the patent concerned for its own needs, in its devices and installations, in accordance with any agreement concluded between the country to which the foreign means of transport belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity, the usage of the patented product will not be regarded as an infringing act;

4. The conclusion is the same, in case a person uses the patent concerned solely for the purposes of scientific research and experimentation.

Incidentally, it is relevant to acknowledge how the last two situations may only come into existence with respect to invention or utility model patents. This is because they both deal with unauthorized use of the patent which is only relevant to inventions and utility models according to P.L. Article 11(1).\textsuperscript{125}

5. Any person who, for production and business purposes, sells the product which the design is applied to, or in which it is embodied, without knowing that it was made and sold without the authorization of the patentee, shall not be liable to compensate for the damage of the patentee if he can prove that he obtained the product from a legitimate source.

\textsuperscript{125} In fact, in regards to utility models and inventions, it is possible to think of usage of the patented utility model or invention as a different form of exploitation from manufacture, sale or import (it is sufficient to think of a patented process). Quite distinctively, a design may instead only be exploited through the manufacture, sale or import of articles to which the design has been applied or in which it has been incorporated; given the absence of functional features, it may not be used as such.
This last situation has been modified by the 2000 Amendment, since under the previous P.L. – ignorance was sufficient to exempt a seller from prosecution for an infringement, which had the effect of severely crippling the enforcement of patent rights. “The amended provision now puts the onus on the seller of an infringing product to prove that the product is not infringing or face prosecution. This allows the patent owner to control the market more efficiently and stop infringing sales.”

Also included in the scope of patent protection is the patentee’s right to affix a patent marking and to indicate the patent number on the product or on the packing of that product. In particular, regarding industrial designs, such right shall apply to the article which the design is applied to or in which it is embodied. Civil remedies are consequently made available to the patentee when somebody else “passes off” the patent holder’s patent as his own. The specificity of this situation concerns the public’s interest in not being misled. Therefore, P.L. Article 58 enables the local Patent Administration Authorities to proceed ex officio.

We have previously said that had General Motors registered the designs of the “Spark,” the outcome of the controversy could have been different. In fact, the scope of protection accorded to unregistered industrial designs under the Law Against Unfair Competition is clearly much more limited. Specifically, Article 5(2) states that an operator may not exploit, without authorization, the name, packaging or decoration peculiar to well-known goods or similar to that of well-known goods, so that his goods are confused with the well-known goods of another person, causing buyers to mistake them for the well-known goods of the other person.

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127 P.L. supra note 2, art. 15.
128 Id. art. 58.
129 See GANEA ET AL., supra note 26, at xiv. The same, pursuant to P.L. Article 59, is possible whenever somebody passes any non-patented product off as patented product.
Additionally, it has been established that where an operator, by undertaking acts of unfair competition, causes damage to the injured operator, the latter shall have an action for damages before a People’s Court. Furthermore, the infringer will also have to refund to the injured operator all reasonable costs borne in investigating the acts of unfair competition committed by the suspected infringer.

The statute also provides for administrative remedies which, in the case of unauthorized exploitation of the name, packaging, or decoration peculiar to or similar to that of well-known goods, may consist of (a) an order to cease the offence, (b) the confiscation of the illegal income, (c) the imposition of a fine of more than twice and less than three times the amount of illegal income and, in serious circumstances, or (d) the revocation of the infringer’s business license.

Despite these intimidating sanctions, it cannot be left unnoticed how much more narrow the scope of protection is here, compared to the protection granted to a design patent holder. Whereas the patent holder is protected against any unauthorized manufacture, sale, or import of the product incorporating the patented design, the same design, under the provisions of the Law Against Unfair Competition, may only be protected against unauthorized exploitation provided that:

1. The goods which the design is incorporated in are well-known (and, consequently, have been put on the market before those of the infringer, which did not happen in General Motors v. Chery);
2. The goods of the two operators confuse buyers.

Thus, a patent holder has a better chance to prevail than does the owner of an unregistered design, which is merely protected, under much stricter conditions, by the Laws Against Unfair Competition.

5. Enforcement of Right

If someone trespasses the rights granted to the patent holder, which we examined in the previous paragraph, the problem then becomes one of enforcement. In this respect, China has adopted a

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131 In case damages were difficult to determine, they shall be considered equal to the profits gained by the infringer during the period of infringement.
132 Law Against Unfair Competition, supra note 127, art. 20.
133 Provided that such unauthorized exploitation leads to confusion between the infringer’s goods and the well-known goods of the injured person, causing buyers to mistake the former for the latter.
134 Law Against Unfair Competition, supra note 127, art. 21(2).
system of dual enforcement of patent rights. Namely, relief against patent infringement may be obtained through both administrative and judicial channels. Regarding the administrative “path,” it should first be established what is meant by P.L. Article 57 with the expression “Administrative Authority for Patent Affairs” in indicating the competent authority for receiving enforcement requests.

The State Intellectual Property Office (hereinafter “S.I.P.O.”), which is directly independent from the State Council, is responsible for “formulating general patent policies, enacting administrative rules on patent protection, and participating in patent legislation.”\textsuperscript{135} Within the S.I.P.O., the Patent Office, through its departments, is responsible for directing and coordinating patent activities, receiving applications, granting patent rights as well as compulsory licenses, administering, mediating and handling patent disputes, and investigating and punishing passing-off offences. All of this is at the central level. There are also local authorities, Patent Administrative Authorities ("P.A.A.s"), which are independent from the central S.I.P.O. However, in keeping with the principle of “double dependence,”\textsuperscript{136} they are also subordinate to the local governments at the county level which are responsible for their establishment and supervision.\textsuperscript{137} P.A.A.s are competent to handle patent infringement, mediation in patent disputes, investigation of passing-off, and counterfeiting.\textsuperscript{138}

If in the course of handling a patent infringement dispute the defendant requests invalidation of the patent right, and his request is accepted by the P.R.B., he may request the P.A.A. to suspend the handling of the matter. However, the latter may refuse to suspend the handling of the matter if it deems the reasons set forth by the defendant for suspension as obviously untenable.

If infringement is established, the possible remedies P.A.A.s may provide for are:

1. Ordering the infringer to stop the infringing act immediately; and

\textsuperscript{135} T. Pattloch, \textit{supra} note 52.

\textsuperscript{136} “According to which all administrative and judicial organs depend horizontally from the representative assembly that designated them (whereas the legislative ones, that in the assemblies themselves, from electors) and vertically from the hierarchically superior administrative or judicial organ” (CAVALIERI, \textit{supra} note 14, at 138 n.17).

\textsuperscript{137} I.R.P.L., \textit{supra} note 31, R. 78.

\textsuperscript{138} \textit{Id.}
2. Granting monetary compensation (this may only occur in the course of mediation at the request of the parties).

Incidentally, the present set of administrative remedies has been greatly reduced by the 2000 Amendment to the P.L. Previously, injunctive relief and monetary compensation (even if not in the course of mediation) could be accorded directly by the Administrative Authority. This decrease in the powers of the P.A.A.s has been compensated by a correlative increase in judicially available remedies.

Patent infringement cases may be brought before a People’s Court either directly or after administrative proceedings if the order to stop infringement has not proven satisfactory to the patentee.\(^{139}\) The start of a law suit before a court precludes the effective initiation of administrative proceedings.\(^{140}\) As a rule, monetary compensation may only be obtained through the courts. This has led court to play a much more important role than they had in the past. Currently, courts are also the only authorities enabled to impose injunctions and measures to preserve evidence in case of imminent or actual infringement.\(^{141}\) If the alleged infringer claims patent invalidity, the question whether the patent is valid or not will be decided initially by the P.R.B., usually with the suspension of the lawsuit.\(^{142}\)

The increased importance of judicial remedies and, consequently, the role of courts in patent disputes is evidenced by the

\(^{139}\) In this latter instance, the deadline for bringing the case before a court is fifteen days from the receipt of the notification of the order. Furthermore, Article 62 PL stipulates that prescription for instituting legal proceedings concerning the infringement of a patent right is two years counted from the date on which the patentee, or any interested party, obtained or should have obtained knowledge of the infringing act. P.L., \textit{supra} note 2, art. 62.


\(^{141}\) P.L., \textit{supra} note 2, art. 61.

\(^{142}\) There exist exceptions to suspension, such as, when the proof or basis upon which the defendant has furnished for requesting invalidation is obviously insufficient (\textit{See} Zui gao ren min fa yuan guan yu shen li zhuo an li jiu fen an jian shi yong fa lu: wen ti di ruo gan gui ding [Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes] art. 9 (adopted by the Adjudication Committee of the Sup. People’s Ct., June 19, 2001) 2001 \textit{Sup. People’s Ct. Gaz.} No. 4 (72), 138, \textit{translated in} http://www.chinamd.com/news.php?language=en&channel=65&id=85 (last visited Oct. 10, 2007). Nonetheless, when the court suspends a dispute, it may, upon application by the plaintiff, decide to impose a provisional injunction for the defendant to cease and desist, as well as other measures to preclude additional damages.
data presented in Picture 1. The data displayed therein includes all I.P.R. disputes, including trademark and copyright litigation. Nonetheless, further evidence as to the judiciary’s new stronger position within the Chinese IP legal order may be derived from combining the information shown in Tables 1 and 2.

Table 1 shows a general increase in IP disputes. However, Table 2 shows that the growth rate of administrative proceedings handling Patent disputes is much smaller than the growth rate of all IP disputes considered in Table 1. Thus, if it is assumed that patent litigation has grown consistently with litigation concerning other I.P.R.s, such as trademarks or copyrights, then an inference may be made that a shift from administrative to judicial remedies regarding patent disputes has occurred.

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<th>Year</th>
<th>Cases Accepted</th>
<th>Cases concluded</th>
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<td>6983</td>
<td>6860</td>
</tr>
<tr>
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<td>6201</td>
<td>5649</td>
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<tr>
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Figure 1. The number of I.P.R.s cases (ownership, infringement and others) accepted and concluded by the first instance courts in China (1989-2003).\textsuperscript{143}

Table 1. Comparison of the number of IP cases decided by China’s IP administrative authorities to that of People’s Courts (2000 – 2003).144

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<td>NCA</td>
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<tr>
<td>SIPO (passing</td>
<td>23013</td>
<td>22429</td>
<td>6408</td>
<td>6017</td>
</tr>
<tr>
<td>off prosecutions</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>excluded)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total cases</td>
<td>58001</td>
<td>56549</td>
<td>40539</td>
<td>39070</td>
</tr>
<tr>
<td>Cases dealt with</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>by Courts%</td>
<td>12.04%</td>
<td>12.13%</td>
<td>15.30%</td>
<td>14.46%</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dispute Growth%</td>
<td>43.07%</td>
<td>35.31%</td>
<td>11.97%</td>
<td>/</td>
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<tr>
<td>from previous</td>
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<tr>
<td>year</td>
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</tbody>
</table>

Table 2. The number of Patent disputes accepted and concluded by the local Patent Administration Authorities (1998-2005).145

144 Id.
<table>
<thead>
<tr>
<th>Year</th>
<th>Patent disputes</th>
<th>Ratio (%) of increase over the previous year</th>
<th>Concluded</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>1597</td>
<td>9.76</td>
<td>Not</td>
</tr>
<tr>
<td>2004</td>
<td>1455</td>
<td>-4.09</td>
<td>1215</td>
</tr>
<tr>
<td>2003</td>
<td>1517</td>
<td>5.20</td>
<td>1237</td>
</tr>
<tr>
<td>2002</td>
<td>1442</td>
<td>47.59</td>
<td>1291</td>
</tr>
<tr>
<td>2001</td>
<td>977</td>
<td>21.82 (5.62)</td>
<td>888</td>
</tr>
<tr>
<td>2000</td>
<td>802 (925)</td>
<td>1.39 (16.94)</td>
<td>718 (825)</td>
</tr>
<tr>
<td>1999</td>
<td>791</td>
<td>29.25</td>
<td>641</td>
</tr>
<tr>
<td>1998</td>
<td>612</td>
<td>/</td>
<td>465</td>
</tr>
</tbody>
</table>

While the Tables speak for themselves, it must be noted that despite judicial proceedings being more formally structured and administered than proceedings before P.A.A.s, the independence of China’s courts is still an open issue. For example, according to Articles 127 and 128 of the Constitution, and in keeping with the

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149 This is also due to the need to comply with “the requirements of T.R.I.P.s which asks for a predictable and impartial judiciary.” GANEA ET AL., supra note 26, at 291. See T.R.I.P.s, supra note 36, art. 42.
principle of “double dependence,” “within the judicial branch, the higher level courts supervise the work of the lower courts and the courts at various levels are responsible to the respective people’s congresses [which are the representative assemblies that are present at any level] that created them.” Of course, this problem touches the broader issue concerning the extent of political control on State institutions. Moreover, it exemplifies China’s controversial attitude towards modernization which fosters economic and legal development. Nonetheless, China is cautious about modifications in its political structure and, as is most relevant to our problem, about the principle of the separation of State powers. All of these political problems, however, lay beyond the scope of this paper.

Regardless, in the minds of economic operators, such problems did not outweigh the legal improvements introduced by the recent amendments to the P.L. and I.R.P.L. Figure 2 shows a steady increase in the number of foreign applications since the amendments were passed in 2000. Indeed, as illustrated by Figure 3, the average annual growth of filed foreign applications almost doubled, increasing from twelve percent during 1997-2000 to twenty percent from 2001-2006. Figure 3 also shows how the average annual growth rate for design applications has overcome that of invention patent applications. This suggests that foreign enterprises have started relying more on design patents as a tool for protecting ornamental features of their articles.

*Figure 2. Foreign applications filed in China from 1996 to 2006.*

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150 Wang Chenguang, *supra* note 85, at 23.
Figure 3. Average annual growth of foreign applications (%).  

The upward trend of foreign design applications opposes the trend of the same applications filed by Chinese nationals. As seen in Figure 4, Chinese nationals have traditionally filed a larger number of utility model and design patent applications compared to invention patent applications. Nonetheless, the gap has narrowed. The number of invention patent applications has more than quadrupled since 2000 (106,964 applications in 2006, against a mere 25,346 in 2000), while design patents have only trebled in the same period (151,528 applications in 2006, against 46,532 in 2000). This is shown in Figure 5 which confirms the development. Figure 5 shows a larger increase in the average growth rate of invention patent applications than that of design patent applications.

\[ \text{Id.} \]
Figure 4. Domestic patent applications from 1996 to 2001.  

![Bar chart showing domestic patent applications from 1996 to 2001.](image)

Figure 5. Average annual growth of domestic applications. 

![Bar chart showing average annual growth of domestic applications.](image)

This trend might be a consequence of the heavy investments carried out in China in basic research, which has eventually led to a larger number of inventions. In particular, the real increase in R&D expenditure from 1999-2004 is greater than that of the US (14.26%) and Germany (10.04%), and the same ratio for the period 1999-2003 surpasses the United Kingdom (11.80%), Japan (12.32%), and even Korea (45.21%).

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153 Id.
154 Id.
155 No data on R&D expenditure/GDP were available for UK, Japan and Korea for the year 2004.
Table 3. Real research and development expenditure.156

<table>
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<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> GDP index in real terms</td>
<td>100</td>
<td>107,996</td>
<td>116,095</td>
<td>125,728</td>
<td>137,671</td>
<td>150,754</td>
<td>50,75%</td>
<td>50,75%</td>
</tr>
<tr>
<td><strong>B</strong> Real R&amp;D expenditure (A*C)</td>
<td>0.57</td>
<td>1.08</td>
<td>1.24</td>
<td>1.54</td>
<td>1.81</td>
<td>2.17</td>
<td>278.26%</td>
<td>214.75%</td>
</tr>
<tr>
<td><strong>C</strong> R&amp;D expenditure/GDP</td>
<td>0.57%</td>
<td>1.00%</td>
<td>1.07%</td>
<td>1.22%</td>
<td>1.31%</td>
<td>1.44%</td>
<td>150.91%</td>
<td></td>
</tr>
<tr>
<td><strong>D</strong> Size of GDP in Billion $ (purchasing power parity)157</td>
<td>N/A</td>
<td>N/A</td>
<td>5933.4</td>
<td>6586.4</td>
<td>7392.2</td>
<td>8352.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>E</strong> Nominal R&amp;D Expenditure (E*C)</td>
<td>N/A</td>
<td>N/A</td>
<td>63,546.7</td>
<td>80,617.5</td>
<td>97,059.6</td>
<td>120,36</td>
<td></td>
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</tbody>
</table>

With the foregoing in mind, invention patents might become the next hot spot of I.P. litigation given the growing tendency of Chinese enterprises and individuals to resort to the invention patent protection scheme for their creative endeavours. If, on the one hand, this increased interest in invention patents can be explained in terms of economic investments, credit must also be given to the amendments to the P.L. Specifically, a significant role has been played by the changes that occurred with respect to the issue of compulsory licensing – a long-lived weakness of Chinese patent regulations – by ensuring compliance with Article 31 of the T.R.I.P.s. For instance, strict conditions have been laid out for the grant of compulsory licenses to the owners of dependent patents.159 Interestingly, such conditions had originally been devised in order to protect foreign enterprises against extensive licensing, eventually leading to the depreciation of their assets. For the moment, however, this topic shall be left to future research since it is beyond the scope of the present work to analyze, in depth, how compliance with Article 31 of the T.R.I.P.s might affect Chinese inventors.

158 A nation's GDP at purchasing power parity exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States.
159 P.L., supra note 2, art. 50. Article 50 of the P.L. introduces the criterion of “considerable economic significance” as laid out in Article 31(l)(i) of the T.R.I.P.s.
CONCLUSION

At the outset of our analysis of contemporary Industrial Design Protection in China, we indicated two parameters against which to measure the improvements of the Chinese system:

1. The increase in the scope of protection from a substantial point of view (e.g. protection term), and
2. The greater role acquired by courts over administrative authorities, and, consequently, the larger room for discretionally actionable civil remedies vested directly in the patentee.

There have been sensible advancements in both respects. The scope of protection has been increased not only in a positive sense, through recognized increase in rights to longer terms for protection, but also in a negative sense, through the removal of previous limitations to already existing rights. Let us think of the different attitudes towards the “ignorance” exception to infringement, which is now only admitted after evidence is provided that the goods incorporating the patented design were obtained from a legitimate source.

As to the second parameter, the Chinese I.P. system is tending to keep up with the other sectors of Chinese Law. Indeed, despite traditional hostility towards the “rule of law” in favour of the “rule of man,” the pendulum is now swinging towards acceptance of formal remedies and their effective implementation.

[W]ith the passing of years, positive law, with its laws, tribunals and lawyers, has become an important presence in Chinese society at all levels. And the construction of legality has accrued the citizens’ confidence towards the law and rendered them more incline to disputes and less eager to accept social hierarchies... and the omnipotency of the administration; it has furthermore created new, strong categories of professionals and engendered a widespread debate, high expectations (in China and abroad) and embarrassing contradictions in the political system.160

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160 CAVALIERI, supra note 14, at 215.
It is still too soon to forecast the effects which may result from these changes, however, it may be inferred that the Chinese legal system is going to follow the path already opened by other Eastern countries towards the rationalization and professionalization of the law and to precise adherence to the international normative standards.

All in all, the registration of Industrial Designs seems the safest choice when aiming to operate in China. Moreover, enterprises operating in China should “monitor both competing products for violations of their patents [and] issued design patents in the event that such patents were granted improperly.”\(^{161}\) This option, in our opinion, would pay not only in light of the changes we have tried to highlight in our brief exposition, but of the general tendency which is affirming itself in China. This tendency points to the goal of achieving even higher standards. These standards are exemplified by the rapid evolution of patent regulations in order to regulate, in further and further detail, patent-related matters to the benefit of legal certainty and accountability.\(^ {162}\)

\(^{161}\) T. T. Moga, supra note 58, at 15.

\(^{162}\) See, e.g., Liu, Shen & Associates, China Revises the Guidelines for Patent Examination, June, 2006, http://www.bustpatents.com/chinacon.pdf (summarizing the most important revisions, which the present paper does not specifically deal with). For instance, the SIPO Examination Guidelines had been last revised on July 2006.
TRADITIONAL KNOWLEDGE, GENETIC RESOURCES & DEVELOPING COUNTRIES IN ASIA: THE CONCERNS

Yousaf Ishaq Khan *

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* LLM International Commercial Law (Oct 2005 – Sep 2006), University of Leicester, UK.
INTRODUCTION

The Asian region of the globe is endowed with very rich biodiversity. Asia is believed to have more than 15,000 endemic plant species, as well as being home to two out of twelve “mega-biodiversity centers.”\(^2\) This region is also the primary and secondary center of diversity for many crop plants, having large genetic diversity in these crops. Biodiversity is attributed to the way of life of peoples, which contributed to the evolution of enormous amounts of rich traditional knowledge (TK) on the conservation and sustainable use of biodiversity.\(^3\) But unfortunately, the region has inadequate

\(^2\) Conservation International: Biodiversity Hotspots, http://www.biodiversityhotspots.org (follow “HOTSPOTS SCIENCE” hyperlink; then follow “KEY FINDINGS” hyperlink; then follow “Endemic Plant Species” hyperlink) (last visited Sept. 17, 2007).
\(^3\) S. Bala Ravi, Access and Benefit Sharing: Policy Concerns For South Asian Countries, S. ASIA WATCH ON TRADE ECON. & ENV’T, No. 12, 2005, at 1, 1.
technological ability to turn the bio-resource and related TK wealth into economic strength, which can help in poverty alleviation.4

Prior to 1992, with no international or national laws to regulate access to genetic resources, traditional knowledge resources were considered common heritage to all mankind.5 As a result there was a rapid increase in the commercial use of the knowledge and biological resources of technologically poor but biodiversity rich developing countries by technologically sound but biodiversity poor developed nations.6 The developing countries, on realizing this situation, felt the need to devise a fair and equitable benefit sharing mechanism, which can be instrumental to capitalize on their bio-resources and related TK. At the international level, it was stressed in various forums; most notable are the Convention on Biological Diversity (CBD), World Intellectual Property Organization (WIPO), and the TRIPS Council (Trade-Related Aspects of Intellectual Property Rights). At the national level, various developing countries introduced, to some extent, effective legislation to desist the misuse of their biodiversity and related TK.7

Lying at the heart of this article is a simple question: How have the developing countries in Asia dealt with the complex and controversial nature of the legal protection of traditional knowledge? Moreover, observations will be made concerning the issues of access to genetic resources and benefit sharing, including the related intellectual property rights associated with the use of traditional knowledge. This article aims at raising some of the key issues that have occurred in the implementation of the national access legislation. It is illustrated by several case studies, namely, Neem,8 Turmeric,9 Basmati,10 and Arogyapaacha (Jeevani).11

4 Id.
6 Id.
9 See id. at 22.
10 See Muriel Lightbourne, Of Rice and Men: An Attempt to Assess the Basmati Affair, 6 J. WORLD INTELL. PROP. 876, 876 (2003).
I. **Intellectual Property Rights, Traditional Knowledge and Genetic Resources**

It is often said that we live in a “global village,” where increasing complexity makes each actor interdependent on one another. In the global markets of current age, small farmers in a remote village may be affected by import regulations on the other side of the globe. Similarly, TK holders are affected by an increasing number of factors, especially when it comes to their IP needs and expectations. In addition, the traditional knowledge of indigenous societies has been linked to the debate over genetic resources, with the problems of illegal, unfair, and unlawful flow and use of genetic resources applying likewise to traditional knowledge.

This section elaborates some of the key factors, processes, and conditions which shape IP needs; for example, the impact of IPRs on traditional knowledge and biodiversity, the need for the protection of TK, and an overview of genetic resources.

1. **The Impact of IPRs on TK and Biodiversity**

Intellectual property is playing an important role in maneuvering the lead-time advantage and business strategies of economies and industries. It is a form of knowledge or intellectual activity in various ways in the value chain. One of the important factors in this value chain is extending IP rights to TK protection. Technical understanding of IP is necessary for the exploration of its role in TK protection. Additionally, effective IP systems that protect and maintain TK will depend on the more thorough understanding of the various systems of innovation and intellectual property, as well as upon the participation of all stakeholders, governments, and local communities.


15 Id.
communities in the process. It is believed that IP is not only meant for conferring property rights, but also for the recognition and respect for the contributions of human creators. In this regard, IP is crucial in protecting the dignity of holders of TK by recognizing property rights in relation to such knowledge, thus granting those holders a degree of control of its use by others.\(^\text{16}\)

However, it is believed that IPRs (Patents) do have some negative impacts on the principle of sovereign rights of countries over their genetic resources and to some extent on sustainable use, in the form of direct and indirect misappropriation of biodiversity, genetic resources, and traditional knowledge, which is termed as “biopiracy.” IPRs (Patents) are criticized for legitimizing “biopiracy” by increasing the concentration of research and development capacities in the hands of the private sector (mainly consisting of biotechnology companies, universities, and research institutions) or financially depending on private sector funds, promoting widening of the technology gaps between North and South and restricting availability of research materials. Some of the other arguments concerning the negative impacts of IPRs over biodiversity conservation are that IPRs have a tendency to homogenize agricultural diversity, tend to displace native and traditional crops, are responsible for imposing restrictions on exports of traditional medicinal plants (which leads to impacting in situ conservation efforts), and also impose limitations on saving, using, and selling farm-saved seeds by small farmers and indigenous communities.\(^\text{17}\) Finally, IPRs are also critiqued for limiting the possibility of accessing relevant technology.\(^\text{18}\)

Even if all the above criticisms are believed to be true, one cannot deny the protection afforded to TK and biodiversity by IPRs, so far, which is evident in some of the famous cases like *Hoodia*,\(^\text{19}\) *Turmeric*, *Neem*, and *Basmati*.

The following section discusses the need for the protection of traditional knowledge.

2. **Why Protect Traditional Knowledge?**

Traditional knowledge, developed from experience gained over time and adapted to a local culture and environment, has always played-and still plays-an important role in the daily lives of the majority of people globally and is considered to be an essential part of

\(^{16}\) WIPO Report, *supra* note 12, at 57.  
\(^{17}\) RUIZ, *supra* note 13, at 5.  
\(^{18}\) Id.  
\(^{19}\) Bastuck, *supra* note 8, at 31.
cultural identities. It is vital to the food security and health of millions of people in the developing, and even developed, world.20

According to the World Health Organization Fact Sheet No. 134, last updated in May 2003, developing countries in Africa, Asia, and Latin America use traditional medicine to meet some of the country’s healthcare needs.21

Traditional knowledge can be defined as, “knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity.”22

It is now a well-established fact that TK plays a vital role in the world economy and is valuable not only to those who depend on it in their daily lives but also to modern industry and agriculture.23 On the international level, developing countries raised the issue of protection of TK because of their differing concerns and perspectives. A considerable number of countries, rich in genetic resources and TK, believe that the traditional communities have been deprived of the benefits accrued from the use of their knowledge, innovations, and practices, which have been monopolized by others without their approval and without rewarding them for their knowledge.24

These developing countries emphasize the protection of TK because it is vital for the conservation and sustainable development of the environment, “as much of the world’s crop diversity has been conserved and preserved by indigenous/local peoples, which has helped in the protection and conservation of biodiversity.”25 Another apprehension is that the biological resources increasingly subjected to IPRs and patents are possibly exposed to extinction, which is a matter of concern over their exhaustibility and loss of habitat and also the loss

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21 World Health Organization, Traditional Medicine, Fact Sheet No. 134, at 1 (2003).
23 Marcelin M. Tonye, Sui Generis Systems for the Legal Protection of Traditional Knowledge and Biogenetic Resources in Cameroon and South Africa, 6 J. WORLD INTELL. PROP. 763, 763-69 (2003).
of lifestyles and livelihoods to indigenous communities, which can severely affect food security.\textsuperscript{26}

The movement of traditional communities from their natural habitat and their increasing amalgamation with modern society has also necessitated the protection of TK, as this movement can lead to its total extinction and thus affect biodiversity.\textsuperscript{27} For instance, in Nepal it has been shown that some indigenous environmental management systems are not “traditional,” but rather have evolved recently in response to rapidly changing ecological conditions in the face of modern development pressures.\textsuperscript{28} Lack of motivation in the younger generation to learn the traditions is yet another reason cited for the protection of TK, as it is believed that TK will suffer extinction with the death of the elders of the community.\textsuperscript{29} There is also a dire need to make these communities control TK for their economic uplift and growth.\textsuperscript{30}

Given the varied reasons for protecting TK and the broad nature of the subject matter, there is no single procedure through which it can be protected or promoted. Therefore, the protection of TK raises a whole series of questions which can be considered common to the protection of established forms of intellectual property and some which are not so common, and thus need separate consideration.\textsuperscript{31} Current IPR regimes are believed to be the most active in providing protection to TK, but have faced criticism:

> [S]ome indigenous peoples have reiterated that such regimes may in effect discriminate against their interests, amounting to a “new form of colonization,” linked to “indigenous knowledge piracy.” A basic dilemma is that some indigenous communities may consider inclusion of traditional knowledge in IP regimes as unethical by encouraging commodification of such knowledge.\textsuperscript{32}

Some of the technical problems which can possibly be encountered in the extension of IPRs to traditional knowledge include

\textsuperscript{26} Id.
\textsuperscript{27} Id.
\textsuperscript{29} Verma, \textit{supra} note 25, at 769-70.
\textsuperscript{31} O’Connor, \textit{supra} note 20, at 697.
\textsuperscript{32} Richardson, \textit{supra} note 28.
the following issues. First, IP rules demand establishment of individual or joint authorship so as to confer protection, which may cause problems in relation to indigenous communities where TK has been passed from generation to generation and may be collectively owned.\textsuperscript{33} It is cumbersome to delineate the indigenous knowledge due to considerable "blurring" and "permeability" of the knowledge and cultural boundaries between indigenous and dominant society. Second, the indigenous knowledge is dynamic and evolving, and it is most likely that IPRs will restrict and inhibit the sharing of information among indigenous communities, which can hinder evolving patterns. Third, indigenous knowledge and products are considered part of an existing body of knowledge and practice and thus do not meet the novelty criterion of certain IP laws (e.g., patents). Finally, the restricted duration of IP protection to knowledge processes and products is also a reason for concern. After the expiration of IPR, TK would be freely available to everyone.\textsuperscript{34}

Despite the continuing controversy, it is feasible that IP regimes could be controlled or reworked to extend protection to the indigenous peoples’ knowledge. Community based rights to cultural and intellectual property can be a suitable solution.\textsuperscript{35} The establishment of a common system for the protection of TK and the creation of rights, which give benefits to their holders, may speed up innovation and the spread of knowledge from regional communities to the international community.\textsuperscript{36} In practice, the establishment of such a common system has been decided by states in \textit{ad hoc} ways. This common system is generally termed as the "new" or \textit{sui generis} form of protection. The main features consist of prior informed consent and arrangements for sharing of benefits from commercialization of genetic resources and traditional knowledge.\textsuperscript{37} This system is thoroughly discussed in the following section.

\textsuperscript{33} Id.
\textsuperscript{34} Id.
\textsuperscript{35} Id.
\textsuperscript{36} O’Connor, \textit{supra} note 20, at 698.
3. **Overview of Genetic Resources**

It is an established fact that most of the major agricultural crops were domesticated over a period of thousands of years in the areas which are currently considered developing countries. It took hundreds and thousands of years for those genetic resources to flow from these developing countries to Europe and North America, and undoubtedly it provided much of the early biological foundation for agriculture in today’s developed countries. The current hot debate in most of the international forums involves the economic and developmental benefit of early crop transfers to “gene poor” Europe and North America, and unequal benefits offered to Asian and African donors of this genetic material.38

It is pertinent to clarify the term “genetic resources” before highlighting the current state of affairs regarding its appropriation by the developed world and the demands of developing countries. The term “genetic resources” builds upon the definition of “genetic material,” which is “any material of plant, animal, microbial or other origin containing functional units.” Genetic material includes all biological material where there are functional units of heredity.40 Being both reproducible and highly portable, genetic resources exist within natural habitats (termed as in-situ conditions) and outside such ecosystems (ex-situ). States in possession of genetic resources with in-situ conditions (countries of origin) can be differentiated from States supplying such resources either from in-situ or ex-situ sources (providing countries) and States using these resources (user countries).41

Throughout the negotiation of the CBD, the issue of genetic resources generated a great amount of negotiating “heat” because developing countries were adamant that they would not be able to desist continuing misappropriation of their genetic resources. Somehow in the latter stages of the CBD talks this issue was resolved, in part as the result of the inclusion of a provision that confirmed the authority of national governments over their genetic resources (i.e., genetic resources were the common concern but not the common

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39 See CBD, supra note 22, art. 2, §§ 9-10.
heritage of mankind). This agreement is clearly mentioned in Article 15 of the CBD, which provides that the authority to determine access to genetic resources lies with national governments and is subject to national legislation. The genetic resources being provided are only those from contracting parties who are countries of origin or parties who have acquired those resources in accordance with the Convention. The text also stressed the need for benefit-sharing obligation (ABS), focusing on sharing “the benefits arising out of the utilization of genetic resources.” Prior informed consent (PIC) would form the basis for transactions involving genetic resources.

Some observers have termed the agreement mentioned above as “the grand bargain,” where developing countries would provide access to their genetic resources in return for resulting economic benefits derived from developed countries’ use of these genetic resources, describing this as the “equity issue.” It is in this light that the subsequent development of the ABS regime and PIC regarding protection of genetic resources and related TK may be instructively viewed.

II. **SUI GENERIS PROTECTION OF GENETIC RESOURCES AND TRADITIONAL KNOWLEDGE**

*Sui generis* is a Latin phrase which means “of its own kind.” It is a system which has been designed specifically to address the needs and concerns of a particular issue. It is patterned on completely different lines than the current IP system. Some observers also use the term to refer to new IP or IP-like rights. Calls for a “sui generis system” of protection of TK and genetic resources (GRs) are heard very frequently.

Developing countries would like to see faster progress toward an international regime for better protection of the holistic character of TK and to tackle the problem of illegal acquisition of GRs, and a *sui generis* system, according to these countries would be the most

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42 LYLE GLOWKA ET AL., A GUIDE TO THE CONVENTION ON BIOLOGICAL DIVERSITY 3 (Int’l Union for Conservation of Nature and Natural Resources 1994).
43 CBD, supra note 22, art. 1.
45 WIPO Report, supra note 12, at 24.
appropriate option to address the issue.\(^46\) This option has focused almost entirely on reaffirming the principle of national sovereignty over genetic resources. It has recognized the role of the state in the preservation and protection of TK and the complementary nature of defensive and positive measures relating to the protection of GRs.\(^47\)

As of February 2002, at least twenty-two countries and certain regional integration organizations had made or were in the process of making available a *sui generis* form of legal protection for TK related subject matter.\(^48\) The initiatives that have been taken at the national level have taken two forms. First, various countries through an official decree have recognized the rights of the traditional communities over the resources they have been using, including knowledge, technologies, and practices. Second, countries have taken steps to implement the commitments that they have made as signatories to the CBD. These initiatives are in two important forms. The first is that they provide for the prior informed consent of traditional communities for exploration of the biological resources. The second initiative is that they recognize the need to develop an organized institutional set up, which can ensure fair and equitable sharing of benefits with the traditional communities, should the resources be exploited commercially.\(^49\) Both of these initiatives are discussed hereinafter.

1. **Prior Informed Consent**

The PIC concept was originated in the medical field, where patients give consent to treatment based on information provided by a doctor or surgeon. In international law, it was used earlier concerning trans-boundary movements of hazardous wastes.\(^50\) The issue of PIC is not new even to the patent regime, which in the case of joint inventors and employees’ inventions requires evidence of their consent for the grant of patent. Making this requirement compulsory in the case of biological inventions related to TK therefore is not a demand alien to


\(^{47}\) Verma, *supra* note 25.


\(^{49}\) Dhar & Anuradha, *supra* note 46, at 626.

\(^{50}\) Anne Perrault & Maria Julia Olivia, Prior Informed Consent and Access to Genetic Resources, WTO Public Symposium, Dialogue on Disclosure Requirements: Incorporating the CBD Principles in the TRIPS Agreement on the Road to Hong Kong 1 (April 21, 2005).
patent law. However, making PIC a condition of patentability calls for certain important threshold questions, which need to be addressed. How may PIC be achieved? How can it be implemented in order to provide better protection to TK and related genetic resources? What kind of hurdles may be encountered in its implementation?

According to CBD, the legal Providing Contracting Party (PCP) of the genetic resources is the national government or their authorized agencies. The PCP is required to define a framework, which will facilitate provision of relevant and adequate information on the material to the Accessing Contracting Party (ACP). The CBD also states that access to resources is subject to the prior informed consent of the provider of such resources. In this regard paragraph 31 of the Bonn Guidelines requires that the PIC “should be obtained...” from such local communities, “in accordance with their traditional practices, national access policies and subject to domestic laws.” However, in the case of access to TK, innovations, and practices of indigenous and local communities, the Conference of the Parties (CoP) emphasized obtaining PIC approval of holders of such knowledge, innovations, and practices.

The question of how “prior informed consent” may be achieved is best answered by CBD, which mandates PIC for access only in respect to the “country of origin,” but at the same time it has been argued that it should also operate at the level of the local community when its knowledge, innovations, and practices are to be accessed by outsiders. Indeed, it is authorized by Article 8(j), which used the language “approval” and “involvement of communities for such use.” For instance, the relevant law in the Philippines recognizes this by providing basic elements in consensus building in

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51 Christopher Heath & Sabine Weidlich, Intellectual Property: Suitable for Protecting Traditional Medicine, 2003 INTELL. PROP. Q. 69, 76.
54 Decisions Adopted by the Conference of the Parties to the Convention on Biological Diversity at its Sixth Meeting, Decision VI/24, at 270, U.N. Doc. UNEP/CBD/COP/6 (Apr. 7-19, 2002).
the community, which include information dissemination to all members of the concerned people, assessment of the concerns and issues by appropriate assemblies in accordance with customs and traditions, and recognition by a council of elders and affirmation of such decision by all members of the community.56

Mugabe opines that a country’s PIC legislation is only as effective as the institutional and technical capacities available to implement it. These factors analyze the complexities involved in the creation of national PIC legislation.57 The main impediment is to get the government to introduce the legislation and then enforce it, which often is a time-consuming process. Hence, more refinement of the current laws is suggested so as to create a sequential approach, such as initiating with a general law or policy, which can be followed by more thorough legislation. It is likely to be passed speedily and to meet with less criticism from different interest groups. Another of Mugabe’s suggestions is the “imposition of a temporary prohibition on all genetic exports until full national legislation is set up and all parties comply.”58

The major hurdle to implementation at the national level is the intricate nature of the relationship between governments and indigenous societies. Some observers and non-government organizations (NGOs) have pointed out certain tensions that have arisen between them. In a situation where the government claims complete sovereignty, how does one ensure that any benefits accrued from the use of such traditional sources will be granted to the original communities? These are the issues which require more consideration.59

2. Access and Benefit-Sharing (ABS)

When world leaders signed the Convention on Biological Diversity in 1992, they agreed to its third objective: “the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, taking into account all

58 See Prakash, supra note 5, at 828 n.12.
59 Id. at 828.
rights over those resources and to technologies, and by appropriate funding.\(^{60}\)

In the early 1990s, when the CBD was being negotiated and ratified, numerous developing countries were expecting their biodiversity and genetic resources to be a “green gold” which they could use to fund conservation and development. Unfortunately, these expectations remained a dream. However, these expectations have now shifted towards elaborating the meaning of fair and equitable benefit sharing, \textit{inter alia}, obligations of user countries.\(^{61}\)

Benefit sharing is a process that follows access (based on PIC) to biodiversity and associated TK by parties external to the holder community or country. The main objective of the concept of benefit sharing lies in the fair and equitable manner in which it is done.\(^{62}\) Several questions need to be answered regarding the complex nature of the protection of TK and related genetic resources through benefit sharing from the perspective of developing countries. For instance, in what ways can the timings of the benefits be stipulated? What mechanism should be devised for effective enforcement, and what problems might be faced by developing countries and indigenous communities? Is the concept of benefit sharing really fair and equitable? Is it evolving in a manner which is in the best interests of the local communities?

The timing of the benefits may be stipulated and scheduled on a case-by-case basis, including short-term, medium-term, and long-term bases, in the form of upfront payments, milestones, and royalties, and non-monetary benefits, as mutually agreed.

Mechanisms for benefit sharing need to be flexible within the framework satisfying fairness and equity. It is believed that such mechanisms give importance to capacity building in scientific research and technology development, building trust funds and joint ventures, and granting preferential licenses.\(^{63}\) In several countries, the national legislation includes a list of required or potential benefit sharing provisions. There is also a common use of a written agreement or

\(^{60}\) CBD, \textit{supra} note 22, art. 1.

\(^{61}\) See \textit{generally} Kerry ten Kate & Sarah A. Laird, \textit{Bioprospecting Agreements and Benefit Sharing with Local Communities}, in \textit{POOR PEOPLE’S KNOWLEDGE} 133, 148, 155-56 (J. Michael Finger & Philip Schuler eds., 2004).


contract that sets out the benefit sharing agreements as well as the establishment of penalties or sanctions in cases of non-compliance. “In some countries the IPR system is used as a compliance mechanism and IPRs are refused or revoked if the applicant did not comply with ABS provisions.”

It is estimated that since CBD came into force in 1993, efforts to implement the provisions on benefit sharing have resulted in development of national access and benefit sharing legislation in more than fifty countries. A majority of developing countries in Asia has responded to CBD provisions and the Bonn Guidelines in their national policies and legal framework. Some of the examples are:

Bangladesh (*Draft Biodiversity and Community Protection Act of Bangladesh, 1998*)…

India (*Biological Diversity Act, 2002; Biodiversity Rules, 2004*)…

Malaysia (*Sarawak Biodiversity Center Ordinance, 1997; Sarawak Biodiversity (Access, Collection and Research) Regulations, 1998; Sabah Biodiversity Enactment, 2000*)…

Pakistan (*Draft Legislation on Access to Biological Resources and Community Rights, 2004*)…

Philippines (*Executive Order No. 247, 1995; Department of Environment and Natural Resources Administrative Orders 96-20, 1996; Wildlife Resources Conservation and Protection Act, Republic Act No. 9147, 2001*)…

Despite all these efforts, one of the major problems faced by local communities and countries entering into ABS contracts is the difficulty of monitoring the implementation of these contracts and enforcing their terms and conditions. For example, if a research organization has agreed to share the benefits of any findings from its research, but then leaves the country with the biological samples, it becomes very difficult for the country providing these resources to inquire about the further happenings. Do the resources lead to new

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insights and understanding? Do they become the subject of intellectual property protection? Do they start to generate income for that particular organization? These are the areas which need to be covered by the terms in ABS contracts; terms which it will be essential for the provider country to effectively monitor and enforce once the activity moves outside its borders.  

Furthermore, some of the critics believed the ABS contracts to be unfair and inequitable. When an IPR is sought over a product developed from biological resources and through the local community’s knowledge regarding the resource, the IPRs thus obtained are exclusive rights over the developed products. There is no obligation on the holder of the IPR to share the benefits, material or otherwise, with the provider of the knowledge, regardless of the latter’s contributions to the development of the patentable subject matter. Moreover, it is argued that although society receives the benefit of having technology developed, originally it is the government which receives the direct benefits in the form of fees and charges levied for registration of IPRs.

Finally, there has been a fair amount of skepticism over the manner in which the concept of benefit sharing has been evolving. The basis for this skepticism is that the tool of benefit sharing has little or no value when analyzed against the series of historically committed wrongs against these local communities. In the context of the piecemeal processes of alienation of local communities from their land and resources, displacement, and the subsequent disintegration of several of these communities, a phenomenon that is caused by the active support of the State, the question that comes to mind is the value of sharing a minor percentage of royalties with such peoples. The question whether benefit sharing, in such an inequitable situation can ever achieve fairness and equity, cannot be easily answered.

A. The Case of Aarogyappacha

Despite a great deal of criticism that has come in for the concept of “access and benefit sharing,” a number of benefit sharing


67 Dhar & Anuradha, *supra* note 46, at 630.
experiments have already been carried out successfully. The case of *Aarogyappacha* is one of the examples, which the Indian government heralded as a case study on benefit sharing, and which has been presented to the Secretariat of the CBD.\(^\text{68}\)

The *Kani* people of southern Kerala were convinced by some biologists to share with them some of their knowledge regarding a plant called *Aarogyappacha* or *trichopus zeylanicus travancoricus*.\(^\text{69}\) Although it was widely used by local people, the plant itself was unknown to the outer world until 1987.\(^\text{70}\) The Tropical Botanical Garden and Research Institute (TBGRI), having one of the largest botanical gardens in Asia, carried out research on the plant and identified its active ingredients.\(^\text{71}\) Later a drug was developed with anti-fatigue properties called *Jeevani*.\(^\text{72}\) The rights to manufacture *Jeevani* were transferred to a private manufacturer for a license fee of about $25,000 (U.S.) for seven years.\(^\text{73}\) TBGRI decided to give half of the fee and half of any royalties to the *Kanis*.\(^\text{74}\) The deal was also accepted by a majority of the community, which had significant interactions with TBGRI, including the people who shared the knowledge; this has been hailed as a model for future transactions.\(^\text{75}\)

**B. The Way Forward for Developing Countries**

With respect to the realization of the objectives in regard to prior informed consent and fair and equitable benefit sharing, it has been said that the suggested national-based approach could have the following features:

contractual arrangements could be used to establish the rights and obligations of the communities involved prior to any access to genetic resources; this would ensure that prior informed consent is achieved;


\(^{70}\) Id.

\(^{71}\) Id.

\(^{72}\) Id. at 6.

\(^{73}\) Id.

\(^{74}\) Id.

\(^{75}\) Id. at 11.
countries could also establish permit systems that impose civil or criminal penalties for extracting genetic resources without a permit, while the permit would serve as evidence of prior informed consent;

a contract-based system would provide a mechanism to transfer benefits as it could be used to effectively control the collection of resources and ensure the sharing of benefits from their use;

contracts could also include a compulsory disclosure of any future commercial application using the relevant traditional knowledge or genetic resource, whether or not a patent is filed or granted over the relevant application…

within the contract, a party could require the researcher or other party accessing the genetic resources and traditional knowledge to report regularly to the point of contact regarding progress of his research.76

III. OVERVIEW OF THE IPR AND TK DEBATE IN INTERNATIONAL NEGOTIATIONS

The need for the protection of genetic resources and related TK can be described as a horizontal concern, as several multilateral institutions are involved in discussing it from different perspectives and in different contexts. However, this section will limit itself to the institutions and processes which have a particular relevance for TK and GRs within an intellectual property context.

It is pertinent to discuss the concerned issue in the context of various international forums (Agreements), as they are the driving force for the protection of such knowledge and resources at the international level. Once a country becomes a signatory to such an Agreement, the legislatures of these member states have to keep in view all the binding rules in such an Agreement, while making laws

for the protection of these resources and knowledge at the national level.

The three principal forums where the issues pertaining to TK protection, GRs, and IPRs have figured prominently are WIPO, CBD, and the TRIPS Council of the World Trade Organization (WTO).

1. **Developments at the World Intellectual Property Organization**

WIPO, whose forerunner was actually the International Bureau that administered the Paris and Berne Conventions, came into being in 1970 once the 1967 Stockholm WIPO Convention took force. Under a 1974 agreement, WIPO became a specialized United Nations agency, with its prime mandate being to promote the use and protection of intellectual property. WIPO’s current membership is 179 States, with the majority of them being developing countries. Despite providing an “umbrella framework for the organization, however, the WIPO Convention is, in actuality, merely an administrative treaty.

WIPO’s Standing Committee on the Law of Patents (SCP) held its third session in September 1999, devoting the session primarily to discussing a draft Patent Law Treaty (PLT) that would hopefully further harmonize various aspects of patent laws. The PLT was concluded in June 2000.

Prior to that, in 1999, the Colombian delegation submitted a Proposal entitled “Protection of Biological and Genetic Resources” which argued that the PLT should comprise provisions linking the filing of patent applications with access and benefit-sharing regulations. The basic demands made in the Proposal were that:

“All industrial property protection shall guarantee the protection of the country’s biological and genetic heritage. Consequently, the grant of patents or registrations that relate to the elements of that

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78 *Id.*
79 *Id.*
80 *Id.*
82 Dhar & Anuradha, *supra* note 46, at 608.
heritage shall be subject to their having been acquired legally.”; and

“Every document shall specify the registration number of the contract affording access to genetic resources and a copy thereof where the goods or services for which protection is sought have been manufactured or developed from genetic resources or products thereof, of which one of the Member countries is the country of origin.”83

This idea of patent filing with ABS regulations gained the support of many of the developing countries, including India, China, Bolivia, Chile, Cuba, Kenya, Costa Rica, and Barbados. But predictably it was staunchly opposed by the United States, the European Union, and Japan as being an element of substantive patent law that should not be included within the PLT.84 As things turned out, Colombia’s proposal did not fail completely because the concerns behind it were given other opportunities for expression within WIPO.85 Thus another meeting was arranged on Intellectual Property and Genetic Resources, which took place in April 2000 and reached a consensus that “WIPO should facilitate the continuation of consultations among Member States in co-ordination with the other concerned international Organizations, through the conduct of appropriate legal and technical studies and through the setting up of an appropriate forum within WIPO for future work.”86

“The WIPO Secretariat invited Member States to consider the establishment of an Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge, and Folklore (IGC) in the year 2000.”87 Three themes on which the IGC could focus were “[i]ntellectual property issues that arise in the context of: (i) access to genetic resources and benefit sharing; (ii) protection of TK, whether or not associated with these resources; and (iii) the protection of expressions of folklore.”88

83 Id. at 608-09.
84 Id. at 609.
85 Id.
86 Id.
87 Id.
88 Id.
This suggestion was strongly supported by a large number of developing countries and was approved without formal opposition.\textsuperscript{89} Later, in the IGC sessions of 2001 and 2002, discussions revolved mostly around how patent law could prevent misappropriation of TK and promote benefit sharing.\textsuperscript{90} The third IGC discussion mainly focused on two possible approaches, the first being to require patent applicants to disclose the origin of genetic resources and related TK in patent applications.\textsuperscript{91} Some delegations further added that such applications should also provide documentary evidence of prior informed consent and compliance with the ABS regulations of provider countries.\textsuperscript{92} The U.S. representative expressed concern that these requirements would create an additional substantive condition on patentability beyond those already in place, thus causing a conflict with TRIPS.\textsuperscript{93} Meanwhile, developing countries like India and Brazil consistently asserted that such a measure was needed in order for patents to be supportive of the CBD.\textsuperscript{94}

In April 2006, the ninth session of the IGC was held, where the Committee commissioned the drafting of an outline of policy options and legal mechanisms for the protection of TK. The Committee first requested this outline at its sixth session and extensively reviewed an initial draft at its seventh session. It was reaffirmed that if the objectives and principles for protection of TK were established internationally, it would still be necessary to determine how they are implemented at the level of national and regional laws. Thus, this outline gave updated information on the actual policy options and legal mechanisms that national and regional legal systems have already employed to give effect to the kind of draft objectives and principles set out in document WIPO/GRTKF/IC/9/5, the main working document on TK for this ninth session of the Committee.\textsuperscript{95}

Analysis

The IGC deliberations indicated several differences among the countries regarding the need, scope, and nature of legal protection of

\textsuperscript{89} Dutfield, \textit{supra} note 81, at 916.
\textsuperscript{90} Id.
\textsuperscript{91} Id.
\textsuperscript{92} Id.
\textsuperscript{93} Id.
\textsuperscript{94} Id.
TK and its format. Notwithstanding these differences, the Member States have agreed that WIPO should produce the elements for a model sui generis system of protection for TK, though the developed countries stress that any legally binding international sui generis system at this stage is premature and unnecessary and that such attempts should first be made at the national level to determine feasibility. On the other hand, developing countries demand that intensive work be taken in this regard.96

Generally speaking, while the IGC’s work has not produced any tangible results other than being a forum for discussion of legal, economic, and policy issues related to the protection of GRs and related TK, including the sui generis form of protection, it helped spark the awareness among the developing countries to safeguard their valuable knowledge assets. To date, the WIPO has proposed a bottom-up approach under which developing countries first analyze how existing national mechanisms of IPRs could be more effectively used to protect TK before introducing protection at the international level.97

2. **Convention on Biological Diversity**

The relationship between IPRs and the CBD tends to be treated as most relevant to the regulation of access to genetic resources and the development of measures to ensure fair and equitable benefit sharing with States and the holders of traditional knowledge.98

The CBD asserts the sovereign rights of nations over their national resources, and their right to determine access according to national legislation with the aim of facilitating the sustainable use of these resources, promoting access and their common use.99 It contains provisions which ensure that the genetic resources and knowledge associated with these cannot be treated as “free goods,” and that there is a scope for each State party to frame regulations for controlling access to such resources in the interests of the national and local

97 Id. at 429.
The most notable provisions of the Convention are Articles 8(j), 15, and 16.

Article 8(j) provides the basis for the establishment of rights of the local communities over the biological resources of which they are custodians and the knowledge systems they have developed with regard to these resources. The outstanding question in this provision is “Who is meant to be included?” The provision implies that local communities embodying traditional lifestyles possess an equal status to indigenous peoples. Indigenous peoples’ organizations have argued for an interpretation of Article 8(j) that refers not only to indigenous peoples who live within their traditional territories, but also those who have been forcibly relocated to other territories but who still hold claim to their original territories. "Article 15 recognizes the sovereign rights of States over their natural resources and their authority to determine access to genetic resources and provides that access, where granted, shall be on mutually agreed terms and subject to prior informed consent of the provider party (contracting party)." Article 16, on access to and transfer of technology, requires parties to the Convention to undertake to provide and facilitate access and transfer of technologies to other parties under fair and most favorable terms. Article 16 is concerned with any technologies “that are relevant to the conservation and sustainable use of biological diversity or make use of genetic resources and do not cause significant damage to the environment.” Article 16.5 is more controversial, requiring the parties to co-operate to ensure that patents and other IPRs “are supportive of and do not run counter to” the CBD’s objectives. This sparked severe disagreement during the negotiations between those who believed that IPRs conflict with the CBD’s objectives, and others that saw no contradiction.

Analysis

Like other international environmental law instruments, the CBD also has a tendency to consolidate the role of government in protecting and maintaining resources and reaffirms that States have sovereign rights over their own biological resources. However, terms

103 *CBD, supra* note 22, art. 16, para. 2.
105 *Id.* at 781-82.
such as “as far as possible” and “as appropriate” are vulnerable to being used by States as an excuse for non-action because of cited financial or other constraints of a similar nature. The CBD is believed to be more problematic because it does not contain “any explicit non-derrogable requirement for the consent or participation of indigenous peoples in access to resources or knowledge.”

A. The Bonn Guidelines

In 2002, some 2000 government and non-government officials, from 166 countries, attended the Sixth Session of the CBD Conference of the Parties (CoP-6) at The Hague. At the Conference, the government officials responded to a shift away from policy formulation by resolving “to develop and implement effective and innovative mechanisms.” Thus, in May 2002, the Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising out of their Utilization were officially adopted. The Guidelines consist of a set of voluntary rules to assist in the drafting and progress of national biodiversity legislation or administrative regulation, by providing “a transparent framework to facilitate access and ensure benefit-sharing at national or regional levels.” The Guidelines state parties should consider adopting “measures to encourage the disclosure of the country of origin of the genetic resources and of the origin of traditional knowledge, innovations and practices of indigenous and local communities in applications for intellectual property rights.” In biodiversity-rich countries, the Guidelines provide a mechanism to “advance the harmonization of the steps for adequate access and benefit-sharing.”

One of the remarkable features of the Bonn Guidelines is that, for the first time in the CBD context, there is an agreed and expressed reference to the need for users of genetic resources, especially in the case of developed countries with biotechnological capacities

106 Richardson, supra note 28, at 9.
107 Tully, supra note 41, at 84.
108 Id.
109 Id.
110 O’Connor, supra note 20, at 685.
112 O’Connor, supra note 20, at 685.
traditionally making use of genetic resources for research and development, to adopt measures that ensure that the interests of providing countries are respected and considered.\textsuperscript{113} The Guidelines include “adoption of measures that ensure prior informed consent has been provided for the use of resources (16.b. i – ix) and measures to encourage disclosure of origin in IPR applications (16.d.ii).”\textsuperscript{114} Furthermore, the Guidelines ensure that countries of origin have the right to regulate ABS, and also that “countries in which these resources are used should adopt certain actions to assist in the implementation of the CBD ABS principles and complement regulatory actions by providing countries.”\textsuperscript{115}

\textbf{Criticism}

Certain environmental NGOs criticized that the Guidelines could not substitute for legally binding national instruments.\textsuperscript{116} The International Indigenous Biodiversity Forum also criticized the Guidelines by stating that, “consistent with self-determination, indigenous peoples should be duly recognized as rights-holders and not merely stakeholders over genetic resources.”\textsuperscript{117} Several legally binding instruments provide that “indigenous peoples shall ‘wherever possible’ participate in the benefits associated with resource exploitation pertaining to their lands.”\textsuperscript{118}

\textbf{Analysis}

Despite criticism, the importance of the Guidelines for developing countries is that they are a vital step towards the harmonization of the regime of access and benefit sharing.\textsuperscript{119} In the context of the CBD,

\begin{quote}
emphasizing national sovereignty and the authority of governments to regulate access to GRs cannot rule out bilateral negotiations between the biodiversity-rich but technologically poor countries and those seeking access to these resources. In other words, the CBD promotes bilateral
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\begin{footnotes}
\item[113] Ruiz, supra note 13, at 10.
\item[114] Id.
\item[115] Id.
\item[116] Tully, supra note 41, at 85.
\item[117] Id. at 85-86.
\item[118] Id. at 86.
\item[119] Verma, supra note 25, at 777.
\end{footnotes}
agreements between the providers and users of resources, whereas a multilateral approach would be mutually beneficial by laying down the framework of fair terms because in bilateral negotiations the biodiversity-rich countries quite often are not in a strong position to negotiate a fair deal.¹²⁰

3. TRIPS, Traditional Knowledge, and Genetic Resources

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO) provides minimum standards that Member countries agreed to, regarding protection of intellectual property.¹²¹ It came into effect at the end of the Uruguay Round of trade negotiations.¹²² These negotiations ended in 1995.

The TRIPS Agreement addresses traditional concepts of intellectual property but does not address the protection of TK specifically.¹²³ The Agreement excludes TK “by virtue of Article 70(3), which considers it as a part of the public domain.”¹²⁴ The relevant provisions in this regard could be Article 39 (protection of undisclosed information), if the TK is kept as secret knowledge, and Article 22 (protection of geographical indications).¹²⁵ However, these Articles are of limited scope and application and fail to meet the concerns of developing countries.¹²⁶

The issue of protection of TK was brought before the General Council of WTO, in the context of Article 27.3(b) of the TRIPS Agreement in 1999, which allows exclusion from patentability of plants and animals and essentially biological processes for their production, but obliges the protection of micro-organisms and microbiological or non-biological processes for their production.¹²⁷ This

¹²⁰ Id.
¹²² Id.
¹²³ Verma, supra note 25, at 779.
¹²⁴ Id.
¹²⁵ Id.
¹²⁶ Id.
¹²⁷ JAYASHREE WATAL, INTELLECTUAL PROPERTY RIGHTS IN THE WTO AND DEVELOPING COUNTRIES
Article is severely opposed by developing countries. On August 6, 1999, the African Group of countries warned that “by mandating or enabling the patenting of seeds, plants and genetic and biological materials, Article 27.3(b) is likely to lead to appropriation of the knowledge and resources of indigenous and local communities.”

The developing countries also argued that the exclusions in Article 27.3(b) should be clarified and that “life forms should be excluded from patentability, that information relating to the origins of a biological invention should become part of the patent application process, and that the principle of prior informed consent under the CBD should be incorporated into the TRIPS Agreement.”

As a contribution to this examination, several developing countries in Asia, including China, Pakistan, India, and Thailand, together with other groups of developing countries, submitted a paper to the Council for TRIPS in June 2002. The paper proposed that WTO Member States must require:

that an applicant for a patent relating to biological materials or to traditional knowledge shall provide, as a condition to acquiring patent rights:

(i) disclosure of the source and country of origin of the biological resource and of the traditional knowledge used in the invention;

(ii) evidence of prior informed consent through approval of authorities under the relevant national regimes; and

(iii) evidence of fair and equitable benefit sharing under the national regime of the country of origin.

The United States and Japan have raised the primary objections to the above. These countries have argued that:

[the] amendments would not be consistent with the TRIPS Agreement and would violate the principle of non-discrimination between fields of technology;

expanding the norms of disclosure would amount to a legal and administrative nightmare and an unnecessary burden on the patent applicant and the Patent Office.131

Analysis

These deliberations at the WTO Council for TRIPS clearly indicate that no appreciable achievement has been registered on the issue of legal protection of TK and that sharp differences exist between the member States, as it is observed that some countries seem to be more concerned with avoiding the misappropriation of traditional knowledge and with the implementation of the “sharing of benefits” principle than with the development of an intellectual property rights regime for traditional knowledge (most notably the U.S. and Japan). Others seem to aim at preserving the room existing at the national level to legislate on the matter.132

[O]ut of 147 parties to the TRIPS Agreement, three-fourths are developing countries, which are the chief holders of TK, and they want to correct the balance of TRIPS, which, according to them, is heavily tilted towards the interests of industrialized countries. Consequently, they have demanded the inclusion of TK in the TRIPS Agreement to get a fair return on their resources. The WTO may, however, be considered to be the most appropriate forum, with its dispute settlement mechanism and binding obligations and the procedure of negotiation (based mainly on reciprocity). Furthermore, the United States, which is not a party to the CBD so far, would be negotiating on some of the

131 Dhar & Anuradha, supra note 46, at 608.
132 Verma, supra note 25, at 781-83.
contentious provisions of the CBD in the TRIPS forum.\textsuperscript{133}

Currently, a challenging agenda of research and policy still lies ahead. The issues raised include the extensiveness and potential uses of GRs and indigenous knowledge of countries; the potential economic value of these resources; the means of restoring proprietary protection to names in the public domain; and how to create a proprietary right that is enforceable internationally and which can reward agents, including traditional communities, for preserving and creating such resources and knowledge. In all these areas, a credible international negotiation can be built if these protective systems are going to be implemented in a more workable manner, and in order to reduce the deadlocks between the Member States.\textsuperscript{134}

\section*{Final Comments}

Winding up the discussion, determination of positive synergies between various international regimes in the context of IPR, \textit{vis a vis}, protection of GRs and related TK is a politically and technically intricate and challenging endeavor, although enormous progress has been made over the past few years. However, as has been demonstrated by briefly addressing some of the key issues under discussion and some of the most important international forums where this discussion takes place, TK protection and benefit sharing still remains a goal and is far from achieved.\textsuperscript{135}

Whether it be devising norms of protection for TK, entering into review processes of the TRIPS Agreement, designing an international framework for the successful ABS implementation, or thorough consideration of the provisions contained in WIPO and the CBD, policy and law will need to create and develop different tools to effectively ensure that countries of origin assert their rights over their genetic resources, to guarantee that benefits of the use of these resources are equitably shared, and to make certain that indigenous peoples’ intellectual efforts are well protected.\textsuperscript{136}

In the above section, it is shown that there are a number of parallel processes underway where many of these issues are considered. Compared to the situation that existed a decade ago,\textsuperscript{135-136}

\begin{itemize}
  \item \textsuperscript{133} \textit{Id.} at 783.
  \item \textsuperscript{134} Somesh K. Mathur, \textit{Domestic Challenges and the TRIPS Agreement: The Way Forward for India}, 4 J. WORLD INTELL. PROP. 337, 346 (2001).
  \item \textsuperscript{135} RUIZ, \textit{supra} note 13, at 21.
  \item \textsuperscript{136} \textit{Id.}
\end{itemize}
currently WIPO, the CBD, the Council of TRIPS, and numerous other national and regional processes, are engaged in finding ways to establish positive synergies among IPR and biodiversity related issues, which in itself is an important development.\textsuperscript{137}

In the wake of heightened debates over TK protection and monopolization attempts of industrialized nations, the author is of the view that one of the effective strategies for developing countries is to combine their efforts, not only at international forums, like TRIPS, the CBD, and WIPO, but also to keep this issue the focus of discussions, held at regional levels like the Association of Southeast Asian Nations (ASEAN) and the Organization of African Unity (OAU). Particularly, the TK rich countries ought to be more vigilant and organized in future TRIPS negotiations, as the developed countries have shown profound interest in this forum because of its effective enforcement tools.

**IV. PRESERVING AND PROTECTION GR\textsuperscript{S} & RELATED TK AT NATIONAL LEVELS: EXPERIENCES IN SELECTED DEVELOPING COUNTRIES OF ASIA**

National measures are the primary source of protection of genetic resources and related traditional knowledge, as the international measures will only be able to protect the economic aspects of GR\textsuperscript{s} and TK if they are put into commercial use. International regimes would be limited to protection and not concerned with further development, diffusion, and preservation tasks, which can only be done at national levels.\textsuperscript{138}

The preservation, protection, and promotion of the traditional knowledge, innovations, and practices is of key importance for developing countries around the globe. Their rich endowment of GR\textsuperscript{s} and TK plays a crucial role in their health care, food security, culture, religion, identity, environment, sustainable development, and trade. In this regard, like Latin America, several Asian countries have been at the forefront of creating and implementing effective legislation at local and national levels.\textsuperscript{139}

\textsuperscript{137} Id.
This section reviews the national and local measures for the preservation and legal protection of genetic resources and related traditional knowledge by selected developing countries in Asia.

1. The Philippines Experience

The Philippines is home to a vast variety of traditional knowledge, which still influences the lives of Filipinos.

The TK of the Philippines is mostly concentrated in the areas of health care, agriculture, forestry systems, mining, arts and crafts, music, dance, and literature. Among the best-known embodiments of the country’s TK are the world-renowned rice terraces of the Ifugaos....

Awareness of the need to protect TK was spurred by economic development at the end of the twentieth century. Massive logging and large-scale mining in the Philippines were among the main activities that caused the displacement of indigenous people from their ancestral domains, thus adversely affecting the TK of many indigenous communities.140

Several provisions were incorporated into the Constitution of the Philippines in 1987, so as to address the problem of rapidly vanishing TK of the country. In this context, Section 17 of Article XIV encourages the State to respect and protect the rights of indigenous cultural communities and to preserve and develop their cultures, traditions, and institutions.141 Thus, after the ratification of the CBD in 1993, the Philippines became one of the first countries to enact laws protecting the rights of indigenous peoples when the Indigenous People’s Rights Act of 1997 and its regulation, Executive Order No. 247, were officially adopted.142


141 CONST. (1987), Art. XIV, (Phil.).

142 Mattias Leistner, Analysis of Different Areas of Indigenous Resources, in INDIGENOUS HERITAGE AND INTELLECTUAL PROPERTY: GENETIC RESOURCES, TRADITIONAL KNOWLEDGE AND FOLKLORE 99, 100 (Silke von Lewinski ed., 2004); Agnès Lucas-Schloetter, Existing Legal Remedies Regarding the Protection of Folklore, in INDIGENOUS HERITAGE AND INTELLECTUAL PROPERTY: GENETIC
Executive Order No. 247 (EO 247), “Prescribing Guidelines and Establishing a Regulatory Framework for the Prospecting of Biological and Genetic Resources, Their By-Products and Derivatives, for Scientific and Commercial Purposes, and for Other Purposes,” entered into force on May 18, 1995. Later, in 1996, the Department of Environment and Natural Resources (DENR) issued Administrative Order No. 20 (DAO No. 20), for implementing rules and regulations under EO 247. Due to the broad scope and certain procedures regarding prior informed consent, there were some hurdles experienced in implementing EO 247. To remedy these problems, the Philippines Legislature, on July 30, 2001, enacted the Wildlife Resources Conservation and Protection Act (Wildlife Act), a general environmental legislation that codifies existing wildlife laws.

EO 247 protects the rights of indigenous communities in TK in general, including “the right to limit the access of researchers in their ancestral domains/lands or territories and to receive royalties from the income derived from any of the researches conducted and from resulting publications. Access to bio-resources and GRs would be subject to prior informed consent…” In this regard, the Wildlife Act is an effective tool which defines bioprospecting as the research, collection, and utilization of biological and genetic resources for purposes of applying the knowledge derived therefrom to solely commercial purposes. In order to engage in bioprospecting, a proponent must enter into a “Bioprospecting Undertaking.” The applicant must have received prior informed consent from the concerned indigenous cultural communities or management board under Republic Act No. 7586 or a private individual or entity. During this process the concerned communities can negotiate benefit-sharing terms with the applicant.

Chapter VII of the proposed Guidelines describes how bioprospecting will be monitored. The user must submit annual...
progress reports covering the status of the procurement of PIC, progress of the collection of samples, the status and results of benefit-sharing negotiations, and progress on payment of benefits or other provisions of the undertaking. The Department of Foreign Affairs and the Department of Science and Technology can assist in overseas monitoring including monitoring inventions and commercialization in foreign countries. According to the report of the currently-dissolved Inter-Agency Committee on Biological and Genetic Resources, between 1996 and early 2004 it processed eight applications for Commercial Research Agreements and seventeen applications for ARA under EO 247. Only one CRA and one ARA were granted during that time.149

One of the important pieces of legislation is “The Traditional and Alternative Medicine Act (TAMA) of 1997,” or “Republic Act 8423.” It institutionalizes the ownership by indigenous societies of their knowledge of traditional medicines. According to this Act, when outsiders use TK, the indigenous societies require the permitted users to acknowledge its source and demand a share of financial return that may come from its authorized commercial use.150

Legislation may also provide guidelines at the local level. “Samoa has the Village Fono Act 1990 which provides for an institutional structure within the village communities “Village Fono” (Village Council) and which, although indirectly, effectively protects Samoa’s traditional form of governance.”151

In the context of compliance with the international regimes, for instance, the TRIPS Agreement, the Philippines has an Intellectual Property Code, i.e., Republic Act No. 829300.152 Patents, trademarks, copyrights, and other economic rights are covered by this Code.153

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151 O’Connor, *supra* note 20, at 692.

152 Blanco, *supra* note 140, at 296.

153 Id.
Analysis

Laws regulating access to genetic and biological resources (IPRA and EO 247) were foreseen to pave the way for collaborative research efforts. However, the local scientific community argues that these laws instead proved restrictive and hindered the development of their research efforts. It is believed that restricting access to local research institutions will reduce the chances of obtaining maximum benefits from biological and genetic resources of the indigenous people.

Moreover, there are also apprehensions regarding how the policy-making processes for protecting TK and their implementation modalities will evolve. Most of the program failures have been associated with “the insufficient capacity and capability of the implementers, notwithstanding their sincerity and the receptiveness and involvement of the beneficiaries.” The time factor is also crucial, as protection is necessary only when there is something to protect, keeping in view the rapid depletion of biodiversity. The policymakers should ensure that the emerging policies are acceptable, and the concerned section of the society is involved at the very beginning of the policy-making process.

2. The Use and Protection of GRs & TK in Vietnam

“With its diverse climate, fertile plains, forests, mountains, and ecosystems, Vietnam is endowed with rich and unique biodiversity…. The country is ranked sixteenth in the world in terms of biological diversity.” The economy of Vietnam depends mainly on its natural

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154 UNCTD, supra note 150, at 6.
155 Id.
156 Id.
157 Blanco, supra note 140, at 297.
158 Id.
159 Id. at 296-97.
160 Id.
resources. Agriculture contributes significantly to the gross domestic product, as compared to other countries in the region. Biological resources play a vital role in agriculture, forestry, and fisheries for ensuring the food security of the nation.

“In Vietnam’s WIPO Survey Response, it was reported that there are very few legislative efforts in the area of genetic resources and almost none in the protection of traditional knowledge.”

However, the Government Decree No. 7-CP of February 1996 elaborates the following measures:

- The overall policy of the Government is to invest for building national capacity in conserving, selecting, producing and carrying on the business of developing seed varieties (Art.4).
- Plant genetic resources are to be considered as national property and managed by the State. All organizations and individuals are encouraged to prospect for, collect, preserve, utilize, and enrich genetic resources for the benefit of the national economy and social welfare (Art. 8). The Ministry of Agriculture and Rural Development (MARD) is the main government body responsible for the management of development of seed varieties by the State.
- The State encourages and protects the legal rights of all Vietnamese and foreign organizations and individuals in their scientific research and business activities (Art. 3) and facilitates international cooperation (Art. 13) on seeds and plant breeds. Such activities must nevertheless be licensed and put under the control of MARD (Art. 14) and must strictly follow the stipulated technical process (Art. 11).
- It is stated that newly produced, selected or imported seed varieties are subject to tests or pilot production before recognition and wider use (Art. 9).

162 Id.
163 Id.
164 Id.
• Seed varieties, when sold as goods in the market, should be sold under trademark with a certificate of quality. All illegal and unfair dealings in the production of and trade in seed varieties are forbidden (Art.13).
• Plant breeders own the copyright on new seed varieties (Art.10).166

Moreover, the “[g]eographical indications protect traditional knowledge to some extent as in the case of ‘Phu Quoc,’ a fish soya sauce, and ‘Shan Tuyet Moc Chau,’ a variety of tea.”167 Patent protection is also available for a traditional preparation of medicinal plants used in stopping drug-addiction, while a trademark has been registered for a traditional balm made of medicinal plants, called “Truong Son.”168

A. Vietnam and International Regimes

There is a need in the country to grasp the contents of the CBD and TRIPS to elaborate a national legal framework for TK and GR protection.169 In this regard, MARD is drafting legislation for the protection of genetic resources and related TK.170

Since the draft regulation has not yet been examined and approved, there is no formal interpretation of its contents. However, through workshops and discussions during the process of its elaboration, it might have made an attempt to reconcile the conflict between the CBD and TRIPS – for example, by recognizing the rights of the patent holder and at the same time denying patents in certain cases, such as (a) personal and non-commercial use of seed varieties; (b) using the product of the harvest obtained by planting the protected variety for propagating purposes on one’s

166 An, supra note 161, at 10-11.
167 Disini, supra note 165.
168 Id.
169 An, supra note 161, at 11.
170 Id. at 12.
own holdings; and (c) using the protected material to develop new varieties and for scientific purposes. However, genetic resources differ according to their uses, and TK is often associated with particular genetic resources.  

“Vietnam has to take [maximum] advantage of the grace period allowed by TRIPS to devise appropriate IPR laws taking into account its national interests.”

3. The TK Protection in Indonesia

“Indonesia has reported to WIPO the absence of any specific legal protection for traditional knowledge, but some protection may be available through copyright, distinctive signs (including geographical indications) and trade secret law.” Some of these laws were further amended in order to provide effective protection, such as Amended Law No. 12 of 1997 on Copyrights, Amended Law No. 13 of 1997 on Patents, and Trademark Law No. 14 of 1997. The Indonesian National News Agency also reported that the government is now making an inventory of the Indonesian folklore and traditional knowledge to prevent it from being patented by others.

The top hierarchy of government officials and intellectuals in Indonesia has learned to value the importance of standard IPR. Especially with the implementation of the TRIPS Agreement, they became aware of the IPR regime and hence of the importance of traditional knowledge. The draft of a new IPR regulation has been submitted to the People’s Consultative Assembly.

Considering the provisions of the TRIPS Agreement, Indonesians are striving to devise legal measures for the legal protection of TK, in particular in the field of biodiversity. Some institutions and non-governmental organizations have organized several meetings on this pattern; however, systematic activities on a

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171 Id.
172 Id.
173 Disini, supra note 165.
175 See Disini, supra note 165.
176 Kamil, supra note 174, at 195.
national scale for the protection of TK are still in the planning stages.177

4. **Control over Knowledge and Resources: The Indian Experience**

“India is one of the 12 megabiodiversity centres in the world. It has a wide diversity of ecological habitats like forests, grasslands, wetlands, coastal and marine ecosystems. Based on the available data, India ranks tenth in the world and fourth in Asia in plant diversity.”178

Like many other developing countries, India is at a crossroads with regard to the development of a new legal regime concerning the management of its vast biological resources and related knowledge. In pursuance of this, the Indian Parliament enacted the Biological Diversity Act 2002 in order to implement and give effect to the CBD. The Act was passed on February 5, 2003, and is an important step towards incorporating the CBD’s policy framework at the national level, and was considered long overdue by various intellectuals and NGOs (non-governmental organizations) active in the field of IPRs and biodiversity conservation. Their demands and concerns were mainly spurred by the global hijack of Indian biodiversity and associated TK. The patenting of Neem and Turmeric by foreign firms initiated a public unrest not only in India, but also abroad, thus compelling the government to enact legislation to protect and regulate access to genetic resources and traditional knowledge.179

Under § 36(5) of the Biological Diversity Act, it is provided that the Central Government shall endeavor to respect and protect the knowledge of local people relating to biological diversity through such measures as recommended by the National Biodiversity Authority (NBA). That could include registration of the knowledge and/or creation of a *sui generis* system for protecting such knowledge.

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According to § 3, persons who are not citizens of India, or associations or organizations which are not registered in India or which have non-Indian citizen participation in equity or management, would be prohibited from obtaining any biological resource originating within the country, and associated knowledge, without the prior approval of the National Authority. This prohibition is also applicable on citizens of India who live abroad. Some provisions are available to ensure monetary compensation to the providers of knowledge where the commercial exploitation of biological resources or knowledge was a result of access given by a specific individual or group of individuals. This will be achieved in four different ways. First, at the time of granting approvals under §§ 19 and 20 of the Act, the NBA can secure equitable benefit sharing for benefit claimers. Second, a venture capital fund for aiding the cause of benefit claimers may be set up. Third, an association of Indian scientists, benefit claimers, and indigenous peoples may be set up to carry out research and development in biological resources. Fourth, the NBA can order that benefit sharing be carried out by way of the payment of monetary compensation directly to these individuals, groups, or organizations, in accordance with the terms of any agreement for benefit sharing and in such a manner as the NBA deems fit.  

Analysis

The Act is the first statute that has been enacted in India in order to achieve the objectives of the CBD. Though it establishes a regulatory and enforcement mechanism within India, nevertheless critics have pointed out several shortcomings from both the regulatory and enforcement viewpoints. Practically, it does not provide effective measures for the protection of genetic resources and related TK and is heavily biased against the interests of tribal and local communities who are the original guardians of the associated knowledge. This is perhaps because there was no direct participation of local communities and tribes in the consultation process for drafting the Biodiversity Bill. Their interests were mainly reflected by some representative NGOs and not directly by themselves. Moreover, the regulations prescribed for Indian nationals and organizations even seem to encourage commercial exploitation of resources rather than giving impetus to the conservation of biodiversity or to benefit sharing with the local communities.

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180 See Anitha Ramanna & Melinda Smale, Rights and Access to Plant Genetic Resources under India’s New Law, 22 DEV. POL’Y REV. 423 (2004).

181 Sagar, supra note 100, at 400.
Even from the perspective of its compatibility with international regimes, there are also some frictions reported. According to the Act, Indian applicants for access to genetic resources are not subject to the same constraints as foreign or international biological diversity prospectors. These restrictions, which apply only to foreign bio-prospectors, stand in problematic relation to Article 15(2) of the CBD, which obliges the Member States of the Convention to mutually facilitate access to genetic resources.

Cullet also observes that, since the permission of the National Biodiversity Authority would be required for patent applications outside India, the Authority may theoretically oppose the grant of intellectual property rights, not only in national patent procedures, but in any foreign country, as long as the subject matter is based on a biological resource obtained from India or on knowledge associated with such a biological resource. Thus, the Authority’s competence to impose this may not be compatible with the TRIPS Agreement. \(^{182}\)

A. Case Studies

As stated earlier, the need for effective legislation for the protection of GRs and associated TK was sparked due to several cases of misappropriation (biopiracy) of TK from India. In the well-known cases of Neem & Turmeric (Haldi), the issue arose from the granting of patent protection to inventions relating to traditional knowledge, which was already in the public domain. In these cases, patents were issued because the patent examiners were not aware of the relevant traditional knowledge.

(i) The Neem Case

The *Neem* case was noteworthy because, for the first time, a patent based on the traditional knowledge of a developing country was successfully challenged. \(^{183}\)

As long as 4,000-4,500 years ago, various parts of the neem tree were used in beauty and medicinal products by the ancient Harappa. Evidence of these uses exists in the remains excavated in the region where the Harappa formerly lived – present day northwestern


\(^{183}\) O’Connor, *supra* note 20, at 681.
India, Pakistan, and Afghanistan. Neem is also famous for its properties as a natural medicine, pesticide, and fertilizer.

“In 1994, the European Patent Office granted a European patent to the U.S. Corporation W.R. Grace and the U.S. Department of Agriculture for a ‘method for controlling fungi on plants by the aid of a hydrophobic extracted neem oil.’”\(^{184}\) In June 1995, legal opposition against the grant of this patent was filed by the Green Group in the European Parliament and by Dr. Vandana Shiva, on behalf of the Research Foundation for Science, Technology, and Natural Resource Policy, New Delhi.\(^{185}\)

On 15 June 1999, the Opposition Board of the European Patent Office held that due to the fact that “all features of the present claim [of the patent] have been disclosed to the public prior to the patent application during field trials in the two Indian districts Pune and Sangli” of Maharashtra, Western India, in summer 1985 and 1986, it appeared to be “mere routine work for a skilled person to add an emulsifier in an appropriate amount” and that therefore “the present subject-matter was considered not to involve an inventive step.” The patent, therefore, was revoked by the European Patent Office in May 2000.\(^{186}\)

(ii) The *Turmeric* Case

In spite of the fact that the decision on the *Turmeric* case appeared later than the revocation of the neem patent, this case attracted even more attention from the public.

Turmeric is a plant of the ginger family. It has been used as a dye, flavoring, and medicine (to treat stomach and liver ailments) since 600 B.C. In 1280, Marco Polo described it as “a vegetable with the properties of saffron, yet it is not really saffron.”\(^{187}\)

In March 1995, two expatriate Indians at the University of Mississippi Medical Center were granted a U.S. patent for turmeric to be used to heal wounds.\(^{188}\)

\(^{184}\) *Id.*

\(^{185}\) *Id.*

\(^{186}\) *Id.* at 682.

\(^{187}\) *Id.*

\(^{188}\) *Id.*
The Indian Council for Scientific and Industrial Research (CSIR) filed a case with the U.S. Patent Office challenging the patent on the grounds of “prior art,” i.e., existing public knowledge. The CSIR argued that turmeric has been used for thousands of years for the healing of wounds and rashes and, therefore, its medicinal use was not novel. The CSIR went so far as to present an ancient Sanskrit text and a paper published in 1953 in the Journal of the Indian Medical Association. The U.S. Patent Office upheld the CSIR’s objections and revoked the patent in August 2002.189

5. Protection of Genetic Resources and Traditional Knowledge in Pakistan

Pakistan has a rich bio-wealth and vast natural resource base, covering various ecological and climatic zones; hence the country has great potential for producing all types of food commodities. Agriculture is the backbone of Pakistan as in most of the developing countries and the majority of people are depending on agricultural production to sustain their livelihood and food security.190

The recent advances in modern biotechnology make possible the increased use of genetic resources and traditional knowledge related to these resources in science and industry.191 This raises a number of questions in the context of access to such GRs and related TK and the sharing of the benefits arising from their use. Pakistan is well aware of the current developments in the field of intellectual property and there are certain measures devised at the national level for the protection of such resources and knowledge.192

A. Draft Law on Access to Biological Resources and Community Rights 2004

189 Id.
191 Id.
192 See generally, id.
The Pakistani Ministry of Food, Agriculture, & Livestock is working on draft legislation to establish fundamental grounds for an ABS mechanism within that nation.\textsuperscript{193} The drafted legislation will protect and support the rights of local (and traditional) communities over biological resources and their related knowledge, innovations, and practices.\textsuperscript{194} This draft has been developed, keeping in view the obligations of CBD, as the preamble shows commitment to implement the relevant provisions of the CBD, in particular Article 15 on access to genetic resources and Article 8(j) on the preservation and maintenance of knowledge, innovations, and practices of indigenous and local communities.\textsuperscript{195} It will ensure the conservation and sustainable use of biological resources and knowledge, and provide an appropriate system of access based upon mutually agreed terms and subject to the prior informed consent of the State and the concerned local communities.\textsuperscript{196} Article 4(3) prohibits import or export of any genetic resources unless the competent national authority confirms that prior informed consent has been obtained from the country of origin.\textsuperscript{197} Article 6 provides appropriate mechanisms for a fair and equitable sharing of benefits arising from the use of biological resources, knowledge, and technologies.\textsuperscript{198}

\textbf{B. Biodiversity Action Plan for Pakistan (BAP)}

The Pakistani Ministry of Environment, Local Government, and Rural Development, working alongside the World Wide Fund for Nature, Pakistan, and IUCN-The World Conservation Union, submitted the BAP 1999, in addition to the first and second country reports, to the CBD Secretariat.\textsuperscript{199} It is an endeavour to roll into one the three sequential processes called for under the CBD: the country study, the national strategy, and the action plan.\textsuperscript{200} Action 4.11 of the BAP discusses “access issues” in detail.\textsuperscript{201} Action 2.7 reaffirms Pakistan’s commitments to the CBD to develop access legislation as a matter of priority to comply with Article 15 (genetic resources), Article 16 (technology), and Article 19 (handling of biotechnology and

\begin{itemize}
  \item Id. at 5.
  \item Id.
  \item Id. at 6.
  \item Id.
  \item Id.
  \item Id.
  \item Id.
  \item Id.
  \item Id.
  \item Id.
  \item Id.
  \item Id.
  \item Id.
\end{itemize}
distribution of its benefits).  Similarly, Action 22.5.1 suggests providing a legal ABS framework, so as to “establish a clear system for the fair and equitable distribution of benefits derived from the use of genetic resources.”

C. The Way Forward

Trained human resources and infrastructure have to be put in place coherently for the effective implementation of the legislation. In Pakistan, neither the legislation nor the systems of implementation are in place. This is perhaps because of the lack of technical know-how and resources. Therefore, at the national level, there is a need to create awareness among local communities, and efforts should be made for the promulgation of draft legislation on access to biological resources and community rights. The civil societies and real stakeholders (including farmers and local communities) should persuade the government to take necessary measures to implement various conventions like the CBD. At the same time, capacity building activities like training to create human resources and infrastructure should be put in place for the effective implementation of the legislation.

D. The Basmati Case

The Basmati rice case concerned the protection of traditional knowledge and geographical indications.

Rice is the second-place major crop in Pakistan in its contribution to export earnings from raw material, an annual foreign exchange return of $250.6 million (U.S.) (1999-2000). Pakistan exports one million tons of rice annually, which is about 10% of the world rice trade.

In 1997, the Texas based RiceTec, Inc., was granted a patent on basmati rice lines and grains by the U.S. Patent Office (USPTO). These “new” strains of rice could be sold under the name “Basmati.”

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202 Id.
203 Id.
204 Id. at 11.
205 Id. at 16.
206 Id.
Both Pakistan and India showed concerns over this issue, as this could have grave repercussions for the agricultural communities in both of those countries. The basmati variety, on which RiceTec claimed a patent, has been derived from Indo-Pak Subcontinent (Punjab) basmati crossed with semi-dwarf varieties. After the protests of India and Pakistan against the use of the name “Basmati,” the USPTO disallowed the patent holder from using the name “Basmati,” as that name was not considered to be a generic name but denoted specific qualities of the famous basmati rice from the Punjab provinces of India and Pakistan. The rice can now be sold only as “Texmati” or any other name that clearly informs the consumer that the rice is not from the Punjab region.

It is important to mention that it is highly expensive to challenge cases of biopiracy on a case-by-case basis. American lawyers demanded a deposit of £300,000 from Pakistan to fight the basmati case.

E. The Chapatti Case

“Chapatti” is another issue which demands immediate attention from the public and government both in Pakistan and India. The grant of a patent has spurred the leading NGOs and public in India to persuade the government to stop the bid which, according to them, is misappropriation of their traditional knowledge. This latest gene-theft is of a wheat variety used for making chapatti. The patent was obtained by Monsanto, which is the world’s largest genetically modified seed company. The patent was awarded by the European Patent Office (EPO) in Berlin, which gives the U.S. multinational exclusive ownership over Nap Hal, a strain of wheat whose gene sequence makes it particularly suited to producing crisp breads. The activists argue that this act of biopiracy of important plant genetic resources could block cultivation of all related varieties in India.

208 Lightbourne, supra note 10, at 891-92.  
209 Id. at 876-77.  
210 Id. at 885, n. 43.  
211 Hafeez & Shah, supra note 190, at 16.  
213 Id.  
214 Id.  
215 Id.
Academics in Pakistan are equally concerned about the issue as, according to them, if Monsanto’s bid is successful, it can adversely affect Pakistani farmers because this is the same wheat variety from which chapatti is prepared in Pakistan, as well.216 Unfortunately, none in Pakistan – the government, farmers, or the NGOs – have taken notice of the development and its effects.217

To put it in a nutshell, Nap Hal’s qualities are the result of the efforts of several generations of farmers in the Indo-Pakistan subcontinent who spent years crossbreeding the crops. Monsanto is simply interested in monopolizing the profits from a wheat variety which has a vast market and on which the lives of millions depend.218

CONCLUSION

Over the past decade, the issue of protection of genetic resources and associated traditional knowledge has received worldwide attention. The activities in this regard can be observed, not only in the framework of international organizations, but as several developing countries have also made efforts for introducing effective legislation for promoting and conserving genetic resources and traditional knowledge. Factors contributing to this include the recognition of TK’s importance in the lives of the majority of the world’s population and in the conservation of biodiversity, concerns about the rapid loss of TK, little or no sharing of resulting benefits with the original holders of TK, interest in harnessing the potential of TK for local sustainable development, and increasing attention to indigenous rights.219

Though considerable work has been done for the protection of such knowledge and resources, a challenging agenda of research and policy still lies ahead. How extensive are genetic resources and indigenous knowledge of countries, and to what uses can they be put? How important is the potential economic value of these resources? Most importantly, how do providing countries tackle the misappropriation of such knowledge and resources? In all these areas, the developing countries can build a credible international negotiating position.

216 Id.
217 Id.
218 Id.
219 See Leistner, supra note 124.
As far as the smooth and successful adoption of international provisions and regimes into domestic laws is concerned, developing countries need to consider the following issues:

- the degree to which the provisions required changes in domestic legislation;
- the degree to which the required changes conflict with existing laws of obligations under other agreements; and
- the ability of the developing countries to adjust their institutions where the two issues outlined above do not hinder the implementation process.\(^{220}\)

For developing countries, the adoption of a *sui generis* system, which rewards the contribution of all actors involved and which also seeks to foster their sustainable management, is of great importance at this juncture. The developing countries need to create consensus among each other to promote a *sui generis* system of protection, not only in the TRIPS Council, but in other international forums as well.

Keeping in view the rigid stance of developed countries of not tolerating any hindrance to access to such knowledge and resources, the developing countries need to make joint efforts in all international negotiations so as to secure their economic interests. Moreover, they need to develop a consensus upon a solution which should be mutually beneficial and in the wider interest of humanity by utilizing such knowledge and resources.

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\(^{220}\) Mathur, *supra* note 37, at 95.
A HEAVY BURDEN: PROPER APPLICATION OF COPYRIGHT’S MERGER AND SCENES A FAIRE DOCTRINES

Andrew B. Hebl*

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INTRODUCTION

One of the least clearly defined concepts in copyright law is the idea/expression dichotomy, which states that protection for works only extends to expression, not ideas. It has been very difficult to distinguish between these two concepts. Complicating matters, courts have disagreed in infringement actions over which party should bear the burden of proof regarding the idea/expression dichotomy in general. Courts have classified it as a question of whether it is a bar
to copyrightability or a defense to infringement, but the real question is who bears the burden of proof. Should the plaintiff be required to show that his work consists of protectable expression, rather than unprotectable ideas, or should the defendant be required to show that what she took from the plaintiff was not protectable? Because of the difficulty in distinguishing between idea and expression, the party who ultimately bears the burden is in trouble. “Whoever has to prove the unprovable facts is likely to lose.”

Since courts disagree about the burdens, judge-made law is still highly relevant and often decisive in moving the current understanding of the law forward. This problem stands at the heart of copyright law’s inconsistency. Judges across the country are often authorized to make their own individual decisions interpreting a federal statute, and these decisions are only binding on a particular region. Thus,

4 See supra note 3.

5 David McGowan, Copyright Nonconsequentialism, 69 Mo. L. Rev. 1, 2 (2004) (“These examples represent a general truth. It is easy for each side to poke holes in the other side’s positions. It is hard for either side to make an affirmative, instrumental case for their views. For this reason, and because scholars favor consequentialist rhetoric, the debate often consists of competing narratives that use hunches and conjectures to link the result an author desires to the policy the author favors. Because the evidence in such arguments is so weak, the legal endgame is to place the burden of proof on the other side. Whoever has to prove the unprovable facts is likely to lose.”).

6 Id.

7 For example, in the context of the fair use doctrine, despite its legislative codification at 17 U.S.C. § 107 (2000), the legislative history still states:

The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change. Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis. Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.


8 See id.
despite the intended uniformity of copyright law that is supposed to accompany federal intellectual property legislation, there is still a great lack of consistency in application. Especially with regard to idea/expression, courts do not know how to properly apply two very important copyright doctrines, the merger doctrine and *scenes a faire*. They cannot decide whether these doctrines operate as bars to copyrightability or defenses to infringement. In fact, some have even argued that there is currently a circuit split. In reality, these judges aren’t disagreeing; they are talking past one another. At the same time, the situation is still quite chaotic.

In order to sift through the madness of copyright law, judicial reliance on Professor Nimmer’s comprehensive copyright treatise has risen to astounding levels. “The considerable number of citations to the Nimmer copyright treatise suggests it is widespread and commonplace for federal judges to depend on the treatise to articulate and support copyright law decisions.” On the one hand, this reliance must certainly help bring some much needed uniformity to the realm of copyright law. On the other hand, because of Nimmer’s influence, any error in approach will be compounded by an often blind acquiescence by the federal courts.

The present discussion of the idea/expression dichotomy presents one such error. Professor Nimmer takes the stance that the burden of proof should lie with the defendant in proving that his

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9 *See* Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 162 (1989) (“One of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property.”).
10 *See supra* note 3.
11 *See supra* note 3.
12 *See supra* note 3.
13 Lexmark Int’l, Inc. v. Static Control Components, Inc., 387 F.3d 522, 557 (6th Cir. 2004) (Feikens, J., concurring in part and dissenting in part) (“[T]here is] a Circuit split regarding the law of merger. Simply put, there is some disagreement about whether the merger doctrine acts as a bar to copyrightability, or simply as a defense to particular types of infringement.”).
14 Ann Bartow, *The Hegemony of the Copyright Treatise*, 73 U. Cin. L. Rev. 581, 589 (2004) (“Quantification of the number of times the Nimmer treatise has been cited by federal courts in published opinions via online legal databases is inexact at best, but conservatively exceeds 2000 citations, 17 by the Supreme Court alone.”).
15 *Id.* at 591.
16 *Id.*
17 *See* 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[B][3], at 13-88 to 13-88.1 (Matthew Bender & Co. 2007) (“It is not always clear whether the merger doctrine is deemed a bar to copyright itself, rather than simply a defense to the charge of infringement .... [T]he better view construes it as the latter ....”); *see also id.* § 13.03[B][4], at 13-88.6 (“As was remarked above
taking was protected by the two major guardians of idea/expression, the merger doctrine and scenes a faire. Regarding merger, he states that “the better view” construes it as a defense to infringement, “evaluating the inseparability of idea and expression in the context of a particular dispute, rather than attempting to disqualify certain expressions from protection per se,” thus requiring defendants to prove that their taking was justified. As to scenes a faire, he merely states that “this doctrine does not limit the subject matter of copyright; instead, it defines the contours of infringing conduct.”

While Professor Nimmer may have been right about this application in 1976, subsequent statutes demand a reconsideration of his original stance. Since enactment of the Copyright Act of 1976, Congress has enacted dozens of statutes which expand the protection afforded to copyright owners. However, as these same statutes

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18 Id. § 13.03[B][3], at 13-88.1.
19 Id. § 13.03[B][4], at 13-88.6.
demonstrate, it has not become any more difficult for owners to obtain protection in the first place. Under the quid pro quo bargain theory of copyright, this imbalance operates in direct contradiction to copyright’s fundamental policies. Authors are given protection in exchange for their creative contributions. However, since 1976, authors have been given considerably more protection, yet have not noticeably increased their production, nor have they been asked to do so. The courts’ present disagreement ought to be resolved in favor of increased expectations for potential plaintiffs. In order to best serve the interests of copyright law, in light of the ever increasing statutory protection afforded copyright owners and the plain language of the copyright statute itself, courts should require plaintiffs to show that their work is protectable despite the merger doctrine and *scenes a faire*.

The basis for this position is set out in this Comment by first describing in Part I the fundamental policy objective of copyright law, the quid pro quo exchange, and how it has become unbalanced. Part II provides an overview of the idea/expression dichotomy and its constituent enforcers, the merger doctrine and *scenes a faire*, as well as a discussion of the difficulty courts have had in their application. Part III demonstrates why these doctrines should be applied as bars to copyrightability, requiring the plaintiff to shoulder the burden of proof, based on procedural, statutory, and constitutional policy concerns.

I. **The Fundamental Policy of Copyright Is to Incentivize Authors Through a Quid Pro Quo Exchange, and This Exchange Has Been Disrupted.**

This section discusses copyright’s quid pro quo exchange, which is based on the idea that authors contribute their creativity to society, and society rewards them with an exclusive right to control their work. Unfortunately, this exchange has been badly disrupted, as copyright protection has expanded to unprecedented levels, yet authors have not been asked to contribute anything more to society.


21 See supra note 20.

22 Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (“The ... effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor.”).

23 See supra note 20 (listing examples of statutes expanding protection without increasing requirements to obtain it in the first place).
A. The Quid Pro Quo Exchange

Congress derives its authority to promulgate copyright laws from the Intellectual Property Clause, which states that “[t]he Congress shall have Power … [t]o promote the Progress of Science and the useful Arts by securing for limited times to Authors … the exclusive Right to their respective Writings ….”24 Thus, the Constitution directly authorizes Congress to enact intellectual property legislation. At the time of the Constitutional Convention, the word “science” was understood to mean “knowledge.”25 Thus, the primary purpose of copyright law is to advance the public good by promoting the progress of knowledge.26

There is a debate in copyright, however, about how this is best accomplished.27 The first approach would provide very strong incentives for authors in the form of zealously enforced protective measures.28 The second would give them much less protection, and put only the fruits of their labor that fit within the very letter of the law out of the immediate reach of the public.29 In the first case, production by authors should theoretically increase based on stronger incentives, stimulating long-term growth of the public domain after copyrights expire.30 The second approach more zealously protects information currently in the public domain, and only permits authors to protect those elements of their creation which fit narrowly within

24 U.S. CONST. art. I, § 8, cl. 8.
26 See Am. Geophysical Union v. Texaco, Inc., 802 F. Supp. 1, 9 (S.D.N.Y. 1992) (“The theory espoused by this constitutional provision is that the advancement of public good, through growth of knowledge and learning, is to be obtained by securing the private commercial interests of authors.”).
27 See Kern River Gas Transmission Co. v. Coastal Corp., 899 F.2d 1458, 1463 (5th Cir. 1990) (“The Copyright Act reflects a tension created by Congress in balancing divergent public policies …. [P]rotection is extended to an expression of an idea fixed in a tangible form, but not to the idea itself regardless of the form in which it is fixed. In drawing this fundamental distinction, Congress balanced the competing concerns of providing incentive to authors to create and of fostering competition in such creativity.”).
28 Id.
29 See Herbert Rosenthal Jewelry Corp. v. Kalpakian, 446 F.2d 738, 742 (9th Cir. 1971) (“The guiding consideration in drawing the line is the preservation of the balance between competition and protection reflected in the patent and copyright laws. What is basically at stake is the extent of the copyright owner's monopoly—from how large an area of activity did Congress intend to allow the copyright owner to exclude others?”).
30 Id.
the constitutional and statutory requirements. Thus, the debate revolves around whether to protect the current public domain at all costs, or to provide greater protection to authors, resulting in a more long-term growth strategy. In either case, the system encourages creativity by providing copyright protection, permitting authors to recoup their investment and reap the rewards.

This concept of protection in exchange for creativity is known as the bargain theory of copyright, and is “the dominant theoretical approach to copyright.” In *Twentieth Century Music Corp. v. Aiken*, the Supreme Court discussed the bargain theory’s Constitutional basis, stating, “[t]he immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.”

Since our nation’s founding, our government has struggled to determine how an effective copyright system best operates. Over time, some clear ideas have emerged. For example, the Supreme Court interpreted the words “author” and “writings” to mean that a work must demonstrate a degree of “originality” in order to garner copyright protection. The required amount of originality is quite low, but nevertheless, it is a basic requirement. This is the quid pro quo exchange in copyright; it is the author’s contribution to society which justifies the government’s protection of his work. As Professor Peter

31 Id.
32 Id.
33 Peter K. Yu, *Fictional Persona Test: Copyright Preemption In Human Audiovisual Characters*, 20 CARDOZO L. REV. 355, 384 (1998) (“Copyright protection is … needed to assure writers a fair return on their investments in creation.”).
35 422 U.S. 151, 156 (1975).
36 See *In re Trade-Mark Cases*, 100 U.S. 82, 94 (1879) (“[U]nder the head of writings of authors, originality is required… And while the word writings may be liberally construed, as it has been, to include original designs for engravings, prints, &etc., it is only such as are original, and are founded in the creative powers of the mind. The writings which are to be protected are the fruits of intellectual labor, embodied in the form of books, prints, engravings, and the like.”); see also *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57-60 (1884) (“An author in that sense is ‘he to whom anything owes its origin; originator; maker …’ [W]hen the supposed author sues for a violation of his copyright, the existence of those facts of originality … on the part of the author should be proved.”) (emphasis added).
37 See *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 358-59 (1991) (“[T]he originality requirement is not particularly stringent… Originality requires only that the author make [the work] independently (i.e., without copying …), and that it display some minimal level of creativity.”).
38 *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127-28 (1932) (“The sole interest of the United States and the primary object in conferring the monopoly lie in the general
Yu stated, “[c]opyright protection is … needed to assure writers a fair return on their investments in creation. Providing writers … with monopolies over their creative works … enables them to recapture their investments.”39 Judge Richard Posner and Professor William Landes would agree, arguing that “[s]ome copyright protection is necessary to generate the incentives to incur the costs of creating easily copied works.”40

B. Copyright’s Quid Pro Quo Has Been Disrupted by Increased Protection

Despite the clear importance of the quid pro quo exchange, protection for copyright owners has expanded dramatically41 since the Copyright Act of 1976.42 In discussing copyright’s duration alone, Professor Lawrence Lessig notes, “[i]n the first hundred years of federal copyright's life in America, Congress changed that term just once. In the next fifty years, Congress changed that term once again. But in the last thirty-nine years, Congress has extended the terms of copyrights eleven times.”43

Congressional expansion of copyright protection is not just limited to duration, however. Consider the Digital Millennium Copyright Act, which essentially provides a new cause of action for copyright owners against those who circumvent their security technology.44 Another example is the Uruguay Round Agreements Act, which extends copyright protection to live, unrecorded performances of nondramatic musical works.45 Congress has passed literally dozens of other enactments which dramatically expand copyright protection.46

While Congress has been expanding protection, copyright owners have been asked to do nothing more. In fact, in some cases,
statutory requirements for copyright protection have been relaxed.\textsuperscript{47} Furthermore, the Supreme Court does not have very high expectations for copyright owners in the first place. In \textit{Feist Publications, Inc. v. Rural Telephone Service Co.},\textsuperscript{48} the court stated that “[t]he originality requirement is not particularly stringent. … Originality requires only that the author make [the work] independently (i.e., without copying …), and that it display some minimal level of creativity.”\textsuperscript{49} Well, the originality requirement is the \textit{quid} that authors contribute in the quid pro quo exchange.\textsuperscript{50} It is the constitutional requirement for copyright protection, and it is “not particularly stringent.”\textsuperscript{51} Basically, the quid pro quo balance has been greatly disrupted by an unbridled expansion of copyright protection, without any corresponding increased expectations for authorial contributions.

Thus, it is clear that an important policy objective of copyright law is that authors must give in order to receive. Make a contribution of originality and creativity to society as a whole, and the government will provide an exclusive right. Unfortunately, this policy has clearly been disrupted, and its balance needs to be restored. The fact is, courts must ensure that authors are only awarded for that which they actually contribute, and nothing more. The discussion below demonstrates how the idea/expression dichotomy helps courts ensure that authors do not receive any more protection than that which they have earned, quid pro quo.

II. THE IDEA/EXPRESSION DICHOTOMY: THEORY AND PRACTICE

In order to provide certainty in our nation’s intellectual property laws, and supply sufficient incentives to both authors and inventors, while at the same time avoiding the removal of material from the public domain, a clear delineation between the patent and copyright systems is a necessity. In service of this objective, the statute-based idea/expression dichotomy ensures that those works properly within the scope of copyright get protection, while everything else is relegated to either patent protection or the public domain. Unfortunately, courts have struggled to apply this distinction in practice.\textsuperscript{52}

\textsuperscript{49} Id. at 358-59.
\textsuperscript{50} See discussion supra Part I.A.
\textsuperscript{51} \textit{Feist}, 499 U.S. at 358-59.
\textsuperscript{52} See supra note 3.
A. What Is the Idea/Expression Dichotomy?

Copyright protection is limited in that it pertains only to expression. The Supreme Court interpreted the Intellectual Property Clause to require that protection for expression is distinguished from protection for ideas. The primary purpose of this distinction is to specifically define what is protectable by copyright, what belongs in the public domain, and what is protected by patent law. This creates certainty for those authors who wish to publish their works, so they can have a reasonable expectation of the protection the law will provide. It also provides the same benefit to potential patentees, by clearly delineating what a patent protects and what a copyright protects. The result is that authors and inventors create, confident in the clearly defined scope of protection the law will provide, and the public as a whole benefits from an increased dissemination of knowledge.

The legal term of art which refers to this distinction is the idea/expression dichotomy. It was first clearly identified and discussed in the case of Baker v. Selden, and Congress codified it at 17 U.S.C. § 102(b): “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated,

53 See Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 547 (1985) (“[N]o author may copyright facts or ideas. The copyright is limited to those aspects of the work—termed ‘expression’—that display the stamp of the author’s originality.”).
54 See Baker v. Selden, 101 U.S. 99, 103 (1879) (“The copyright of a work on mathematical science cannot give to the author an exclusive right to the methods of operation which he propounds, or to the diagrams which he employs to explain them, so as to prevent an engineer from using them whenever occasion requires. The very object of publishing a book on science or the useful arts is to communicate to the world the useful knowledge which it contains. But this object would be frustrated if the knowledge could not be used without incurring the guilt of piracy of the book.”).
55 See id. at 105 (“The description of the art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself. The object of the one is explanation; the object of the other is use. The former may be secured by copyright. The latter can only be secured, if it can be secured at all, by letters-patent.”).
56 Id.
57 Id. at 103; see also discussion supra Part I.A.
58 Feist, 499 U.S. at 350 (“[C]opyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. … This principle, known as the idea/expression … dichotomy, applies to all works of authorship.”).
59 Baker, 101 U.S. at 103.
or embodied in such work.” Therefore, copyright law will never protect ideas, while original expression of ideas will always garner protection.

Distinguishing between idea and expression in a work is very difficult. The most famous attempt to define this boundary was articulated by Judge Learned Hand:

> Upon any work, … a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the [work] is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the [author] could prevent the use of his 'ideas,' to which, apart from their expression, his property is never extended. Nobody has ever been able to fix that boundary, and nobody ever can.

Despite the difficulties, there are two doctrines which assist in defining the boundary between idea and expression. The first of these is the merger doctrine. The second method is *scenes a faire*. These doctrines are critical in assisting courts to promote the fundamental policy objectives of copyright law.

1. **The Merger Doctrine as the First Tool of Enforcing the Idea/Expression Dichotomy**

   When an idea is inseparable from its own expression, that idea is said to merge with the expression, and such expression, despite any originality, is denied copyright protection. This concept is known as the merger doctrine, and is a valuable tool for courts in defining the

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61 *Id.*
62 *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930) (emphasis added).
63 *See Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 535 (6th Cir. 2004) (“In ascertaining this ‘elusive boundary line’ between idea and expression, … courts have looked to two other staples of copyright law—the doctrines of merger and scenes a faire.”); *see also Baker*, 101 U.S. at 103.
64 *See Kern River Gas Transmission Co. v. Coastal Corp.*, 899 F.2d 1458, 1463 (5th Cir. 1990) (“The doctrine of ‘merger’ developed in an effort to deal with this difficulty in locating the precise boundary between idea and expression. The doctrine holds that when the expression of an idea is inseparable from the idea itself, the expression and idea merge.”).
boundary between protectable expression and unprotectable ideas. The purpose of defining this boundary is to ensure that authors are only granted an exclusive right to their original expression. However, if the expression and idea are inseparable, granting an exclusive right will result in the author obtaining a monopoly on the idea itself. Rather than promote the progress of knowledge, such a result stymies the dissemination of knowledge. Giving authors an exclusive right to merged expression infringes upon the province of patent law, which provides inventors, not authors, with an exclusive right to exploit their ideas that are novel, useful, and nonobvious.

Patent law’s protection of ideas does not stifle innovation or retard progress because such protection is much more difficult to obtain and the duration of its protection is shorter. Unlike a copyright, whose protection is available as long as a “modicum of originality” exists in a particular expression, patent law only protects inventions provided they pass tests of novelty, nonobviousness, and utility. These are significant hurdles, and ensure that ideas which the public already possesses are not thereafter taken away. At the same time, these hurdles provide a powerful incentive for inventors to continue to innovate.

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65 Id.
66 See Herbert Rosenthal Jewelry Corp. v. Kalpakian, 446 F.2d 738, 742 (9th Cir. 1971) (“When the ‘idea’ and its ‘expression’ are thus inseparable,” copyright protection will not be extended, “since protecting the ‘expression’ in such circumstances would confer a monopoly of the ‘idea’ upon the copyright owner.”).
67 Id.
68 See id. at 740 (The grant of an exclusive patent right “is carefully circumscribed by substantive and procedural protections. To be patentable the subject matter must be new and useful, and represent a nonobvious advance … an advance that would not be obvious to a hypothetical person skilled in the art and charged with knowledge of all relevant developments publicly known to that point in time. A patent is granted only after an independent administrative inquiry and determination that these substantive standards have been met. This determination is subject to both administrative and court review.”). See also Mazer v. Stein, 347 U.S. 201, 217-18 (1954) (“Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself…. The copyright protects originality rather than novelty or invention.”).
69 Kalpakian, 446 F.2d at 740.
71 See Feist, 499 U.S. at 346 (“[O]riginality requires independent creation plus a modicum of creativity.”).
72 Kalpakian, 446 F.2d at 740.
73 Id.
74 Id.
Copyright law, on the other hand, absent the idea/expression dichotomy, would provide an exclusive right to such ideas provided they possessed a mere “modicum of originality,” which is an extremely low standard. This would open the floodgates to a monopolization of ideas, whose low but sufficient level of originality would sustain an exclusive right, and pull a great deal of information out of the public domain. The result would directly counteract the primary policy of copyright law, by effectively foreclosing the public dissemination of a vast quantity of knowledge.

The merger doctrine counteracts this potential pitfall by erring on the side of caution when evaluating whether an expression is worthy of protection. If the expression is inseparable from its idea, that is, if there are very few ways to express an idea, regardless of any originality present in that expression, copyright protection will not be available. Thus, potentially original expression is not protected in order to ensure that a monopoly on an idea is not granted.

2. Scenes a Faire as the Second Tool of Enforcing the Idea/Expression Dichotomy

Scenes a faire are defined as “incidents, characters or setting which are as a practical matter indispensable, or at least standard, in the treatment of a given topic,” or “scenes which necessarily result from identical situations.” For example, broomsticks and bubbling cauldrons are not protectable expression in a story about witches. In

75 Feist, 499 U.S. at 358-59.
76 See Kalpakian, 446 F.2d at 741 (“Obviously a copyright must not be treated as equivalent to a patent lest continuing private monopolies be conferred over areas of gainful activity without first satisfying the substantive and procedural prerequisites to the grant of such privileges.”).
77 Id.
78 See Fin. Control Assocs., Inc. v. Equity Builders, Inc., 799 F. Supp. 1103, 1118 (D. Kan. 1992) (In cases of merger, “rigorously protecting the expression would confer a monopoly over the idea itself, in contravention of the statutory command. To prevent that consequence, courts have invoked the merger doctrine. In other words, given the dilemma either of protecting original expression even when that protection can be leveraged to grant an effective monopoly over the idea thus expressed, or of making the idea free to all with the concomitant result that the plaintiff loses effective copyright protection even over the precise original expression used, copyright law chooses the latter course.”) (quoting 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[B][3] (Matthew Bender & Co. 2007) (1963)).
79 Id.
81 Reyher v. Children's Television Workshop, 533 F.2d 87, 92 (2d Cir. 1976).
the area of computing, *scenes a faire* expands, denying protection to those elements that are dictated by external constraints, such as hardware requirements or operating system interface parameters. Thus, those expressions which are inherent in a specific theme, or dictated by external constraints, either do not meet the requisite level of originality because of their connection to that theme or because they constitute ideas, and, therefore, must not receive protection under the idea/expression dichotomy.

Much like the merger doctrine, the notion of *scenes a faire* is available to assist courts in distinguishing between copyrightable and uncopyrightable material. Its purpose is to ensure that what belongs in the public domain stays there, and what deserves protection gets it. Thus, *scenes a faire*, as an enforcer of the idea/expression dichotomy, is a concept invoked to promote the very same public policy that copyright law itself promotes, namely, the progress and public dissemination of knowledge. Original expressions which are indispensable to a common theme will remain in the public domain to the benefit of all, and the author will not possess the exclusive right to ideas which are also necessary to that theme.

**B. Because of Idea/Expression Dichotomy’s Abstract Nature, the Party that Has the Burden of Proof Is Much More Likely to Lose, and Courts Have Struggled to Adjust**

The discussion regarding the merger doctrine and *scenes a faire* may appear to suggest that courts should invoke these concepts in the initial determination of copyrightability for an individual seeking protection; however, that is not necessarily the case. Again, a work can achieve copyright protection by satisfying the subject matter

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82 Gates Rubber Co. v. Bando Chem. Indus., Ltd., 9 F.3d 823, 838 (10th Cir. 1993) (“The *scenes a faire* doctrine … excludes from protection those elements of a program that have been dictated by external factors.”).

83 See id. (“[W]here a particular expression is common to the treatment of a particular idea, process, or discovery, it is lacking in the originality that is the sine qua non for copyright protection.” (citing Feist Publications v. Rural Tel. Service, 499 U.S. 340, 348 (1991))).

84 See Burnett v. Lambino, 204 F. Supp. 327, 331 (S.D.N.Y. 1962) (“Such stock characters and situations are inherent … as a background and are not copyrightable. The familiar test of copyrightability distinguishes between the ‘ideas’ used by the author and his ‘expression’ of them. Only the latter is said to be copyrightable.” (citing Holmes v. Hurst, 174 U.S. 82, 86 (1899))).

85 Id.

requirements of § 102(a) and demonstrating a “modicum of originality.” 87 The barrier to copyright protection is quite low. 88 Thus, an evaluation of merger or *scenes a faire* will not typically come up outside the scope of an infringement action. 89 This raises a fundamental question which this article attempts to answer, namely, who should bear the burden of proof when it comes to showing merger or *scenes a faire*?

As Judge Learned Hand pointed out regarding the point at which idea becomes expression, “[n]obody has ever been able to fix that boundary, and nobody ever can.” 90 In such a situation, where, “the evidence in such arguments is so weak, the legal endgame is to place the burden of proof on the other side. Whoever has to prove the unprovable facts is likely to lose.” 91 When an abstract concept like idea/expression must be proven, the party who bears the burden will have a much more difficult time. 92 Because of the extreme difficulty for either plaintiff or defendant to make such a showing, courts disagree about who should be assigned the burden. 93

In the last twenty years, the situation has deteriorated considerably, and all semblance of a consistent standard has vanished. 94 In the First, Third, Fifth, and Eleventh Circuits, courts have held that these doctrines are applicable as bars to copyrightability, and that the plaintiff must demonstrate that his work does not merge or constitute *scenes a faire*. 95 In the Second, Seventh, Eighth, and Ninth Circuits, courts have generally held that they are

87 See *Feist*, 499 U.S. at 358-59 (“The constitutional requirement necessitates independent creation plus a modicum of creativity.”).
88 See id. at 358 (“[T]he originality requirement is not particularly stringent. … Originality requires only that the author make [the work] independently (i.e., without copying …), and that it display some minimal level of creativity.”).
89 See *Lexmark*, 387 F.3d at 538 (“[C]ourts most commonly discuss the idea-expression dichotomy in considering whether an original work and a partial copy of that work are ‘substantially similar’ (as part of prong two of the infringement test), since the copyrightability of a work as a whole (prong one) is less frequently contested[,]” not because that is necessarily the correct application.).
90 Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir. 1930).
92 See id. (“It is easy for each side to poke holes in the other side’s positions. It is hard for either side to make an affirmative, instrumental case for their views. For this reason, and because scholars favor consequentialist rhetoric, the debate often consists of competing narratives that use hunches and conjectures to link the result an author desires to the policy the author favors. Because the evidence in such arguments is so weak, the legal endgame is to place the burden of proof on the other side. Whoever has to prove the unprovable facts is likely to lose.”).
93 See *supra* note 3.
94 See *supra* note 3.
95 See *supra* note 3.
defenses to infringement, requiring a defendant to demonstrate that his taking *does* constitute merger or *scenes a faire.* The problem with all of these cases, as the below discussion indicates, is that these courts are talking past one another, justifying their decisions based on inconsistent arguments which do not address one another. Bar/defense is not the argument, burden allocation is.

The dispute finds its foundation in the Supreme Court decision of *Baker v. Selden.* In that case, the Supreme Court held that Selden’s book of accounting practices, though copyrightable as a book, could not also be provided copyright protection for the ideas it described. Thus, the defendant, Baker, was able to copy those ideas without incurring any liability. In essence, Baker was able to claim as a defense to copyright infringement that he could not be held liable for what he had copied. The Court held that Baker’s taking constituted expression merged with ideas. The Court reasoned that because there were a limited number of ways to express an accounting system, taking from such a system was not actionable. However, the Supreme Court did not clearly articulate the application of idea/expression as such in any subsequent case, hence the “dispute.”

In the 1967 case of *Morrissey v. Proctor & Gamble Co.,* the First Circuit applied the merger doctrine, requiring the plaintiff to demonstrate that his work did not consist of merged expression or *scenes a faire.* There, Morrissey had registered a copyright for rules he had promulgated regarding a sweepstakes contest. The court held that because there were only a limited number of ways to express the sweepstakes rules themselves, their idea merged with their expression, and the rules themselves were *per se* uncopyrightable. Morrissey was required to demonstrate that his work did not merge, and he failed to make that showing. The court’s rationale was that “to permit copyrighting would mean that a party or parties, by

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96 See *supra* note 3.
97 101 U.S. 99 (1879).
98 Id. at 101-02.
99 Id. at 102.
100 Id. at 103.
101 Id. at 107.
102 Id. at 101-02.
103 379 F.2d 675 (1st Cir. 1967).
104 Id. at 678.
105 Id. at 676-77.
106 See id. at 678 (“[T]he substance of the contest was not copyrightable ….
Copyright attaches to form of expression, and defendant’s own proof, introduced to deluge the court on the issue of access, itself established that there was more than one way of expressing even this simple substance.”).
107 Id.
copyrighting a mere handful of forms, could exhaust all possibilities of future use of the substance.\textsuperscript{108} The court reasoned that it was necessary for merger to act as a bar to copyrightability in order to prevent parties from obtaining protection for items that belong in the public domain.\textsuperscript{109}

In \textit{Kern River Gas Transmission Co. v. Coastal Corp.},\textsuperscript{110} the Fifth Circuit held that Kern River’s maps for natural gas pipeline routes were not copyrightable.\textsuperscript{111} The court’s concern was that providing copyright protection to a map describing the location of a pipeline would provide a monopoly to Kern River on the idea of locating a pipeline in a chosen area, due to the fact that there were so few ways to express that same idea.\textsuperscript{112} Essentially, the court felt that by copyrighting the map, Kern River would have been copyrighting the pipeline location itself.\textsuperscript{113} This mirrors the issues raised by the \textit{Morrissey} court, i.e., that ideas should not be removed from the public domain by providing copyright protection to an uncopyrightable idea.\textsuperscript{114} It also mirrors the outcome of \textit{Morrissey}, since Kern River was required to prove that its maps did not merge, and it failed to make that showing.\textsuperscript{115}

The Sixth Circuit voiced its concerns in \textit{Lexmark International, Inc. v. Static Control Components, Inc.}\textsuperscript{116} In that case, the court ruled that Lexmark’s toner loading program, because it consisted of only eight program commands, was not copyrightable because its elements constituted \textit{scènes a faire}, i.e., elements dictated by external constraints.\textsuperscript{117} Because Lexmark could only write its program

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\textsuperscript{108} & Id. at 678-79 \\
\textsuperscript{109} & Id. \\
\textsuperscript{110} & 899 F.2d 1458 (5th Cir. 1990). \\
\textsuperscript{111} & See id. at 1464 (“The idea of the proposed location of a prospective pipeline is not copyrightable. The 1:250,000 maps consisted of lines representing the proposed location of the pipeline drawn on maps sold to the general public. Such map markings are certainly the only effective way to convey the idea of the proposed location of a pipeline across 1,000 miles of terrain. To extend protection to the lines would be to grant Kern River a monopoly of the idea for locating a proposed pipeline in the chosen corridor, a foreclosure of competition that Congress could not have intended to sanction through copyright law . . . .”). \\
\textsuperscript{112} & Id. \\
\textsuperscript{113} & Id. \\
\textsuperscript{114} & See \textit{Morrissey v. Procter & Gamble Co.}, 379 F.2d 675, 679 (1st Cir. 1967). \\
\textsuperscript{115} & \textit{Kern River}, 899 F.2d at 1464. \\
\textsuperscript{116} & 387 F.3d 522 (6th Cir. 2004). \\
\textsuperscript{117} & \textit{Id.} at 535-36 (“When external factors constrain the choice of expressive vehicle, the doctrine of ‘scènes a faire’—‘scenes,’ in other words, ‘that must be done’—precludes copyright protection. In the literary context, the doctrine means that certain phrases that are ‘standard, stock, . . . or that necessarily follow from a common theme or setting’ may not obtain copyright protection. In the computer-

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commands exactly the way that it had written them there were no creative decisions involved and thus, no copyrightable subject matter at issue.\textsuperscript{118} Lexmark was unable to carry its burden of proof, and could not show that its program’s content deserved copyright protection under \textit{scenes a faire} or merger.\textsuperscript{119} As with all other majority decisions finding that these doctrines should operate as bars to copyrightability, the primary concern is preventing copyright protection from extending to material which belongs in the public domain,\textsuperscript{120} an argument which the opposition simply talks past, as the discussion below indicates.

This counter-argument is led primarily by the Second Circuit, which handed down the opinion in \textit{Kregos v. Associated Press}.\textsuperscript{121} In that decision, the court held that the alleged infringer’s conduct, consisting of copying statistics compiled by the plaintiff on various baseball pitchers, was excused by the merger doctrine, because the information copied had merged with its expression.\textsuperscript{122} The doctrine thus acted as a defense to infringement, and the court did not invalidate the plaintiff’s copyright.\textsuperscript{123} The court’s rationale for applying merger as a defense to infringement, requiring the defendant to make the showing, was that such application provides “a more detailed and realistic basis for evaluating the claim that protection of expression would inevitably accord protection to an idea.”\textsuperscript{124} Needless to say, this is a somewhat cryptic and circular rationale, and later, the court “confess[es] to some unease because of the risk that protection of selections of data, or, as in this case, categories of data, software context, the doctrine means that the elements of a program dictated by practical realities—e.g., by hardware standards and mechanical specifications, software standards and compatibility requirements, computer manufacturer design standards, target industry practices, and standard computer programming practices—may not obtain protection. As ‘an industry-wide goal,’ programming ‘[e]fficiency’ represents an external constraint that figures prominently in the copyrightability of computer programs.” (internal citations omitted).

\textsuperscript{118} Id. at 535.
\textsuperscript{119} Id.
\textsuperscript{120} See id. (“In these instances, copyright protection does not exist because granting protection to the expressive component of the work necessarily would extend protection to the work's uncopyrightable ideas as well.”).
\textsuperscript{121} 937 F.2d 700 (2d Cir. 1991).
\textsuperscript{122} See id. at 709 (“If Kregos prevails at trial on the factual issues of originality and creativity, he will be entitled to protection only against infringement of the protectable features of his form. Only the \textit{selection} of statistics might be entitled to protection …. Even as to the \textit{selection} of statistics, if Kregos establishes entitlement to protection, he will prevail only against other forms that can be said to copy his selection.”).
\textsuperscript{123} Id. at 710.
\textsuperscript{124} Id. at 705.
have the potential for according protection to ideas." In the end, however, merger is a defense to infringement in the Second Circuit. The defendant has the burden of showing that his taking is excused as merged expression or scenes a faire, and in Kregos, the defendant successfully met that burden.

In Reed-Union Corp. v. Turtle Wax, Inc., a car polish manufacturer copied another manufacturer's commercial, which showed a beat-up car getting polished, and then enduring an entire year without another polishing. The Seventh Circuit held that the original commercial was copyrightable, but because the copier took material from the original that constituted scenes a faire, the copying was excused. Essentially, the court held that while the ideas behind scenes a faire were not copyrightable, the expressions themselves were, and that it was thus problematic to try to classify scenes a faire as per se uncopyrightable. However, the court did not directly address the counter-arguments regarding the danger of taking material out of the public domain. Though burden shifting ought to be the crux of the argument, this case exemplifies how courts talk past each other and fail to address the real issue.

The lengthiest discussion arguing that defendants should bear the persuasive burden, however, is in a concurring opinion. Judge Feikens, in his Lexmark opinion, argues that merger ought to apply as a defense to infringement rather than as a bar to copyrightability, thus placing the burden on the defendant. He reasons that this is so because “it is necessary to know what the potential infringer is doing with the material in order to know if merger has occurred.” In considering scenes a faire, Judge Feikens does not believe that courts should apply the doctrine uniformly as a defense to infringement.

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125 Id. at 707.
126 E.g., CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reports, Inc., 44 F.3d 61, 72 n.26 (2d Cir. 1994) (following Kregos); Matthew Bender & Co., Inc. v. West Pub'l'g Co., 158 F.3d 674, 692 (2d Cir. 1998) (following Kregos).
127 Kregos, 937 F.2d at 709.
128 77 F.3d 909 (7th Cir. 1996).
129 Id. at 910-11.
130 Id. at 914.
131 Id.
132 See id. at 913.
133 See Lexmark, 387 F.3d at 557 (Feikens, J., concurring in part and dissenting in part) (“I would find the merger doctrine can operate only as a defense to infringement, … and as such has no bearing on the question of copyrightability.”).
134 Id.
135 See id. at 559 (“[T]he position that Stromback [took is] that the scènes à faire doctrine determines copyrightability. Clearly, this panel is bound to follow the decision in Stromback. However, I believe that Stromback can and should be
At least in the context of computer programming, however, Judge Feikens would argue that *scenes a faire* should be a defense “because it is necessary to understand the circumstances of the copying in order to know whether or not the *scenes a faire* doctrine applies.”\(^\text{136}\) Thus, Judge Feikens argues that, in the limited context of computer programming, both *scenes a faire* and merger apply best as defenses to infringement because it is necessary to know what the potential infringer is doing in order to determine if the doctrines are even applicable.\(^\text{137}\) Such a limited application also fails, yet again, to take into account the importance of burden shifting.

In light of the chaos that courts have created in their application of the merger doctrine and *scenes a faire*, the need for a consistent standard becomes remarkably clear. The difference may so affect the court’s analysis and the legal theories invoked that, as the subsequent discussion will indicate, it is ultimately outcome-determinative.\(^\text{138}\) Thus, a uniform application of both *scenes a faire* and merger is necessary to inject some certainty into the system.\(^\text{139}\)

### III. THE BURDEN OF PROOF BELONGS WITH THE PLAINTIFF

After considering the sorry state in which courts find themselves, the necessity of a consistent application becomes clear. The burden shifting which occurs is absolutely critical in determining how *scenes a faire* and the merger doctrine should be applied, as it is probably the single most significant consequence. As the following discussion will indicate, these doctrines must be applied as bars to copyrightability, placing the burden on the plaintiff. In the first place, the quid pro quo exchange copyright law is designed to promote has been seriously damaged by the increased statutory protection afforded copyright owners, without asking for anything in return. Requiring plaintiffs to demonstrate that their work is protectable can go a long way toward restoring this critical balance. In addition, the statutory

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\(^\text{136}\) *Lexmark*, 387 F.3d at 560.
\(^\text{137}\) Id. at 556-57, 559-60.
\(^\text{138}\) Matthew J. Leary, *Welding the Hood Shut: The Copyrightability Of Operational Outputs and the Software Aftermarket in Maintenance and Operations*, 85 B.U. L. REV. 1389, 1432 (2005) (“If the merger doctrine prevents copyrightability, the DMCA would not apply, but if it is only a defense to infringement, it will provide no defense whatsoever against the DMCA …. [T]he outcome of a case … might turn on such a fine point”).
\(^\text{139}\) See *Lexmark*, 387 F.3d at 557 (Feikens, J., concurring in part and dissenting in part) (“[I]t is essential to decide whether merger … determines the initial question of copyrightability of the work, or operates only as a defense to infringement.”).
language is fully in support of such a conclusion. Thus, application of these doctrines as a bar to copyrightability, with the burden of proof on the plaintiff, is the most sensible result.

A. **Though the Courts Are in Disarray, Burden of Proof Is the Key Consideration, and It Belongs with the Plaintiff**

The disagreeing courts in the discussion above\(^{140}\) did not properly consider the degree to which burden of proof is a topic of concern for both parties. However, such a distinction is incredibly important because it shifts the court’s focus either to the plaintiff’s or defendant’s work.\(^{141}\) If the court applies *scenes a faire* or merger as a bar to copyrightability, an evaluation of the defendant’s work is initially unnecessary.\(^{142}\) The court will find itself evaluating only the plaintiff’s work.\(^{143}\) This is potentially a major problem for the plaintiff, in that the court will evaluate the work with a far more scrutinious eye than the Register of Copyrights ever did.\(^{144}\) On the other hand, if the defendant must prove merger or *scenes a faire*, his work, not the plaintiff’s, will be subject to scrutiny and the defendant will have the burden of proving a difficult concept.\(^{145}\)

\(^{140}\) See discussion supra Part II.B.

\(^{141}\) See Timothy S. Teter, *Merger And The Machines: An Analysis Of The Pro-Compatibility Trend In Computer Software Copyright Cases*, 45 STAN. L. REV. 1061, 1075 (1993) (“[W]hen courts consider merger to be a question of substantial similarity, they tend to focus on the defendant’s work, and the options available to the copier …. On the other hand, if merger is considered a question of copyrightability, courts tend to focus on the plaintiff’s work, and the alternatives open to the plaintiff at the time she created it.”).

\(^{142}\) Id.

\(^{143}\) Id.

\(^{144}\) See Kregos, 937 F.2d at 716 n.7 (Sweet, J., concurring in part and dissenting in part) (“[T]he Register of Copyrights is not expected to determine whether to deny registration because of merger, as the fact of registration offers no more than prima facie evidence of copyrightability. Just as a plaintiff with a registered copyright may nevertheless be denied protection if the work lacks creativity, the presumption of validity arising out of registration may be overcome by proof to the court that the expression merges with the idea.”) (internal citations omitted); see also Weissman v. Freeman, 868 F.2d 1313, 1320 (2d Cir. 1989) (discussing the fact that copyright registration provides a presumption of copyright validity that merely shifts the burden of proof to the defendant, but does not require a heightened burden to be met).

\(^{145}\) See Teter, supra note 141, at 1075 (“[W]hen courts consider merger to be a question of substantial similarity, they tend to focus on the defendant’s work, and the options available to the copier.”); McGowan, supra note 5, at 2 (“It is easy for each side to poke holes in the other side’s positions. It is hard for either side to make an affirmative, instrumental case for their views. For this reason, and because scholars favor consequentialist rhetoric, the debate often consists of competing narratives that use hunches and conjectures to link the result an author desires to the policy the
Courts will undertake a far more careful examination than the Register of Copyrights to determine whether the work meets the minimum requirements of the Copyright Act. The Register of Copyrights, when issuing a copyright, does not consider the question of merger, and thus, a work which merges will still acquire a copyright. However, if such a work finds its copyrightability questioned in court, judges with full knowledge and a mandate to properly evaluate a work are going to consider these questions. Registration of copyright carries with it a presumption of validity. However, this presumption can be easily overcome with a minor showing by the defendant, since the Register does not consider questions of merger or scenes a faire. Thus, the presumption in favor of validity which registration creates is easily overcome if the defendant presents any evidence of merger or scenes a faire. In essence, the presumption of validity created by registration does not extend to a work which merges or consists of scenes a faire. The plaintiff will still have the burden of proof regarding the idea/expression dichotomy enforced by these doctrines.

On the other hand, focusing attention on the plaintiff can potentially work to the plaintiff’s benefit. Some have evaluated merger based on the degree of freedom a plaintiff has in his expression. Essentially, the argument is that the greater the number
of potential expressions that exist for an idea, the less probable it is that such expression will merge.\textsuperscript{155} In such a situation, where the plaintiff is usually the original innovator of a particular expression, it is more likely that she can argue that a number of potential expressions were available to her at the time of creation.\textsuperscript{156} A finding of merger will be less likely, and the court will uphold the validity of the plaintiff’s copyright.\textsuperscript{157} Nevertheless, requiring the plaintiff to prove that his work does not merge or consist of \textit{scenes a faire} is a much greater concern than any benefit such a burden might bring.\textsuperscript{158}

When merger is a defense to infringement, the reverse situation is true. The court will evaluate the defendant’s work, and specifically the material which he has taken.\textsuperscript{159} Thus, the defendant will have the burden of proving that the material which he took from the plaintiff \textit{does} merge or consist of \textit{scenes a faire}, such that he was practically entitled to take it.\textsuperscript{160}

At the same time, much like in the first case, the defendant does still derive a benefit from this approach. Because an issue of copyright infringement exists, the defendant’s work is already similar enough that the plaintiff is upset about it. He is suing, after all. The fact that similarity exists may be evidence of limitations imposed by

\textsuperscript{155} See supra note 154.

\textsuperscript{156} See Teter, supra note 141, at 1075 (“[I]f merger is considered a question of copyrightability, courts tend to focus on the plaintiff’s work, and the alternatives open to the plaintiff at the time she created it. Since the plaintiff will often be the original interface innovator, she may be able to argue that when she created her work, she could have chosen from among a myriad of alternative forms of expression. Courts that focus solely on the wide range of expression available to the plaintiff may therefore be inclined to hold that idea and expression have \textit{not} merged.”).

\textsuperscript{157} Id.

\textsuperscript{158} See discussion supra Part II.B.

\textsuperscript{159} See Lexmark, 387 F.3d at 557-58 (Feikens, J., concurring in part and dissenting in part) (“[I]t is necessary to know what the potential infringer is doing with the material in order to know if merger has occurred …. The rationale for the merger doctrine is that without it, certain ideas or methods of operation would be removed from the public realm because all ways of expressing them would be copyrighted .... Under this reasoning, an individual who copied a poem solely to use as a password would not have infringed the copyright, because in that scenario, the alleged infringer would have the defense that the poem has ‘merged’ with a method of operation (the password). By contrast, someone who copied the poem for expressive purposes (for instance, as part of a book of poetry) would not have this defense. For these reasons, I would hold that in cases where the merger is with a method of operation, the merger doctrine should be applied as a defense to infringement only, and not as informing the question of copyrightability of the work itself.”).

\textsuperscript{160} Id.
industry standards. In this situation, the plaintiff will be unable to protect such functionally limited elements in an infringement action. Essentially, a finding that those elements of the plaintiff’s work copied by the defendant merged due to industry standards will be more likely, and use of those elements could not have been precluded in the first place. Thus, from a standpoint focusing on the court’s attention, applying merger and scenes a faire as defenses to infringement would seem to favor the defendant. However, on final consideration, merely placing the burden of proof on the defendant to show merger or scenes a faire is such a great burden that it overcomes any potential benefit.

In light of the above considerations, Professor Nimmer argues that courts should apply the merger doctrine and scenes a faire as defenses to infringement, placing the burden of proof on the defendant. In recalling the degree of reliance courts have placed on Nimmer’s treatise, this point of view is incredibly influential. However, Professor Nimmer has been known to err in the past. This is one such case, because Professor Nimmer has not specifically considered the importance of the burden of proof. Since so much protection has been extended to copyright owners in recent years,

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161 See Teter, supra note 141, at 1075 (“[W]hen courts consider merger to be a question of substantial similarity, they tend to focus on the defendant's work, and the options available to the copier. A court focusing on the defendant is more likely to find merger, since the defendant may have had no practical alternative to conforming to industry standards.”).

162 Id.

163 Id.

164 See discussion supra Part II.B.

165 See Nimmer & Nimmer, supra note 17.

166 See discussion supra INTRODUCTION.

167 Bartow, supra note 14, at 591 (“The considerable number of citations to the Nimmer copyright treatise suggests it is widespread and commonplace for federal judges to depend on the treatise to articulate and support copyright law decisions.”).

168 Consider, for example, the judiciary’s general rejection of Professor Nimmer’s approach to classifying works of joint authorship:

The lack of support in all likelihood stems from one of several weaknesses in Professor Nimmer’s approach. First, Professor Nimmer’s test is not consistent with one of the Act’s premises: ideas and concepts standing alone should not receive protection … Second, contribution of an idea is an exceedingly ambiguous concept. Professor Nimmer provides little guidance to courts or parties regarding when a contribution rises to the level of joint authorship except to state that the contribution must be “more than a word or a line.”

Erickson v. Trinity Theatre, Inc., 13 F.3d 1061, 1070 (7th Cir. 1994) (citation omitted).
these copyright owners ought to be required to provide a little bit more in order to satisfy the constitutional quid pro quo.

Whichever party bears the burden of proving scenes a faire or merger will have the most difficulty in an infringement action. Though there are some minor counterarguments discussed above, the effect of burden shifting is such an important consideration for either party that it puts such counterarguments to rest. The biggest effect of applying scenes a faire or the merger doctrine as bars to copyrightability or defenses to infringement is that it decides who bears the burden of proof as to these highly abstract concepts. “Whoever has to prove the unprovable facts is likely to lose.” Based on the discussion below regarding the importance of reestablishing the quid pro quo in copyright law, this burden must lie with the plaintiff.

B. The Quid Pro Quo Exchange in Copyright Law Has Been Lost, and Requiring Plaintiffs to Shoulder the Burden of Proof in Cases of Merger and Scenes a Faire Will Reestablish It

As discussed in Part I, the fundamental copyright policy is a quid pro quo exchange, where “[c]reative work is to be encouraged and rewarded.” Authors contribute their originality and creativity to society as a whole, and society rewards them with an exclusive right to their work. Based on this theory, as the amount of protection given to authors increases, one might expect that authors should contribute more as well. This has not been the case. Though “copyright protection has expanded, [and] each expansion has been accompanied by rhetoric championing the needs of the deserving author, emphasizing the need to induce creative activity,” authors have not been asked to do anything more to obtain such protection.

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169 See discussion supra Part II.B.
170 McGowan, supra note 5, at 2.
171 Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975).
172 Stewart E. Sterk, Rhetoric and Reality in Copyright Law, 94 MICH. L. REV. 1197, 1207 (1996) (“By giving copyright protection to works of authorship, we increasethethe cost of copyright, raise the return on creative authorship, and, at the margin, encourage more people to create.”).
173 Id. at 1199.
174 See Albert Sieber, The Constitutionality of the DMCA Explored: Universal City Studios, Inc. v. Corley & United States v. Elcom Ltd., 18 BERKELEY TECH. L.J. 7, 37 (2003) (“Originally, copyright was conceived as a bargain between authors and the public. In exchange for limited exclusive rights that would provide enough economic incentive for authors to create and distribute their works, the public was free to enjoy, consume, learn from, and reuse the works in any way outside of...
While Professor Nimmer’s approach to the merger doctrine and *scenes a faire* might have been correct in 1976, at the time of the present Copyright Act’s enactment, times have changed. Since 1976, Congress has dramatically expanded copyright protection for owners.\(^{175}\) For example, consider the Digital Millennium Copyright Act, which essentially provides a new, unprecedented cause of action for copyright owners against those who circumvent their security technology.\(^{176}\) Another example is the Uruguay Round Agreements Act, which extends copyright protection to live, unrecorded performances of nondramatic musical works, where no such protection existed in the past.\(^{177}\) Finally, the duration of copyright protection has been increased with almost no restraint in the last three decades, despite the fact that it was only increased twice in the first two hundred years of copyright protection.\(^{178}\) It is time for us to expect a little more from authors in exchange for what they have been given.

In order to get a little more out of this exchange, Professor David Lange has argued that “courts ought to indulge at least a presumption against new claims …. It is not too much … to erect barriers not to be hurdled by plaintiffs relying on casual proof. Important questions ought to be asked of the plaintiff who seeks to establish a prima facie case.”\(^{179}\) An outstanding opportunity to effect this goal is to require the plaintiff to prove that his work passes muster under *scenes a faire* and merger.

The current system gives so much to the plaintiff, yet asks so little.\(^{180}\) Because of the difficulty of proving merger and *scenes a faire*,\(^{181}\) forcing the defendant to prove that his taking falls under these unprotected categories simply makes things too easy for the plaintiff.

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raised when the Sonny Bono Copyright Term Extension Act\(^{182}\) ("CTEA") was enacted in 1998. That act, which is yet another example of increased protection for plaintiffs, increased copyright duration to life of the author plus seventy years for most works.\(^{183}\) At the time of adoption, there were those who argued that it was wrong for copyright owners to receive something for nothing, i.e., longer copyright duration for the same work, without doing anything.\(^{184}\) Professor Lessig, arguing against adoption of the act, stated that "the Copyright Clause must mean something when it says terms must be limited …. [T]he simplest way to … promote[ ] progress is to require that the power only be used in exchange for progress. In exchange, that is, for producing something that has not already been produced."\(^{185}\)

Unfortunately, the Supreme Court upheld the CTEA in *Eldred v. Ashcroft*, holding that "[p]etitioners’ dominant series of arguments, premised on the proposition that Congress may not extend an existing copyright absent new consideration from the author, are unavailing."\(^{186}\) While at first glance it might seem that the Supreme Court rejected the bargain theory of copyright and its quid pro quo requirement, the real basis for the Court’s decision was that a quid pro quo is still required, but that the extension did not violate this quid pro quo because post-amendment copyright terms are still limited.\(^{187}\) The decision represents deference to the policy decisions of Congress, while at the same time finding that there really is no constitutional barrier to copyright term extensions, so long as those extensions themselves are limited in duration.\(^{188}\)

Though *Eldred* was a resounding defeat for those who wanted to check Congress’ unbridled expansion of copyright protection and restore the quid pro quo policy, this article’s approach to the merger doctrine and *scenes a faire* presents a legitimate alternative to reestablish the balance. Unlike the CTEA, Congress has not specifically mandated that these doctrines act as defenses to infringement, and in fact, as Part III.C demonstrates below, it is quite arguable that Congress wants plaintiffs to shoulder the burden of proof with regard to these doctrines. Thus, any trip to the Supreme Court is likely to turn out more favorably than it did in *Eldred*.

\(^{183}\) *Id*.
\(^{184}\) Lessig, *supra* note 43, at 1066 ("When the Bono Act was enacted, there were many with a strong view about its [un]constitutionality.").
\(^{185}\) *Id*. at 1066-67.
\(^{187}\) *Id*. at 187-88.
\(^{188}\) *Id*. 
C. **Strict Statutory Construction of § 102(b) Demonstrates that the Idea/Expression Dichotomy Is a Bar to Copyrightability, Requiring Plaintiffs to Carry the Burden of Proof**

The Copyright Statute states that “[i]n no case does copyright protection for an original work of authorship extend to any idea, … regardless of the form in which it is described, explained, illustrated, or embodied in such work.”\(^{189}\) This wording suggests that courts should bar a work from copyright protection if its expression merges with its idea, and thus the plaintiff should be required to demonstrate that his work deserves protection.\(^{190}\)

If the plain language of the statute says “in no case does copyright protection … extend to any idea,”\(^{191}\) how is it even possible to argue that merger and *scenes a faire* are anything other than bars to copyrightability (or that the plaintiff bears the burden of proof)? Under the canons of statutory interpretation, when the language of the statute is unambiguous, the plain meaning governs.\(^{192}\) Of course, like any canon, this is not followed without exception.\(^{193}\) Nevertheless, according to 17 U.S.C. § 106, the rights of copyright owners are granted “[s]ubject to sections 107 through 121.”\(^{194}\) Here, the plain language of the statute seems to suggest that these are clear limitations, rather than exceptions, to the rights granted to copyright owners. In essence, the limitations illustrated in §§ 107 through 122 are removed from the scope of the owner’s rights, and she is granted the residual rights articulated in § 106.\(^{195}\) Thus, the copyright owner


\(^{190}\) See Kregos, 937 F.2d at 715 (2d Cir. 1991) (Sweet, J., concurring in part and dissenting in part) (“[T]he proper approach requires the court first to decide whether the copyrighted work satisfies the primary requirement of creativity, then to determine whether there is merger before extending copyright protection[,] … based on the wording of § 102(b) of the Copyright Act.”).

\(^{191}\) 17 U.S.C. § 102(b) (emphasis added).

\(^{192}\) United States v. Am. Trucking Ass’ns, 310 U.S. 534, 543 (1940) (“There is … no more persuasive evidence of the purpose of a statute than the words by which the legislature undertook to give expression to its wishes. … In such cases we have followed the[] plain meaning.”).

\(^{193}\) 17 U.S.C. §§ 107-122 (2000). These limitations include fair use, reproduction by libraries and archives, exemptions for certain performances and displays, secondary transmissions, ephemeral recordings, and limitations on the scope of exclusive rights in pictorial, graphic, sculptural, and architectural works, among others. *Id.*

\(^{194}\) *Id.* § 106.

should have no basis to sue a potential infringer based on any of these rights, as they are removed from the protectable scope of copyright.

The Supreme Court has adopted an approach that is diametrically opposed to this interpretation, despite the statute’s plain language. In *Campbell v. Acuff-Rose Music*, the Court held that fair use under § 107 of the Copyright Act is an affirmative defense to infringement, and thus an exception to, rather than a limitation of, the rights granted under § 106. While this interpretation has been criticized by the Eleventh Circuit, it is clearly stated in a United States Supreme Court opinion. The implication is that items enumerated in §§ 107-122 are not bars to copyrightability, and thus copying of the excepted content mentioned in those sections can still serve as the basis for the filing of an infringement action. The burden is placed on the defendant to demonstrate that his conduct falls into one of the statutory categories as an affirmative defense; a considerable burden, as has been shown.

While the Court in *Campbell* appears to acknowledge the approach suggested by the court in *Bateman*, namely, fair use’s value as a right rather than affirmative defense, its argument for a

198 See id. at 590 (“[F]air use is an affirmative defense ….”).
199 See *Bateman v. Mnemonics*, Inc., 79 F.3d 1532, 1542 n.22 (11th Cir. 1996) (“Although the traditional approach is to view ‘fair use’ as an affirmative defense, … it is better viewed as a right granted by the Copyright Act of 1976. Originally, as a judicial doctrine without any statutory basis, fair use was an infringement that was excused–this is presumably why it was treated as a defense. As a statutory doctrine, however, fair use is not an infringement. Thus, since the passage of the 1976 Act, fair use should no longer be considered an infringement to be excused; instead, it is logical to view fair use as a right.”).
200 *Campbell*, 510 U.S. at 590 (“[F]air use is an affirmative defense ….”); but see also Glynn S. Lunney, Jr., *Fair Use and Market Failure: Sony Revisited*, 82 B.U. L. REV. 975, 989 (2002) (“[I]n *Campbell*, the Court declared that [s]ince fair use is an affirmative defense, the burden of proving fair use rests on the defendant seeking its protection. In allocating the burden in this manner, Justice Souter failed even to mention Sony's contrary resolution of the issue. While the Court is, of course, free to reverse itself on this issue (or to limit Sony's allocation of the burden of proof to cases involving non-commercial uses), one would hope that the Court, at the very least, would recognize and acknowledge that it is reversing itself.”) (internal quotations and citations omitted).
201 See supra note 200.
202 See discussion supra Part II.B.
203 See *Bateman*, 79 F.3d at 1542 n.22.
204 *Campbell*, 510 U.S. at 575-76.
contrary interpretation is compelling. Specifically, in a discussion of the history of the fair use doctrine, the Court notes that Congress, when adopting the statute, did not intend to modify the judicial doctrine of fair use, but merely intended to codify it in existing form.\footnote{See id. (stating that in codifying the fair use doctrine Congress meant “‘to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way,’ and intended that courts continue the common-law tradition of fair use adjudication”)} The Court discusses the fact that ever since Justice Story’s 1841 formulation of the fair use doctrine in \textit{Folsom v. Marsh},\footnote{9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901).} it has been an affirmative defense to copyright infringement.\footnote{\textit{Campbell}, 510 U.S. at 575-76.} Since Congress did not intend to change anything, the fact that the statutory language appears to directly contradict the court’s interpretation is irrelevant.

The conclusion that merger and \textit{scenes a faire} cannot be anything but bars to copyrightability is suddenly less clear, despite an unambiguous statute. If the plain language of the statute can contradict its legislative intent, what can this mean for § 102(b), the statutory provision of the idea/expression dichotomy? One cannot deny that there is some common ground between the §§ 107-122 statutory exceptions and the idea/expression dichotomy. For example, congressional intent demonstrates that § 102(b), just like §§ 107-122, is a mere codification of existing case law rather than an explicit change in course.\footnote{See \textit{H.R. REP. NO. 94-1476}, at 57 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5670 (“Section 102(b) in no way enlarges or contracts the scope of copyright protection under the present law. Its purpose is to restate, in the context of the new single Federal system of copyright, that the basic dichotomy between expression and idea remains unchanged.”); \textit{id.} at 66 (“Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.”).} As Judge Sweet, a proponent of strict statutory interpretation of § 102(b), states in his \textit{Kregos} concurrence, allowing idea/expression to be a defense to infringement “owes little if anything to the strictures of § 102(b), and instead depends on the fundamental principle of copyright law that independent creation is never infringement.”\footnote{\textit{Kregos}, 937 F.2d at 714-16 (Sweet, J., concurring in part and dissenting in part).} Perhaps Judge Sweet has harmed his argument. If § 102(b) is a mere codification of existing case law, and it is a fundamental principle of existing case law that the idea/expression dichotomy is a defense to infringement, it would appear that despite the statute’s plain language, Congress intended a contradictory meaning and courts must enforce it. This is the common ground between § 107 fair use and § 102(b).
There are some highly relevant differences, however, which set § 102(b) apart from §§ 107-122, and reestablish it as a bar to copyrightability, placing the burden on the plaintiff. First, while legislative history ultimately played an important role in the interpretation and application of §§ 107-122, the Supreme Court has held that legislative history should only play a role in statutory interpretation when the language of the statute is ambiguous. While the language in § 106 seems clear in its implications, § 102(b) is considerably more direct and less susceptible to differing interpretations. Section 102(b) states, “in no case does copyright protection extend … to any idea,” period. Section 106 states, “subject to sections 107 through 121, the owner of copyright under this title has the exclusive rights” guaranteed by copyright. Based on this wording, § 106 is at least open to differing interpretations, while § 102(b) is not.

An additional consideration is the wording of § 106. One must wonder why it is not worded like this: “subject to sections 102(b), and 107 through 122.” The answer would seem to be because § 102(b) and the idea/expression dichotomy serve a different purpose, namely, to stand as a bar to copyrightable subject matter, requiring plaintiffs to bear the burden. Even if one uses legislative history to interpret § 102(b) despite its lack of ambiguity, which would leave existing case law unaffected, prior case law regarding the idea/expression dichotomy provides little assistance. The fact is, the difference of opinion courts have over its application is older than the 1976 statute, and does not present a clear right or wrong answer.

210 See Campbell, 510 U.S. at 575-76 (stating that in codifying the fair use doctrine Congress meant “‘to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way,’ and intended that courts continue the common-law tradition of fair use adjudication”) (internal quotations omitted).
211 See United Air Lines, Inc. v. McMann, 434 U.S. 192, 199 (1977) (“[L]egislative history … is irrelevant to an unambiguous statute.”).
212 Compare 17 U.S.C. § 102(b) (2000) (“[I]n no case does copyright expression … extend to any idea.”) (emphasis added) with 17 U.S.C. § 106 (2000) (“Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights” of reproduction, distribution, etc.).
214 Id. § 106.
215 See supra note 208.
216 See supra note 3.
217 Compare Baker v. Selden, 101 U.S. 99, 102 (1879) (holding that works full of ideas, such as medical treatises, could still be copyrightable, but that in a suit for infringement, the defendant’s copying of those ideas would not be infringement), with Morrissey v. Proctor & Gamble Co., 379 F.2d 675, 679 (1st Cir. 1967) (holding that instructions for a sweepstakes contest were uncopyrightable per se because their idea merged with the expression of that idea).
In light of the legislative history of § 102(b), the proper application of the idea/expression dichotomy is clear. Based on a strict construction of the statute, the merger doctrine and scenes a faire should act as bars to copyrightability, and plaintiffs should bear the burden of proof. Such an adoption promotes the fundamental policy objective of the copyright system by preventing plaintiffs from suing defendants for taking something to which they are entitled, and ensures that what is currently in the public domain is free for all to use without fear of a lawsuit. In addition, following the plain language of the statute would inject some much needed certainty into the copyright regime.

CONCLUSION

The federal circuit courts think they have a dispute on their hands right now, over whether the merger doctrine and scenes a faire ought to act as bars to copyrightability or defenses to infringement. These courts are not arguing about the same thing. The real question is whether these doctrines place the burden of proof on the plaintiff or the defendant. Because these doctrines are extraordinarily difficult to prove, where this burden lies can affect the parties’ rights to a considerable degree. “Whoever has to prove the unprovable facts is likely to lose.”

Professor Nimmer says that the burden ought to lie with the defendant. Though the professor may have been right in 1976, the situation has so changed that there are now compelling reasons to assign this burden explicitly to the plaintiffs. First of all, the statute says in its plain language that we must. Second, the quid pro quo exchange intended to further the fundamental policies of copyright has been lost. Plaintiffs have so much protection right now thanks to protective legislation, yet are asked to give so very little. Requiring plaintiffs to carry the burden in cases of merger or scenes a faire is a very promising means to restore balance to the system, and is well supported by copyright’s bargain theory, “the dominant theoretical approach to copyright.” Finally, the grand old goal of certainty is quite applicable here, as a consistent application of these doctrines will only help settle expectations.

218 See supra note 208.
219 See supra note 208.
220 See supra Part III.C.
221 See supra Part III.B.
222 Wilkinson, supra note 34.