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Intellectual Property: Tectonic Shifts in the Legal Landscape

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In the last decade the concept of intellectual property has undergone a fundamental shift. Once the domain of specialized patent "geeks," intellectual property is now a phrase that is widely and universally used in mainstream media and a concept claimed by virtually all businesses and many individuals. For example, in 2000, a number of popular musicians and major media companies sued Napster for copyright infringement stemming from its distribution of software and provision of a central database that allowed users to trade music files. This dispute was widely reported throughout the news media (See Greenman, Catherine, *Taking Sides in the Napster War; With Copyright Law at Issue, Site Battles for the Ears and Minds of Music Lovers*, N.Y. Times, August 31, 2000 and Philips, Chuck, *Napster is Ordered to Halt Swap of Music*, 7/27/07 L.A. Times 1). Other examples of widely reported intellectual property disputes include:

- *MGM Studios v. Grokster* (peer-to-peer file sharing without a central database); Greenhouse, Linda and Manly, Lorne, *The Supreme Court: The Overview; Justices Reinstate Suits on Internet File Sharing*, 6/28/05 N.Y. Times A1.
- *Tiffany v. eBay* (the failure to actively monitor and prevent users from selling counterfeit items in an online auction); *EBay wins trademark ruling*, 7/15/08 L.A. Times 2.
- *Perfect10 v. Google* (the use of reduced size copyrighted pictures as thumbnails in search engine results); Chmielewski, Dawn, *Web Search for Nudity is 'Fair Use'*, 12/04/07 L.A. Times; Tanner, Adam, *Tiny Sex Images on Google Get Okay from Court*, 5/16/07, Reuters. and
- *Author's Guild v. Google* (effort to digitize books and create an online database without the permission of authors). Rothstein, Edward. *Connections: If Books Are on Google, Who Gains and Who Loses?* 11/14/05 N.Y. Times E3.

One common thread in each of these disputes is the convergence of new technology with traditional intellectual property rules.

While these litigations featuring copyright, trademark, trade secret, domain name, and even patent cases have been widely reported in the mainstream press, there is a general sense of confusion about the nature of these cases, not only amongst the lay public, but even amongst practitioners. Presentations at legal conferences on intellectual property are as likely to discuss where the law will be or should be rather than clarify *what the law is*. In stark contrast to this uncertainty is the conviction of many who claim broad rights in their "intellectual property"; using the word without any understanding of the uncertain protections resulting from unsettled laws that underlie the concept of intellectual property.

What is intellectual property? The Oxford English dictionary defines intellectual property as "intangible property that is the result of creativity, e.g. patents or copyrights." This circular definition highlights the complexities underlying the concept of intellectual property, and the incorrect approach of our legal system in addressing the concept. Is intellectual property a property right that has value in and of itself (as suggested by the definition) or does it only have value if it is a legally protectable interest (as suggested by the examples)? To express this in a different way, does intellectual property exist outside of the legal protections recognized by the applicable substantive law? This definitional obscurity renders intellectual property more challenging than other forms of property such as real and movable property. Real property and chattels have value in and of themselves, independent of the applicable substantive law under which they exist. A house is a house and a chair is a chair; there is no need to refer to legal concepts when defining real or tangible property.

The rapid growth in new forms of intangibles with increasing economic value -- information, movies, music, computer codes, algorithms necessitate an urgent review of the existing body of intellectual property law and its application in a technological and globalized world. .

Comprehension of the existing legal landscape requires an understanding of the divergent and conflicting forces that have shaped the concept of intellectual property. Therefore the first part of this article will provide a brief historical overview of the transformation of a legal system dominated by land law to one that is increasingly defined by the law of intellectual property. The examination of the history of various intellectual property laws will elucidate why these laws do not adequately address the fundamental economic values underlying the contemporary concept of intellectual property. An analysis of the recent cases as they shed light on the various controversies surrounding intellectual property will follow. The Article will conclude with some thoughts as to what the future is likely to hold and suggestions as to where we ought to be headed.

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A Historical Perspective

Long before instant messages on Blackberry devices, there was the statute known as Quia Emptores Terrarum et Testamentum (Quia Emptores, 1290.cl 18 Edw.1). Enacted in 1290, it was, for a long time, arguably the most important English statute on the books, even more important than Magna Carta, which was enacted some half a century earlier. The reason Quia Emptores was an important statute is that it applied to land—which was the engine driving the medieval economy. Magna Carta may have prefigured the Bill of Rights, but Quia Emptores, which dealt with the ownership and transfer of land, had a far greater impact on the medieval economy.[1]

In fact, a brief look at the most important statutes of the Medieval period indicates that the vast majority dealt with land. See, e.g *The Statute of Westminster the Second (De Donis Conditionalibus) 1285, 1285 c. 1 13_Edw_1 (dealing with the alienability of land);* see also *Statutes of Mortmain 1279 (re-establishing the prohibition against donating*

[1] The raising of armies was tied to land ownership and realty then became even more important

land to the Church in order to preserve the Crown's tax income). That land law was the dominant form of legal jurisprudence in medieval times should not come as a major surprise given the fact that agriculture was the basis of economic activity of the time. What may be striking is when land law lost its pre-eminence to commercial law.

The Sale of Goods Act was originally enacted by English Parliament in 1893. It regulates the purchase and sale of goods by contract. After the passage of the Sale of Goods Act the most important laws affecting the economy were part of a body of law known as Commercial Law. Commercial Law regulates commerce-- the manufacture, sale, and delivery of goods.[2]

In the twentieth century commerce could not have been imaginable without the Sale of Goods Act and its equivalents in other jurisdictions such as the Uniform Commercial Code in the United States.

What did businesspeople do prior to 1893? They lived with unsettled laws and the concomitant confusion brought about in a society that is evolving from one dominant economic system to another. See Chalmers, Mackenzie Dalzell Edwin Stewart, sir, The *sale of goods: including the Factors Act,* 1889. London, 1890, V. Discussing the Sale of Goods Bill before Parliament, Chalmers stated "What the fate of the measure may be I do not know; but I venture to think it would be beneficial to the trading community if the Bill were to become law. Even if no substantial amendments in the law were introduced, numerous more or less debatable points could be settled. It needs not argument to prove that in matters of this kind legislation is cheaper and speedier than litigation. Again, men of business as a rule are more concerned with the certainty of the law than the nicety of its application. If they know what the law is they can regulate their conduct with regard to it beforehand."

Some of us today may be feeling a similar sense of confusion to our Victorian ancestors, almost an intellectual vertigo when we contemplate the rapid transformation of our reassuringly commercial society to one that is dominated by intangibles.[3] New technology has allowed us to purchase, sell, transmit, distribute and access our new intellectual capital around the world in a split second by the press of a button! [4] For the changes underlying today's economy are even more destabilizing, not only because they are occurring at a faster pace but because **they are global in nature.** As we transition to an economy based on information, images, sounds, computer code and other non-tangibles, commercial law is losing its pre-eminence as the principal economic body of jurisprudence in the twenty-first century.

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[2] Land, of course, remained important and laws affecting land continued to be enacted. These laws, however, did not have the same economic significance as Quia Emptores did in its time.

[3] This is not to say that commercial law is no longer important. Indeed real property law has become more important with the rapid population growth in cities (see rent control laws). However rent control laws do not have nearly the same significance in today's economy as did Quia Emptores in its time.

[4] Even real property itself has morphed into an intangible. The phenomenon known as the sub-prime mortgage debacle was caused by the algorithmic trading of derivative securities that consisted of mortgages on parcels of real property.

We are already beginning to see this economic transformation on the horizon, as the important cases of the decade make front page news[5]. A closer look at factual backgrounds of some of these modern day controversies will illustrate the point.

Google

Google has faced a number of recent legal challenges to its primary source of revenue—the AdWords Program, through which companies pay Google to appear in search results and in advertising space in close proximity to the search results that are triggered by particular "keywords". The challenges have been initiated by trademark owners in the form of direct attacks against Google, as well as in cases against other trademark owners over their purchases of trademarked keywords from Google. Plaintiffs have argued that Google and the keyword purchasers are liable for trademark infringement due to the consumer confusion that results when Google users perform searches for the Plaintiffs' trademarks, but receive search results or advertisements featuring other companies' products or services. To date, in the U.S., there has not been a final substantive decision against Google in any of these cases, but there has been at least one such decision outside of the U.S.—in France, which was recently overturned by a decision of the European Court of Justice.

eBay

Brand owners have initiated legal challenges in various jurisdictions throughout the world in an effort to combat the widespread availability of counterfeit goods on the eBay Website. The primary line of attack in these cases has been through trademark law. In one such lawsuit, which was filed in New York in 2004, Tiffany alleged, that eBay should be held liable for direct and contributory trademark infringement because it facilitated and allowed counterfeit goods to be sold on its Website. Tiffany contended that because eBay knew there was widespread availability of counterfeit Tiffany products on its Website, eBay had an obligation to investigate and prevent this illegal activity by the individual sellers. In 2008, the Trial Court found in favor of eBay, holding that the standard for contributory trademark infringement is whether one continues to supply its services to others when it knows or has reason to know of infringement by those individuals—and not, as Tiffany claimed, whether one could reasonably anticipate possible infringement. The Court found that eBay had met its obligation by reviewing and in most cases removing listings after being notified by Tiffany that specific items were infringing. The Second Circuit Court of Appeals has upheld the majority of the District Court's decision.

Outside of the United States, there have been a series of inconsistent decisions concerning eBay's liability for trademark infringement, including in Belgium, France and

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[5] It is important not to confuse cases arising out of political and constitutional disputes with economic disputes. There is no doubt that in the United States the Constitution is the single most important law of the land. However, constitutional and political case such as Roe v. Wade, are not significant because of their economic impact.

Germany. In 2008, the Paris Commercial Court awarded 38 million euros in damages against eBay, in a case involving the sale of counterfeit LVMH goods. In a more recent case involving LVMH and eBay, a French court ordered eBay to pay €200,000 in damages, and to stop purchasing keyword search terms featuring the Louis Vuitton trademarks from online search engines. On the other hand, in May 2009, a French court ruled in favor of eBay in a case involving L'Oreal.

Napster & Grokster Cases:

Both of these cases involved online technology that allowed users to share files with each other (the vast majority of the files contained copyrighted music and movie content). The primary distinction between the two technologies was that Napster used a centralized structure under which all files were indexed within the Napster database, while Grokster used a decentralized system which relied on third-party networks to connect users to each other. The distinction t ultimately did not prove to be determinative; the copyright holders prevailed in both cases. In Napster, the Ninth Circuit Court of Appeals in California found Napster liable for contributory and vicarious copyright infringement. In Grokster, the Ninth Circuit found that Grokster was not liable for contributory and vicarious copyright infringement, given the decentralized nature of its system; however, the Supreme Court reversed the Ninth Circuit and held that because the primary purpose of Grokster's system was to facilitate copyright infringement, Grokster could not escape liability.

Goldman Sachs

In July 2009, Sergey Aleynikov, a former computer programmer for Goldman Sachs, was arrested and charged with the misappropriation of trade secrets relating to Goldman's high-frequency trading systems. Aleynikov was accused of downloading a large amount of data, including source code information, to his personal computer and to a password-protected Website in the months and days leading up to his departure from Goldman. According to the federal prosecutor, Goldman's proprietary, algorithmic trading system is responsible for "many millions" of dollars in profit per year. The system is able to execute large-scale trades after rapidly processing large amounts of information. Goldman alleged that someone with unauthorized access to the program could use it to manipulate markets in unfair ways. Goldman requires employees with access to the program to sign confidentiality agreements, the violation of which is normally handled in civil proceedings. However, in this case, Goldman was able to obtain the assistance of the FBI, which initiated criminal proceedings based on the allegations of trade secret theft.

The disputes described above are being litigated in courts across the world. Yet, the substantive and procedural laws in place today do not provide an effective solution for the resolution of these controversies. As Lord Chalmers stated over a century ago, "men of business as a rule are more concerned with the certainty of the law than the nicety of its application. If they know what the law is they can regulate their conduct with regard to it beforehand." Regrettably today, we cannot regulate our conduct because we do not know what the law is. As the founders of Grokster and Sergey Aleynikov have learned, in this environment, failure to understand and comply with the latest shifts in the legal landscape can have devastating consequences.

Understanding The Existing Body of Intellectual Property Law

Copyrights

One of the main bodies of substantive law being applied to these disputes is the law of copyright. Copyright law arose in the context of the book publishing industry, hence the word "copy". The first copyright statute in the Anglo-Saxon world was the Statute of Anne. Enacted by the English Parliament in 1719, it provided an initial term of 14 years protection to authors of books and an additional 14 years of a renewal term. Importantly, the statute extended protection to books only; there was no mention of other works. In addition, the author's exclusive rights were limited to distribution; i.e. publication.

Book publishing in the Eighteenth Century had grown into a very profitable franchise and a powerful industry. However, the publishing industry did not welcome the Statute of Anne for two reasons. First, the statute prescribed a limited time frame of protection for copyrights whereas the book publishers claimed perpetual rights under the English Common Law. See Atkins v. Stationers Co., Carter's Rep 89 (1666) ("Copyright was a thing acknowledged at common law"). Second, the Statute vested ownership of copyrights in authors, rather than publishers.[6]

Against this backdrop, the Statue of Anne created more uncertainty than it actually resolved: Did the Statute pre-empt the Common Law or did the Statute and the Common Law co-exist? It was not until Donaldson v Becker was decided in 1774 that the House of Lords[7] clarified that the term of copyright in the Statute of Anne pre-empted the Common Law and that copyright protection vested in authors rather than publishers. Today the Lords appear prescient. By granting limited, rather than perpetual rights, they recognized and tried to resolve the tension between the public interest and the need to encourage creativity; by rewarding authors rather than publishers, they anticipated that the future of copyright extended far beyond the book publishing industry. The decision was adopted in the United States in the case of Wheaton v Peters, 33 U.S. 591 (1834) where the United States Supreme Court ruled that copyright is statutory in nature.

[6] Prior to the Statute of Anne, there was no copyright protection for authors of books in Britain. However, a Royal Decree of Henry VIII (enforced by the Count of Star Chamber) established the Stationers Company register on which all books had to be registered. This registry gave book publishers rather than authors a right akin to copyright.

[7] The House of Lords at the time consisted of hereditary peers, some of whom, like the famous Lord Mansfield, were judges; others were not. However, what the peers had in common was a lack of interest in industry; they were independently wealthy and therefore, immune to industry lobby. As such, they based their decision on what they believed was best for England—a limited, rather than perpetual, term of exclusive rights for authors, rather than publishers.

While the Statute of Anne extended copyright protection to authors, it was very much written with the book publishing industry in mind -- the only exclusive right granted under the law was the right of distribution. While the House of Lords in 1774 was prescient, it was not omniscient. Applying a law that was designed for hard copy book publishers to twenty-first century technology such as the internet, instant messaging, financial databases, algorithms and computer code, feels very much like pushing a square peg into a round hole.

For example, the Napster and Grokster cases involved online technology that allowed users to share files the vast majority of which contained music and movie content protected by copyright. The Plaintiffs did not and could not contend that Napster and Grokster were violating copyright law; they were not; it was their users who were accused of violating copyright law by sharing copyrighted music files through the Napster and Grokster systems. However, the Plaintiffs argued that because they facilitated copyright infringement and because they knew that the vast majority of files shared by users contained copyrighted music, Napster and Grokster should be held liable on account of copyright infringement by their users. Applying copyright law to these cases proved very difficult for all the Courts involved, including the United States Supreme Court, which not only disagreed with the Ninth Circuit Appeals Court but effectively had to reverse one of its own precedents in order to reach the outcome it desired. In 1986 the Supreme Court had ruled that videotape recorders should not be prohibited from sale because, while it was possible for users to share copyrighted movies, videotape recorders had "substantial non-infringing uses" that made them beneficial to society. In Grokster, the Supreme Court changed the "substantial non-infringing use" standard and held that if Grokster's primary purpose was to facilitate the sharing of copyrighted music, Grokster could not escape liability. Because the Grokster standard is based almost exclusively on the Defendant's intent, the case fails to provide the level of clarity that is necessary in the online peer to peer market.

It is apparent from these cases that the Courts are trying to balance the rights of content owners against the benefits provided by rapidly evolving technologies, such as peer-to peer file sharing networks. However, the cases demonstrate that doing so in the context of copyright law is creating confusion, inconsistent decisions and unpredictable outcomes.

Software Code

Prior to encountering online file sharing disputes, courts struggled with the application of copyright law to disputes involving traditional software code. Important questions that have been considered in this context include: what portions of computer programs (other than the literal coding) are eligible for copyright protection; and how to determine whether one program is substantially similar to another. For example, in Whelan Associates v. Jaslow Dental Laboratory, 797 F.2d 1222 (3d Cir. 1986), the Third Circuit Court of Appeals, analogizing computer programs to literary works, compared the purpose of the program (the "idea") to the aspects of the program that were not necessary to carry out its purpose (the "expression") in order to determine what portions of the program were copyrightable. Using this approach, the Court found that the structure, sequence and organization of the dental computer program at issue were copyrightable. However, this approach was widely criticized as being over-expansive, and a few years later, a new approach was advocated by the Second Circuit. In Computer Assoc. Int'l Inc. v. Altai, Inc., 982 F.2d 693 (2nd Cir. 1992), the Court rejected the analysis utilized by the Third Circuit in Whalen, and instead used a three-part test ("abstraction-filtration-comparison") to determine (i) which aspects of a program were protectable, and (ii) whether the allegedly infringing program was substantially similar to the protectable portions of the pre-existing program. While the Second Circuit's approach has largely been adopted by other courts, it is not without its critics, and there remains considerable uncertainty surrounding the scope of copyright protection available to computer programs. Like the Napster and Grokster cases, the application of copyright law to disputes involving software and computer code has created legal confusion and uncertain outcomes.

Recently, copyright owners faced with increasing levels of misappropriation over the internet and unsatisfied with the relief available under copyright law, have turned to other legal doctrines in search of relief. One of these is the ancient he tort of "hot news" misappropriation, a state law claim that for years was assumed to have been fully pre-empted by federal copyright laws before a Second Circuit decision in 1997 found that the tort could be available in certain, narrow circumstances. In March 2010, in a surprising ruling the Southern District of New York held that an online distributor of information known as Fly on the Wall is liable under the doctrine of hot news misappropriation for distributing financial downgrades or upgrades of stocks by major brokerage houses, because the speed with which Fly on the Wall distributed the information did not allow the financial houses to market their information to their clients.

If any modern controversy were suitable for resolution by reference to copyright law it would appear to be the *Da Vinci Code* dispute, a case involving two books. The facts were straight-forward. The Plaintiffs complained that the author of the Da Vinci Code, Dan Brown, had stolen the central premise of the *Da Vinci code*'s story line from the Plaintiff's book the *Holy Blood and the Holy Grail*, published some twenty years before in the 1980s That story line was based on the idea that Christ was married to Mary Magdalene, that Jesus and Mary Magdalene had a daughter who went to France and married into the Merovingian dynasty, that this was the true secret of the Holy Grail discovered by the Knights Templar when excavating the Temple of Solomon and that the secret was kept and passed down by a secret society whose illustrious members included Leonardo Da Vinci and Sir Isaac Newton. To this dispute, the High Court of London applied copyright law which protects expressions of ideas rather than ideas themselves, and correctly found that because Dan Brown had not copied the expressions of the Plaintiffs, Dan Brown prevailed. Recall that the Statute of Anne protected books against copying and unauthorized distribution. Dan Brown may have taken the ideas from the authors of the Holy Blood, but the expressions of those ideas were his alone. This idea/expression dichotomy that is at the heart of copyright law derives from the Statute of Anne, which formulated copyright protection in the context of book publication and distribution.

Today, we ascribe a great deal of value to "ideas." Coming up with the concept of a Google or Apple has tremendous economic value. It was this twenty first century outlook – that ideas are valuable and should be protected—that formed the basis of the complaint of the authors of the *Holy Blood and Holy Grail* against Dan Brown. However, this conceptualization of the economic value of ideas was not present in the eighteenth-century. Therefore, while it is not surprising that copyright law protects expression rather than ideas, the question remains whether or not copyright law is able to and should continue to constitute the primary substantive body of jurisprudence in the resolution of modern day economic disputes.

Trademarks

Copyright is not alone in offering inadequate solutions to modern day controversies. A similar pattern is visible in the application of trademark laws to these disputes.

A trademark is a name, logo or symbol that identifies the source of a product or service. Business owners adopt trademarks in order to display and advertise their goods and services in commerce in an effort to establish goodwill with existing and prospective customers. Trademark Law and the law of unfair competition developed in the context of business owners' exclusive control and dominion over trademarks. For example, Coca Cola is a trademark of the Coca Cola Corporation. Anyone else who uses Coca Cola in a commercial context is liable for trademark infringement. This staid area of the law, however, has seen a recent upheaval as a result of new technologies that have introduced a level of interactivity into trademark usage. To illustrate the recent turmoil caused by the interactive uses of trademarks, consider the case of Google Adwords. In 2007 Louis Vuitton commenced a lawsuit in France against Google in which it sought to prohibit Google from selling Louis Vuitton trademarks as keywords to advertisers and sought to enjoin the display of any advertisement corresponding to such keywords in a search result.[8] If you type in LOUIS VUITTON in a Google search, you will see thousands of search results, many of which have nothing to do with the business whose goodwill is represented by the trademark LOUIS VUITTON. Above and to the right of the search results you will see additional links to paid-for-advertisements, the vast of majority of which also have no relation to the owner of the LOUIS VUITTON trademark. The case raises many important questions. Does Google have the right to make money by selling advertising that appears off the back of the LOUIS VUITTON trademark or provide links to businesses called LOUIS VUITTON that are not affiliated with LVMH? What if these businesses were authorized distributors of LVMH? Do the advertisers have the right to display the trademark LOUIS VUITTON, as a link on Google's site or on their own sites? Which laws do we look to for answers to these questions? In fact, what if LOUIS VUITTON is not registered as a trademark in Ghana and the advertiser is a Ghanaian business? In that case is LOUIS VUITTON even "intellectual property The European Court of Justice (the "ECJ") recently looked into these questions and found that Google is

[8] To understand this complaint, type "Louis Vuitton" in a Google search. The results will display paid for links to the right and above the search results. Louis Vuitton complains that Google should not be entitled to sell their links to advertisers.

not liable for trademark infringement resulting either from its offering of trademarked search terms as keywords to advertisers or its display of advertisements that correspond to such keywords when users search for those terms because Google is not "using" the trademarks in connection with the sale of goods or services. The advertisers, on the other hand, may be held liable because unlike Google, they do use the trademark in connection with goods and services.

The essence of LVMH's complaint is that it has lost control of its trademarks online. This loss of control results in large measure from the interactivity of internet searches, which allows third parties—advertisers, users and Google-- to use and display LVMH's trademarks in ways that were previously not contemplated. A new technology- the internet which is transforming the economic landscape has fundamentally altered the manner in which trademarks are displayed and used. The concomitant effect is the loss of dominion and control by trademark owners that has led to litigation filed in countries worldwide against various Internet service providers such as Google. Another example is eBay, which like Google, is defending lawsuits in multiple jurisdictions. For example, while a New York Court found that eBay is not liable for the sale of counterfeit Tiffany products on its Website, the Cour de Cassassion in France upheld a large monetary damage award against eBay in connection with the sale of counterfeit LVMH products on the eBay Website. Both cases were decided by reference to trademark law. Like copyright, trademark law is ill-equipped for the resolution of modern day disputes. The cases against Google and eBay plainly demonstrate that there has been no effective resolution of the liability of online service providers for the actions of their users The shortcomings of copyright and trademark law in addressing the concerns of business owners has caused lawyers to turn to other bodies of law in a largely futile effort to protect their clients' ideas and businesses. These bodies of law include patents, trade secrets, confidentiality, privacy and publicity, as well as trespass and in rem proceedings for the recovery of property.

Patents

Patents are intended to protect new inventions, and. for most of the twentieth century, patents were granted for scientific and technical inventions. However, beginning in 1998,[8] in an effort to address the concerns created by the technicalisation of the economy, the U.S. led the effort to extend the reach of patent law to "business methods." Examples of business method patents are Amazon's one-click checkout process and Priceline.com's auction system for purchasing airline tickets. Business method patents have created much controversy[9]. Recently, in a divided decision, the Supreme Court narrowly upheld the validity of business method patents[10]. In a well reasoned concurring

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[8] See State Street Bank and Trust Company v. Signature Financial Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998).
[9] See, e.g. Frieswick, Kris. *Are Business Method Patents a License to Steal?* CFO Magazine, September 1, 2001; Orey, Michael. *Supreme Court to Review 'Business Method' Patents*, Business Week, June 1, 2009.
[10] See Bilsky v. Kappos, 561 U.S. ___, No. 08-964 (2010).

opinion, Justice Stevens argues that patent protection should not extend to a business method[11].

European law is also struggling with the idea of the business method patent[12]. While business methods "as such" are not patentable under the European Patent Convention (the "EPC"), the fact that a matter of technical character relates to a business method in some manner will not exclude it from receiving patent protection. However, the EPC does not provide guidance as to when an invention will be considered a business method "as such". Instead, the issue has been left to the interpretation of the courts, which has sometimes led to inconsistent decisions. For example, in 2006 a judge from the Court of Appeal of England and Wales found that a method of making pre-paid telephone calls, along with the related hardware, was a patentable invention, and was not a business method as such[13]. However, in a 2008 case involving the same plaintiff, another judge from the Court of Appeal revoked the patent upon finding that the claimed invention was "unarguably" a business method[14].

Ad Hoc Approaches

Because of the inadequacy of traditional intellectual property laws to provide effective solutions to contemporary disputes, businesses and their lawyers are resorting to ad hoc approaches that often involve extending the application of old legal concepts to new technologies.

In 2000 Ticketmaster sued Tickets.com on account of deep linking into Ticketmaster's Website. Deep linking into someone else's website does not violate copyright, trademark and patents laws, at least not so far! Ticketmaster's lawyers had to find a creative solution not this problem. That solution was the law of trespass. Ticketmaster claimed that Tickets.com had unlawfully trespassed into Ticketmaster's Website. The law of trespass protects unlawful entry onto someone else's land, not linking into cyberspace. The Court granted Tickets.com's motion for summary judgment on the trespass to chattels claim because Ticketmaster had not demonstrated that Tickets.com's use of a search robot had adversely affected Ticketmaster's ability to use its computers.[9]

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[11] "The Court correctly holds that the machine-or-transformation test is not the sole test for what constitutes a patentable process; rather, it is a critical clue. But the Court is quite wrong, in my view, to suggest that any series of steps that is not itself an abstract idea or law of nature may constitute a "process" within the meaning of §101. The language in the Court's opinion to this effect can only cause mischief. The wiser course would have been to hold that petitioners' method is not a "process" because it describes only a general method of engaging in business transactions—and business methods are not patentable. More precisely, although a process is not patent-ineligible simply because it is useful for conducting business, a claim that merely describes a method of doing business does not qualify as a "process" under §101."

[13] See Aerotel Ltd v. Telco Holdings and others [2006] EWCA Civ 1371.
[14] See Aerotel Ltd v Wavecrest Group Enterprises [2008] EWHC B4 (Pat).
[9] See Ticketmaster v. Tickets.com, 2003 U.S. Dist. LEXIS 6483 (C.D. Cal. 2003)

In an effort to combat cyber squatting, lawyers have turned to an old form of action—the in rem proceeding-- that for centuries was applied to ships. In an in rem proceeding the Court asserts jurisdiction over the res (the "thing") rather than over the owner of the "thing". This anomalous procedure had been limited strictly to ships – until now. Beginning in 2000, the United States District Court for the Eastern District of Virginia began asserting in rem jurisdiction over top level domain names, rather than the owners of the domain names. These cases arose out of cybersquatting by non-US residents and followed a typical pattern. A foreign cybersquatter in Korea would register with a local registrar the domain name corresponding to a U.S. company's trademark, e.g. continental.com; and NBCUniversal.com. The U.S. company would file an online arbitration known as the Uniform Domain-Name Dispute-Resolution Policy, known commonly by the acronym UDRP, and would win. However, under applicable rules, the registrant can prevent the transfer of the domain name by filing a court proceeding in his or her home town within 10 days of the arbitrator's decision, which all of these registrants did. As it is extremely easy to sue foreign companies in Seoul, it is not surprising that most of the registrants were in Korea and filed local proceedings in Seoul. To litigate in Seoul would take at least one year and would cost substantial amounts of money. Therefore, in 2005, NBC Universal asked the Eastern District of Virginia to take "in rem" jurisdiction of the nbcuniversal.com domain, order Verisign to change the registrar to a US registrar and order the domain transferred to NBC Universal. While the strategy worked for NBCUniversal and other claimants of top level domains ending in .com, it would not work for top level domains other than .com extensions.

Ad hoc approaches such as the in rem proceeding for the recovery of hijacked domains involve twisting existing laws to reach a desired outcome and provide, at best, stop-gap measures that may or may not work. Imagine the case of Foldman, a financial services company based in New York that decides to outsource its development work to an Indian outsourcing company in Bangalore. An employee of the Indian outsourcing company steals a key piece of software that contains the algorithm that is under development for Foldman. Rumors surface that Togan Stately, Foldman's competitor in the United States has been making a fortune trading using the algorithm in question. While there is ample proof that the ex-employee of the Indian outsourcing company stole the software, there is no link tying the Indian company to Toran Stately. In an effort to establish that link, Foldman sues the ex-employee in an Indian court. The legal basis for the lawsuit is misappropriation of trade secrets. However, under Indian law there is no statutory protection for trade secrets. Indian common law does protect confidential information; however, like its predecessor laws dating back to the time when India was part of the British Empire, the Indian common law requires a relationship of trust and confidence between the person asserting the claim and the person who allegedly violates the trust and confidence. Because there is no relationship of trust and confidence between Foldman and the ex-employee of the Indian company, Foldman's claim is likely to fail. This time the ad hoc approach is likely to be unsuccessful. Resorting to existing local laws to deal with new economy controversies can be very costly.

Reform

While existing laws and procedures have not been effective in addressing the controversies generated by a globalised and highly technical economy, some laws and procedures already in place can provide the basis of potentially meaningful reform. One example is the UDRP. Adopted by ICANN in 1999, the UDRP is an online arbitration proceeding that allows owners of valid trademarks to recover from cybersquatters, domain names that incorporate or are substantially similar to a trademark. The proceedings have the advantage of being fast--a decision can be expected within approximately one month of the filing of the complaint, global, in the sense that the person seeking to recover the domain does not have to bring a lawsuit in the country where the cybersquatter is located, and unencumbered by local procedural rules. However, the UDRP has one major disadvantage. If the UDRP panel rules in favor of the trademark owner, the domain registrant can prevent the transfer of the domain name by filing a lawsuit in the country where the domain registrar is based. As we saw above, because filing a lawsuit against foreign companies is inexpensive and simple in Korea, Seoul has become the ground zero of cybersquatting. Winners of UDRP proceedings must contend with Korean courts, which like many other court systems, are slow and encumbered by local procedure.

Nevertheless, while the UDRP may not offer a fail proof procedure for combating cybersquatting, it is a step in the right direction. The UDRP mechanism is actually effective: it is fast, global, inexpensive and unencumbered by local procedure; it is the appeal process that is slow, expensive, local and hampered by procedural rules. The UDRP indicates that the solution to providing an effective dispute resolution method must correspond to and keep pace with the commercial activity that the law or procedure aims to address. Cybersquatting is fast, global, inexpensive and unencumbered by procedure; any legal method to address cybersquatting must adopt the same methods; i.e. be fast, global, inexpensive and unencumbered by procedure. Otherwise, it is commercially ineffective.

An online arbitration proceeding and appeals procedure designed to resolve intellectual property disputes between entities located in different jurisdictions, would appear to offer the type of relief that may be appropriate to address the controversies arising in the modern day economy[15].

However, an online procedure alone would be insufficient to address the concerns raised by the cases described above in this article because of the inadequacy of the existing body of <u>substantive</u> law and the inconsistencies between the laws of various jurisdictions. Which law would the online tribunal apply? Today, such a tribunal would have to resort to an analysis under a body of law known as "conflicts of laws", under which each jurisdiction has set up a set of rules by which its courts decide which law to

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[15] We recognize that the existence of such an online tribunal is inconsistent with fundamental principles of the laws of certain jurisdictions, such as the constitutional right in the United States to a jury trial and cross examination. However, these *local* concepts, however fundamental, need to be re-evaluated at least in terms of their application to global disputes arising out of international commerce

apply to multi-jurisdictional disputes. However, a conflicts analysis does not offer a viable solution if only because of the difficult if not impossible tasks of choosing which jurisdiction's conflicts rules to apply.

A better solution to this thorny problem is the adoption of an international convention tailored to modern day controversies. International Conventions that harmonize various intellectual property laws are common. The Berne Convention, initially drafted in 1886, has been adopted by 164 countries. The Berne Convention attempts to harmonize the copyright laws of its member states and requires each country to provide the same rights to copyright owners in other member states as it does to its own nationals. The Paris Convention and Madrid Protocol evince a similar attempt at harmonization of national laws in the context of trademarks

The proposed Convention should be tailored specifically to modern day factual controversies. Therefore, rather than being focused on copyright, trademark or patent law, the Convention would address specific concerns arising out of the twenty first century economy. For example, one major issue is the liability of online service providers for the actions of their users. Any effective Convention must address this issue directly, for example by providing safe harbors for internet service providers but at the same time addressing the concerns of intellectual property owners quickly, effectively and inexpensively. The outlines of such a Convention can be seen in some existing laws and procedures. For example in the United States, the DMCA provides a safe harbor to internet service providers against claims of copyright infringement by their users. In Europe, Article 14(1) of Directive 2000/31 (the "E-Commerce Directive") provides an exemption from liability to "information service providers." EBay has established a program called VERO under which trademark owners can remove counterfeit listings from the EBay sites globally by faxing in a claim form with proof of their ownership of a trademark. To be sure, the DMCA and VERO fall short of providing the ideal solution; however they are steps in the right direction that offer a guide to what the future must hold.

The UDRP too provides guidance for the proposed convention. The UDRP establishes a three prong test that governs the decision whether or not to award the domain name in question to the claimant. While the test draws heavily from concepts underlying trademark law, it is specifically tailored to the recovery of hijacked domain names. Like the UDRP, the proposed Convention should be tailored to the specific factual controversies generated in today's economy.

The creation of online tribunals applying laws that are tailored to the controversies they attempt to resolve, will provide effective solutions to modern day disputes—effective in terms of outcome, speed as well as global reach. Over time such tribunals will presumably create a body of case law that will provide additional certainty and guidance on an international scale. To return to Lord Chalmers: "Again, men of business as a rule are more concerned with the certainty of the law than the nicety of its application. If they know what the law is they can regulate their conduct with regard to it beforehand." Perhaps reform along the lines described above would be a step in the direction of knowing what the law is.