SCHOOL OF LAW
CASE WESTERN RESERVE UNIVERSITY

Canada-United States Law Journal

Volume 25 | Issue

Article 19

January 1999

# Discussion Following the Remarks of Mr. Schwartz and Mr. O'Neill

Discussion

## DISCUSSION FOLLOWING THE REMARKS OF MR. SCHWARTZ AND MR. O'NEILL

QUESTION, MR. LADD: I have a question for Gary O'Neill regarding the Internet. If a party publishes a piece of art on the Internet and leaves it on their Web site for a month, does that become novelty reference against a later-filed patent application? If the answer is yes, then if they publish it for a day, is it also invalidating prior art reference?

ANSWER, MR. O'NEILL: I would say yes. As long as it is available without restriction to people, anybody can copy it and probably disseminate it on from there. My gut reaction to that would be yes.

COMMENT, MR. LADD: It is a worldwide source of secret prior art.

COMMENT, PROFESSOR DeVORETZ: As an economist, I find this fascinating. I did not know any of this kind of thing was going on.

COMMENT, MR. O'NEILL: I thought Wainwright said lawyers were often dull and the economists were fascinating.

QUESTION, PROFESSOR DeVORETZ: I have a question, though. You can create a monopoly on any of these patent rights, and these treaties are ensuring this monopoly. We do know that there are battles going on right now on general technologies versus specific technologies, such as with browsers on the Internet. If someone were to get a monopoly on the browser and hold it, they are in a position to release it for maximum profit. As an economist, I would be extremely concerned about granting blanket patents for general technologies. Do you see that as a being a trend in this papering of patents? I was really intimidated by the numbers you gave from these large corporations. Do you think they are engaging in papering the walls with any intent to prevent general technologies?

ANSWER, MR. O'NEILL: I do not think there is anything inherently wrong with a monopoly in the patent sense. Most of these companies who are getting patents do not just pick these technologies out of thin air. There is a lot of R&D that goes into them. They are entitled to a reasonable return on that.

As far as the second part of your question is concerned, I think there probably is a certain amount of papering, as you are saying. It is very much a concern to smaller companies. If you mention patents to any engineer, they are talking about inventions. They tend to think of things that are really groundbreaking, that move the yardstick, that are breakthroughs. That is not what patents are for. You can get patents for those things, but the standard is much, much lower. As long as it is new, you could get a patent for it. Often,

you will be able to get a patent on something that is already out there, but is not very well-known. I am sure you could invalidate it somewhere down the line, but at a large cost with a lot of time and energy.

I think there is a certain amount of what you say going on, but there is always a balance that has to be struck. If it becomes apparent to a judge in a courtroom that this is what is happening, I know they will not be too sympathetic to it. There was a judge in the Federal Court of Canada who said quite often that large companies did not care about the intellectual property rights of small individuals because they knew they could get around those intellectual property rights or run over them simply by litigating, getting paper patents, and running the other guy into the ground. If you get a judge with that kind of attitude, you will probably do fairly well.

QUESTION, MR. ABRAHAMS: Mr. O'Neill mentioned that methods of doing business are patentable in the United States, but not in Canada, and for other countries, who knows. Has the WTO attempted to weigh in on this, or will they just standardize this entire issue whether we are talking about patents or copyrights? I am not just confining this to methods of doing business.

ANSWER, MR. O'NEILL: As far as methods of doing business is concerned, *State Street Bank* was decided within probably the last year.[1] I would be very surprised if the WTO has its act together to do anything in that regard. Quite frankly, I practice litigation, so I do not know too much about the WTO unless I have to. It is not one of my areas.

ANSWER, MR. SCHWARTZ: I do not know of any attempt, either. I know about the early history of U.S. copyright law regarding accounting methods, what is not copyrightable, and the difference between methods of operation. If you read Section 102 of the U.S. copyright law and the treaties, such as the TRIPS Agreement and the WIPO treaties, they lay out what is and what is not copyrightable.[2] What are not copyrightable are methods of operations, systems, accounting procedures, those types of things. The ideas, and expression of ideas, dichotomy, as it is called, the expression of an idea is protectable, but the idea itself is not. So the scope of the monopoly of copyright is a lot narrower.

QUESTION, PROFESSOR KING: Eric, you mentioned the enforcement of intellectual property rights through the WTO. In terms of that, do you

---

[1] *See* State Street Bank & Trust Co. v. Signature Financial Group, Inc. 47 U.S.P.Q. 2d 1596 (1998).

[2] *See* 17 U.S.C. § 102; Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization [hereinafter WTO Agreement], Annex 1C, LEGAL INSTRUMENTS – RESULTS OF THE URUGUAY ROUND vol. 31; 22 I.L.M. 81 (1994) [hereinafter TRIPS Agreement]; World Intellectual Property Organization Copyright Treaty, adopted Dec. 20, 1996, 36 I.L.M. 65 (1997).

judge the judge if they do not protect copyrights in Taiwan, for example? Are you putting the WTO in a position of judging the judge who evaluates the violations? I am talking about putting teeth in enforcement. I think that is the important thing.

ANSWER, MR. SCHWARTZ: Well, I think it is not judging the judge in an individual case, but judging a system. If you read Article 41 of the TRIPS Agreement, it is a requirement that countries do not just have black letter law.[3] I worked on the copyright law of Russia, which is a beautifully written law, I must say. They had a lot of outside experts, including a lot of professors, and a lot of help from the European Union. They produced a very terrific law, but it came with no vehicle of enforcement. I think if you read Article 41, the requirement is not in a particular ruling necessarily, but what the WTO will have to do is take examples of countries that have laws in place that are up to the requirements of the TRIPS Agreement, but that are not working in practice, and make them work in practice. But it would be systematic I think, if there are no deterrent penalties. For instance, India has a new criminal code that applies to intellectual property law. They have had it for four years now, but they have yet to try a single person for a criminal case of commercial piracy, even when they are handed cases by copyright industries involving tens of thousands of dollars. That is where I think the cases will eventually go, especially because of the precedent value which works both ways in WTO cases.

QUESTION, MR. GIBBONS: Mr. Schwartz, you spoke about various rights management policies with encryption and intellectual property. Recently, in a Microsoft shrink-wrap licensing there was a provision stating the product could not be used to make fun of Microsoft. In balancing these rights of copyrights holders and owners versus the rights of the public, can we amicably weigh the usage rights and other public interests in these property rights regimes?

ANSWER, MR. SCHWARTZ: First of all, one of the questions with any of the shrink-wrap licenses is going to be the preemption of state contract laws by federal law, and that is the issue with which the courts are still wrestling. In the 7th Circuit, the case of *ProCD, Inc. v. Zeidenbera* concerned to what extent parties must abide by shrink-wrap licenses.[4] If Congress determines that there are certain sets of rights between copyright owners and copyright users and they determine, for instance, that the users have certain exceptions under Section 117, such as the ability to make a back-up copy or certain types of other archives, or to adapt a copy they need to their own individual computer, can they also agree to other terms and conditions, in

---

[3] *See* TRIPS Agreement, *supra* note 2, art. 41.

[4] 86 F. 3d 1447 (7th Cir. 1996).

terms of contracts where there is a negotiation or in the case of a shrink-wrap license, not a negotiation? I think those are areas that are still being settled by the courts.

When my wife bought our new computer, she handed me all the licensing materials. I thought that it would have been fun to mark up the terms and conditions and send them back to Apple. I figured I would keep about fifteen lawyers busy for a couple of weeks with the terms and conditions for my own use of my computer. I never did that, partially because Apple is a client.

QUESTION, MR. GIBSON: Does this mean that, for computer software itself, with encryption technology, it does not matter what the statute says, you just will not be able to do certain things?

ANSWER, MR. SCHWARTZ: The answer is yes and no. In the *ProCD* case, the courts are saying that to the extent it is not preempted by the federal law, parties can do it in contracts. It happens in every business, as between motion picture producers and distributors. George Lucas is now deciding for *Star Wars* the amount of commercial time that can be run before the movie is going to be screened, the theaters in which it can be run, the size of the theater, the scope of the projector, everything. Those rights are not included anywhere in copyright law, but certainly, it is his right to decide that, and Fox's right as distributor, to make these contractual agreements to the extent that it is not preempted.