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Discussion

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Discussion Following the Remarks of Mr. James Keon and Mr. Michael Keplinger

QUESTION, Professor King: Mr. Keplinger, you might explain how the section 301 case operates; and, being that it is a relatively new tool affecting U.S. trade policy, how, if at all, the results of our negotiation on section 301 affects Canada, our North American trading partner.

ANSWER, Mr. Keplinger: Section 301 cases are really the responsibility of the United States Trade Representative. Although we participate with the U.S. Trade Representative in providing technical expertise to those proceedings, all I can give you is a rough overview of how the process works.

Under the self-initiation procedures, the President may make a determination to initiate an action against a foreign country and conduct an investigation to determine whether or not the standards set out in section 301 of the Act are being met. One of those criteria of utmost concern is whether or not the country provides adequate patent protection for U.S. patents, copyrights and trademarks and other intellectual properties.

A series of consultations follow the initiation of a section 301 action in an attempt to negotiate a resolution to the dispute. If there is no resolution, the U.S. can elect to withdraw trade sanctions or to withdraw trade advantages extended to the other country. We are currently in the process of discussing intellectual property issues with Korea under section 301 and are in the negotiation stage. That is the only section 301 action dealing with intellectual property that we have in process right now.

QUESTION, Professor King: Now, in other words, you haven't come to any results yet and it is still in process?

ANSWER, Mr. Keplinger: That's right. The Korea discussion is in process.

QUESTION, Mr. Jackson: Mr. Keon referred to computer chips as not being suitable for copyrighting, because their configuration was dictated by function; similarly, they were not suitable for protection by industrial design law because industrial design law was limited to decorated features.

While it is true that we presently have a Canadian design law, we badly need another one. There is no difference, as far as I can see, between a computer chip and a source program or an object program which contains the same program. They are all an expression of an idea. They all should be copyrightable; but as Mr. Keplinger pointed out, you may need a *sui generis* type of protection in order to cover the questions

of registration, description, terms, and so on, which the Industrial Design Act does or should do under the copyright aegis. As Mr. Keplinger also pointed out, the computer chip law is a copyright-type of protection: it is a *sui generis* subset of copyright. Industrial design also is a *sui generis* subset of copyright and there may be others. It is a very confusing area.

ANSWER, Professor King: The department commissioned an analysis of whether or not chips are protected under the current copyright act and the conclusion was: "yes, maybe, but probably not." The question has not been litigated in Canada; I think the government's perspective, is that given the United States legislation, and given the developments internationally of a treaty, the result would be a type of legislation different from copyright. Therefore, in terms of international comity and certainty, it probably would be better for Canada to enact specific computer chip law.

Furthermore, I would agree with you that, in general, it is best not to have what we might call, "widget legislation." Each new type of technological development should not lead to a new piece of legislation because it will just create confusion for everyone concerned.

COMMENT, Mr. Keplinger: I would like to make a few comments along this line, too. Let's look at the starting point of a computer program and a computer chip. A computer program starts as a writing on paper—a literary work.

Industrial designs, on the other hand, are artistic works of a design nature, such as patterns on wallpaper, fabric designs, commercial art. They have always sort of floated around the edge of copyright law and, indeed, both Berne and the UCC contain special provisions with respect to works of applied art and industrial design.

In the case of U.S. law, protection is not provided for purely utilitarian works of design. The U.K. law is somewhat different, and indeed, it is a matter of great controversy right now in the courts of the U.K. I have referred to the recent decision of the British Leyland case where the House of Lords considered whether or not copyright ought to extend to a tail pipe for a British Leyland where it was claimed that the copyright and blueprint were infringed by reverse engineering of the tail pipe. In recent years, questions of copyright and software haven't been quite that dramatic. Furthermore, let me emphasize that our computer chips law is not a copyright law. It is incorporated in the copyright statute and it gets a copyright type of protection. That is, the criteria for eligibility for protection is an originality standard, meaning not copied from another source, rather than a patent standard of novelty and nonobviousness. While in that sense it is a copyright-type of protection, it also includes compulsory registration, or a loss of rights, and other features that are not exactly the same as our copyright law.

QUESTION, Professor King: Mr. Keon, you mentioned a lot of dif-

ferences. There is always the problem of a time lag between the discovery of the difference between the two laws and then the correction. Do you think Canada needs to clean up these statutes before any free-trade arrangement is worked out? How do you look at that from a time standpoint? Should there be some continuing exchange on intellectual property laws occurring between the United States and Canada?

ANSWER, Mr. Keon: The need to update and amend Canada's intellectual property statutes has been recognized since the 1950's. We had a Royal Commission in 1954, that made a whole series of recommendations for change. That was followed by the Economic Council report and working papers on all of the various statutes. The recent question is whether or not those changes should take place prior to the trade talks. That issue has really not been finally settled.

The momentum for amending the Copyright Act and the Patent Act has been growing for a long time. Ministers are dealing with the domestic issues and the international issues. The extent to which some of these may end up on the trade talk table hasn't been decided. I think Mr. Bale mentioned earlier that he would prefer to see all of the changes that are needed for good domestic public policy made before we get to the trade table. That may not be possible, since the considerations, consultations and discussions over pharmaceutical changes have been ongoing for a long time. It is clear that the United States has a direct interest. Intellectual property, by its very nature, affects trade since it establishes the rules and regulations on licensing and proprietary rights. All intellectual property issues are trade issues by their very nature, so I don't think that they can be totally divorced from the trade talks. Every change we are looking at in the intellectual property system has trade ramifications and they will, by necessity, be looked at in parallel.

QUESTION, Mr. Fisher: I would like to address a question to both of the speakers, on a subject that neither raised, but Harvey Bale spoke about in his address: review of the administration of the Gray Marketing policy.

Mr. Keplinger, can you give us some sense of the time frame in that review? And if I might be so bold, what do you think the thrust of that review will be?

As a corollary question, Mr. Keon, I would like to know whether Canada is considering a similar kind of review?

ANSWER, Mr. Keplinger: I'm afraid I can't add too much to what Harvey Bale had to say about the Gray Market process. In the office in which I work, there are a number of us that work on different issues and that isn't one of mine. What Harvey Bale said is, essentially, the situation.

I think there has been a real attempt in some of the legislation that has been going forward to maintain a Gray Market neutral, without af-

fecting the law as it has developed in the courts. But with respect to timing, I'm afraid I can't supply any further information on it.

ANSWER, Mr. Keon: The issue of Gray Marketing arises mainly with respect to trademark actions; however, there are questions concerning parallel imports running across all of the intellectual property statutes.

The Patent Act and the Copyright Act in Canada now contain provisions which give copyright owners the right to license various companies to sell in Canada and to keep out imports from competitors. These issues are front and center, when considering copyright revision. The publishing industry, especially, has lobbied very intensely for the need to continue to have some rights to prevent parallel imports into Canada.

Clearly there are consumer issues in terms of price and product availability and as Mr. Bale mentioned earlier, of consumer identification and product warranty. These issues are under consideration.