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PROTECTING AND EXPLOITING U.S. AND CANADIAN INTELLECTUAL PROPERTY ABROAD IN A TECHNOLOGICALLY CHANGING WORLD ECONOMY – A U.S. PERSPECTIVE

Eric J. Schwartz*

I am going to talk about new technology and copyrights today with a very low-tech presentation.

First, thank you, Henry, for inviting me, and to the faculty and students for organizing the program. I was asked to address the topic of protecting and exploiting U.S. and Canadian intellectual property abroad in a technologically changing world economy, with a focus on copyright issues. I had a choice here: focus mostly on some messy, sensitive, bilateral issues, or take a multilateral view of what the United States and Canada today are doing collectively and individually in the rest of the world to foster improved intellectual property abroad, in particular copyright protection. For obvious reasons, I have chosen the bilateral issues.

Nor will I not talk about cultural exemptions, the dispute between the United States and Canada magazine publishers regarding advertising, the interesting issues between the United States and the motion picture industry with regard to licensing for satellite distribution, or my favorite, the fact that the United States is on the defensive in a potential WTO TRIPS case. That case is now at the consultation level with what started as a complaint by the Irish Musician’s Union and has now broadened to involve the entire European Union, with Canada and Australia piling on complaining about amendments the U.S. Congress adopted last October which have to do with public performance rights. I would have to say, just parenthetically, on that issue,

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many of us believe the Europeans, the Canadians, and the Irish Musicians' Union have a strong case and a legitimate complaint. That said, the reason for taking the multilateral view today is the growth of global distributions and the global market place being the reality for E-commerce as well as for traditional copyright subject matter in the last twenty years.

The other practical reason to discuss this is because I was a negotiator for the U.S. government almost ten years ago in the FTA and in NAFTA. My focus and, certainly whatever little expertise I may have gathered at the time, is now pretty dusty. These days my work is concentrated primarily on developments in Eastern and Western Europe which have been rather exciting and interesting. Much of my perspective comes from the point of view of copyright creators, the copyright community includes creators and librarians, as well as individual users.

I will begin with a bit of historical perspective. I often hear from my own students at Georgetown about the death of copyright, even though for two credits, apparently they are still willing to take the class. For non-copyright practitioners, the historical perspective is important—it is the cliché about how the more things change, the more they stay the same. There is nothing new about the relationship between technology and copyright, though some of the particulars of the relationship have changed. Copyright laws developed as a result of the ease of reproduction made possible by the printing press. What started as the king's right to prevent publications metamorphosed into a publisher's right, and then into an author's right, under both civil and common law systems around the early 1700s. That system has been more or less maintained ever since.

With regard to the pressures that have been put upon governments because of new technologies, a couple of examples are particularly interesting to me regarding the ability of copyright law to adapt to change and new technology for the benefit of both authors and society at large. In 1893, Thomas Edison and his collaborator, W.K.L. Dickson, brought a series of films into the U.S. Copyright Office. Unfortunately, motion pictures were not explicitly part of the subject matter of U.S. copyright law in 1893. The Copyright Office made a decision, which is still important today, that photographs were copyright-protectable subject matter. This was based on a Supreme Court decision some ten years earlier involving a photo of Oscar Wilde. The Copyright Office made the bureaucratic decision, and it was a very good one, to register motion pictures as a series of still photographs on paper, therefore each frame had to be printed as a such. As a result of that decision, and be-

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cause paper is a lot less fragile than nitrate film, the first 5,000 motion pictures that were ever created in the United States still exist today.

In the 1940s, these films were transferred back onto nitrate film. The individual, Kemp Niver, who developed the process also won a special Oscar from the Academy of Motion Pictures. If you saw the motion picture *The Age of Innocence*, most of the photographs of turn-of-the-century New York City were from the paper print collection, which is available at the Copyright Office.

In 1964, the Copyright Office was presented with a new subject matter for registration, a computer program by a professor at George Washington University. The Copyright Office decided that the computer program was, albeit machine readable, just textual materials in another language, and therefore, was registered as a literary work because the Copyright Office had the authority to register “literary and artistic” works. Computer programs are protected as literary works in the TRIPS Agreement today.

In the 1970s, when tape duplication of sound recordings became a major problem for the music industry, an international convention known as the Geneva Phonograms Convention was developed to provide for first-time rights for the producers of sound recordings against unauthorized duplication, even though most of the copyright laws of the world, including most of the civil law countries, did not protect sound recordings at all. They did not think that type of work rose to the same level of originality as other literary and artistic works because they were mechanical reproductions.

You can go backwards or forwards and see the same developments. When Victor Hugo and a group of authors decided in the 1880s to develop an international convention on copyright, the idea was to harmonize the international standards of protection for these authors so they would be protected in all the countries that joined the convention. Unfortunately, it took the United States 103 years to join. The Berne Convention, as it is now known, was last revised in 1971 in Paris. What happened in the 1970s and 1980s was a recognition that, during that period, computer programs, databases, rental rights,

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3 THE AGE OF INNOCENCE (Columbia Pictures 1993).
4 "Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971)." Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 10.1, 33 I.L.M. 1197, 1201 (1994) [hereinafter TRIPS Agreement].
6 The United States acceded to the Berne Convention as of March 1, 1989.
distribution rights, particularly transmissions and re-transmissions by wire or wireless means of copyrighted works, cable, and satellite, were either not completely covered or not clearly covered by the Berne Convention. Most important of these deficiencies was the lack of adequate and effective enforcement in most countries. Since Berne and the other copyright treaties are public law, the only recourse between countries is the International Court of Justice. To date, since that dispute settlement provision was incorporated in the Berne Convention, it has never been used. In addition, harmonization was an important issue for sound recording producers with the growth of the music industry. Significant differences exist between civil law countries which do not protect sound recordings at all under copyright laws or only under so-called "neighboring rights" because they approximate or do not equal the rights of copyright owners, and the U.S. system, which simply protects producers of sound recordings as copyright subject matter.

In the 1980s, you had this explosive growth of international markets for book publishing, motion pictures, music, sound recording, and software material, not just in the United States, but in other markets as well. If you look at where the motion picture industry was, for example, in the early 1970s, in the percentage of their revenues from domestic versus foreign box office, or for that matter, theatrical versus videotape, it is astounding how much these industries have changed in only twenty years, even in the nearly fifteen years of my law practice.

Of course in the 1990s, I do not need to talk about shrinking borders and worldwide distribution as a result of the Internet that enables any country to be a creator, producer, or distributor worldwide. But it is also a "weakest-link" problem in that any offshore server can be a distributor of illegal material. So, the continued need to develop international standards has resulted in the important growth of the raising Berne standards to the standards in the signed agreement on Trade Related Aspects for Intellectual Property Rights known as the TRIPS Agreement as a side agreement of the WTO.

I should also mention the importance of this in the United States. My clients have been involved for a number of years in doing an economic study on the copyright industries in the United States. Our studies show that, in the last year with available economic statistics, which was 1996, 3.65% of the GDP was a result of U.S. core copyright industries.8 Core industries is defined in the studies, but at the risk of getting myself in trouble with all the economists in the room, I will not define that here nor will I define the GDP.

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What is important is that in 1996, for the first time, the core copyright industry became the largest export industry in the United States, surpassing the agriculture, chemical, and aircraft manufacturing industries. So, if you want to know why the U.S. government pays as much attention to these issues as it does, the economics and the linkage of copyright and trade are certainly part and parcel of that explanation.

The TRIPS Agreement incorporated the missing pieces of the Berne Convention and the improvements and needed developments in copyright protection from 1971 to the mid-1980s, including the inclusion of computer programs as clear Berne-protectable subject matter. Why was that important? Without doing that, unless you fit computer programs into existing subject matter of copyright, you would have needed another international convention to protect computer programs. And, of course, those countries that might bow out of such an international agreement would be free to continue piracy of software because they just had not consented to the terms and conditions of international protection.

Similarly, on databases, there are two types of issues at hand. One is copyrightable subject matter databases where there is some creative authorship by reason of selection, coordination, or arrangement. The Yellow Pages, for example, exhibit that selection, coordination, or arrangement in the United States. In *Feist Publications v. Rural Telephone Service Co.*, the Supreme Court, in making the decision about the standard of how low that threshold of originality may be, determined that the white pages of the phone book, wherein the publisher selects every individual in a pre-ordained area code, organizes them in alphabetical order with all the material available, name, address, and so forth, fell below the threshold.

For the non-copyrightable database, there is, of course, a continuing debate about whether or not to provide some form of *sui generis* protection. The European Union, acting first, has already adopted a directive on *sui generis* protection, but only as a matter of reciprocity, not national treatment. One of the issues that is driving the U.S. Congress, of course, is that unless the United States also adopts a *sui generis* form of database protection, once considered by the European Union to rise to the level that meets that reciprocity test, databases created by U.S. publishers or authors will be unprotected in one of its most important markets, as well as in all of the other countries of the world that do not adopt *sui generis* database protection. A bill was passed by the House in the last Congress, but never got Senate approval.

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9 Id.

Regarding commercial rental rights, a phenomenon developing in the 1970s for sound recordings, and for computer programs in particular, the TRIPS Agreement added commercial rental rights to allow the copyright owners to continue to control commercial rental of those works. Obviously, if copies can be commercially rented, it completely destroys the reproduction rights of the copyright owner and the harmonization of basic rights of sound recording protection, reproduction, and distribution with other works.

Perhaps most important, and the key to the TRIPS Agreement, was the addition of enforcement standards in Articles 41 to 61 – the adoption of civil and criminal provisions, including *ex parte* search procedures. The biggest losses, for instance in software, are due to end-user piracy, such as when a business or a university buys a single copy of software, puts it on its computers, and makes multiple copies. The only way for the software industry to be able to stop that kind of piracy is to be able to obtain civil *ex parte* search procedures, audit the businesses, and set up what I like to call the “1-800-RAT-FINK” number, where one calls to report that these activities are occurring. Then, the copyright owners do an audit and, obviously, can take care of the problems of multiple reproduction, which results in about eight billion dollars in losses a year in end-user piracy alone.

TRIPS also requires customs procedures and other provisional measures with the ability to stop illegal goods at the border. These address serious cross-border problems. I deal in Eastern Europe where these borders are completely open. As we stop problems of commercial piracy in one country, they simply flourish in another country when there are open borders and countries not enforcing laws up to WTO standards. This requires customs procedures, where a customs official can seize goods at the border without having to get the copyright owner to request it. This latter requirement is, of course, a ridiculous enforcement measure, but it does still exist in many of the countries of Eastern Europe.

Last but most important are criminal remedies, because the large piracy problems are commercial enterprises and organized criminal enterprises. The same enterprises that are involved in drug running are involved now in commercial piracy of copyrighted work. Almost all the illegal pirated music material in Latin America is created in Asia by the organized criminal gangs there. It simply makes its way to Asia by shipment through Paraguay and a handful of other countries.

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11 And in certain circumstances, audio-visual works as well. See TRIPS Agreement, supra note 4, art. 11.
12 See id. arts. 41-61.
13 See id. art. 51.
The TRIPS Agreement requires these minimum standards in Articles 41 to 61. Most important, these standards must not be just the enactment of beautiful black letter law, but they must result in working on-the-ground standards for adequate and effective protection and enforcement. This was something that never existed in the 100+-year history of Berne. It also, of course, added effective country-to-country enforcement in the WTO dispute settlement provisions. If one country was not in full compliance with the public performance right to which its musicians believe they are entitled, under the old Berne Convention dispute settlement, there really was no effective enforcement. That has changed thanks to the WTO/TRIPS Agreement.

Now, under WTO, across all the goods and services that are the subject matter of the WTO, you can have really effective enforcement provisions. The United States understood that and adapted and amended its laws accordingly when we joined the WTO. For example, we provided retroactive copyright protection for all foreign works that were at least seventy-five years old in keeping with Article 18 of the Berne Convention. This was something the U.S. government said we needed to do when we joined Berne in 1989, but the United States was concerned about constitutional “takings” and contractual problems by simply taking an entire body of public domain material and tossing it back as protectable subject matter. When the United States adhered to the TRIPS Agreement, effective January 1, 1996, the United States took all the subject matter from every Berne or WTO country and made it copyright protected. Retroactivity is an important issue for U.S. authors and publishers.

In fact, at the same time that the TRIPS negotiations were going on, the copyright negotiations on the FTA and NAFTA were, in large part, paralleling the same debates. These debates included the protection of computer programs, protection of databases, rental rights, and enforcement measures. The Mexican government was particularly concerned about the protection of older Mexican motion pictures, which had been in the public domain in the United States because of Mexican filmmakers failing to comply with the old U.S. formality-based system where you had to put a copyright notice on a published work, register it with the U.S. Copyright Office, and so forth. Only a very few Mexican film producers did that, and hundreds of others did not, leaving their material in the public domain in the United States. As part of NAFTA, there was, for the first time, protection afforded for older Mexican

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works, and that language was actually a model in many ways for the United States then to do the same for all the WTO and Berne Convention countries when we adhered to TRIPS.

In addition, an important issue between the United States and Canada was the protection for encrypted satellite signals. A right was granted to the copyright owners to be able to protect encrypted satellite signals. That language set the precedent in the mid-1990s for the two new digital copyright treaties under the WIPO. The NAFTA language was limited to satellite signals, and the encryption protection in the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty now applies to all copyright works and especially all transmissions, including those over the Internet. That was the problem, of course, to some degree with the TRIPS Agreement, where the copyright provisions were set in stone in 1991, and put into force in 1996. But, a new technology had come along in the five intervening years – the Internet.

The problem was that most of the so-called digital issues were clearly not covered by the TRIPS Agreement. And so what had been running on a parallel track all along at the Secretariat that administers the Berne Convention, the World Intellectual Property Organization, was the need to modernize the TRIPS levels of protection to include these new digital issues. Those issues include confirming that temporary reproductions were part of the reproduction right, even in so-called transitory copies.

For example, in the United States, about eight district court decisions have held that reproduction of a copy of a copyrighted work in RAM does invoke the reproduction right of the copyright owner. That does not mean every activity on the Internet involves an authorized copy either by explicit authorization or by implied license. If one places something on the Internet without restrictions, users presumably get an implied license at least to browse the materials. If it is put behind a firewall or on a subscription service, that is a different story, but the important thing is that the right to control those temporary copies is a right controlled by the copyright owner.

As to the rights of distribution and transmission, the Berne Convention does not even include an explicit distribution right. There never was agreement in the ever-running twenty-year cycle of Berne revisions on the development of the clear scope of distribution rights.

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17 See generally TRIPS Agreement, supra note 4.
What happened in the early to mid-1990s was that technology permitted the distribution and transmission of not only tangible copies, but also intangible "copies" by wireless means. So the two new digital copyright treaties include a distribution right explicitly for tangible copies with a continuing exploitation rental right for the copyright owner in those tangible copies, which is almost identical to the language in the TRIPS WTO. In addition, there is a requirement that countries adopt digital transmission rights, sometimes called a right of communication, to the public in the civil law countries, by wire or wireless means. This includes the important concept that the so-called "making available" of the work to the public should be covered even when such use is at a time and place chosen by the user. This is what we call interactive pulling, when it is not the copyright owner but the user who is determining when a copyrighted work is or is not going to be used. That is the nature of the definition of interactive, and so these treaties cover that.

I mentioned the two treaties together but note that they are really very similar, although one covers copyrightable subject matter, such as music, books, film, computer programs, databases; and the other is that bridge to the civil and common law system with regard to sound recordings and performances, the neighboring rights on the civil law, the European model, and the common law copyright protection for sound recording producers. It was impossible to completely bridge these two systems, and so it was decided to have a separate sound recording and performance digital treaty.

In addition, two important new rights were added by these treaties. The first was the right of encryption or anti-circumvention. This is a right separate from the copyright. The right ensures that the copyrighted work be protected and allows for the copyright owner to control access to the copyrighted work, if he or she includes encryption to protect the work, and also to prevent or to engage in copy-control technologies. There is not any relation to copyright infringement here — these are separate activities. One can crack into the work in terms of access, or disable the copy protection system, and have infringed these new digital rights. It includes acts of circumvention, but also it includes the business of providing circumvention tools, the so-called burglar's tools, products and services, manufacturing, distributing, importing black boxes, smart cards, and decryption devices and services.

The second right is the rights management protection. The future of copyright law is that, on an Internet network, there will be terms and conditions contained with the work. This other so-called rights management information consists of the name of the author and the terms and conditions for use of the

18 See Copyright Treaty, supra note 16; Performances Treaty, supra note 16.
19 See Copyright Treaty, supra note 16, art. 8.
20 See id.
work. The terms and conditions can simply say “call my agent,” but it can, of course include electronically, the terms and conditions for use of the work as well. What the WIPO treaties do is to protect against the ability to corrupt the integrity of that information and to prevent the removal, alteration, or modification of that information without the copyright owner’s permission. This is a voluntary system. There is no obligation for anyone distributing material on the Internet to put this rights management on a work, the rights exist in anticipation that this is the future of distribution of material over the Internet or other digital media.

In the United States last October, President Clinton signed into law the Digital Millennium Copyright Act.\(^{21}\) The United States proposed to implement these two new treaties in Title 1 of the law, and adopted circumvention and encryption rights as set out in the treaties, as well as rights management information provisions.\(^{22}\)

In Canada, there was a paper on digital issues, which was first prepared in 1995, though some amendments were adopted by legislation C-32 in September 1997.\(^{23}\) Those latter amendments dealt mostly with more traditional works, rental rights, sound recording protection, and performance issues. The issues in Canada are still percolating because of the separate issue in the digital copyright treaty forum, which is not a part of the treaties at all – the issue of liability of on-line service providers. There is no language in the treaties that requires any change in any country’s laws to comply with the treaties. That said, the political will and muscle of the telecommunications industry and the on-line service providers made it part and parcel of the treaty legislation in the United States.

Title 2 of the Digital Millennium Act is a resolution of the issues for service-provider liability in the United States, even though it was not part of the WIPO treaty implementation.\(^{24}\) That is the issue in Canada which has been holding up the implementation of the copyright treaties as it has in some other countries. In the United States, what was adopted contained no change in copyright liability. All the United States did was take the existing body of law with regard to direct and third-party liability and build on top of that a system of limitations on remedies. The idea was, Internet piracy is going to stop, the copyright content community, as they are now called – I still call them authors and publishers – had to build partnerships and cooperation with the deliverers of these copyrighted works. The plan was to require responsible behavior among the on-line service providers (ISPs). If ISPs behave re-


\(^{22}\) See id.

\(^{23}\) See Bill C-32, An act to amend the Copyright Act, ch. 24, s. 30.9, 1997 S.C. 42 (Can.).

\(^{24}\) See Digital Millennium Copyright Act, supra note 21, § 202.
sponsibly, take the actions to deter and detect illegal piracy, if notified of the illegal activity, the so-called notice and takedown, then remedies of a copyright owner will be severely limited. That was the approach taken. The concept was that it would strengthen the copyright laws and strengthen the marketplace for E-commerce by having both producers and distributors working in cooperation.

The United States is very hesitant, however, to use Title 2 as a model in any other country. This is because we have a well-developed case law system of direct and third-party liability, while a lot of other countries, especially in the developing world, do not. So simply to put these limitations on remedies for other countries' local telecommunications or service providers without an understanding of these third-party liabilities just will not work.

The strengthening of copyright systems, especially in the area where I work in Eastern Europe, is really about fostering pro-democratic institutions. Justice Sandra Day O'Connor referred to copyright laws as the "engine of democracy." In Eastern Europe, it is especially important to see the development of publishing and newspaper industries, the integrity and reliability and accuracy of the written word, including those on the Internet, so that one knows that what one is looking at is, in fact, reliable information.

The first challenge of the WTO is to get countries to develop their copyright laws in compliance with the TRIPS Agreement. There is a transition period for the TRIPS provision, which expires on January 1, 2000. There are dozens of countries in the developing world that have not done anything to amend their laws and are going to be targets of WTO cases, starting January 1, 2000. Time is of the essence.

In addition, there are traditional piracy problems in the optical media area. This is sprouting up with the popularity of CDs and DVDs, especially because this piracy is being undertaken by organized crime outfits in Asia and Eastern Europe. All it involves is sending transportable machinery that is capable of producing about 20,000 CDs or DVDs a day. It is a major problem for copyright owners, and there are now controls and laws being put in place. For example, Bulgaria went from being the largest pirate last year to not having a problem at all this year. The use of illegal software by governments is another problem at universities and in businesses. The biggest infringers of copyright in software in the world are government agencies, and the USTR, Charlene Barshefsky, has made it a priority to crack down on government agencies when discussing trade relations with other countries.

25 See TRIPS Agreement, supra note 4, art. 65.
Finally, let me turn to the implementation of the new copyright treaties. The treaties will not come into force until thirty countries are members. So far, seven countries have become members of the copyright treaty (WCT), and five countries are members of the performances treaty (WPPT), though fifty-one countries have signed the treaties. The United States is now ready to deposit its instruments of ratification. The European Union is not. The directives in the E.U. to implement are moving, but not very rapidly. As I understand, now that the European Union will hold up final accession until all fifteen countries are ready to implement, as I figure it, means final accession could take two years for final implementation of the treaties. With enforcement, the key word is cooperation. The U.S. Marshals and Canadian Mounties, for instance, launched a very big video piracy sting last November resulting in fifteen million dollars worth of goods being seized.

The challenge now is to get all countries to join and implement the new treaties and especially the enforcement obligations of TRIPS. As I said, the United States is on board, and Canada will be on board very soon. It is the combination of law enforcement and technologies that will result in vibrant copyright systems to promote the arts and to promote democratic and cultural institutions. This will also promote access to information like the database at the U.S. Copyright Office, or that of the Library of Congress. This will promote the copyright industries and E-commerce, as well as the cultural benefits of the works of authors and publishers. Without these digital treaties, without the promotion of effective TRIPS enforcement mechanisms, that will never come to be and will remain a potential and never a reality.

26 See WIPO Copyright Treaty, supra note 16, art. 20; WIPO Performances Treaty, supra note 16, art. 29.