

THE WIPO JOURNAL:

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CONTENTS

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Articles

Have Trademarks Become Deceptive?
Christine Greenhalgh and Elizabeth Webster

Scholarly Publication in Nigeria: Implications of Open Access
Kunle Ola

The Economics of Intellectual Property Enforcement
Xavier Seuba

The Transformative Authorial Self in Jewish Thought
Kim Treiger-Bar-Am

India's Tryst with Pharma Patent Settlements: Whether a Turbulent
Decade of Litigations Would Give Way to Meaningful Compromises?
V.K. Unni

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Table of Contents

Articles

Have Trademarks Become Deceptive? <i>Christine Greenhalgh and Elizabeth Webster</i>	109
Scholarly Publication in Nigeria: Implications of Open Access <i>Kunle Ola</i>	117
The Economics of Intellectual Property Enforcement <i>Xavier Seuba</i>	133
The Transformative Authorial Self in Jewish Thought <i>Kim Treiger-Bar-Am</i>	149
India's Tryst with Pharma Patent Settlements: Whether a Turbulent Decade of Litigations Would Give Way to Meaningful Compromises? <i>V.K. Unni</i>	165

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Have Trademarks Become Deceptive?

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☞ Abuse of rights; Brand names; Consumer protection; Dilution; Marketing; Trade marks; Use

Introduction

Disputes about patents and copyrights are today part of the daily news, but trademark controversies are less likely to be reported, despite their economic significance as important intellectual property rights in many industries and firms.¹ Yet the way trademarks are used by firms is by no means uncontroversial. Perhaps this silence arises because, if they are being misused, it is generally consumers that suffer rather than firms. Economic evidence supports the view that trademarks and brands are good for firms, but are they good for the economy and wider society? We examine here how far trademarks are serving the purpose for which they were designed and identify a number of ways in which the system is being abused. We then explore some feasible modifications to the law that would lessen these abuses.

What functions are trademarks supposed to fulfil?

The origins of trademarks date back several centuries before their definition in law. The practice of using hallmarks to identify the source and guarantee the quality of objects made from precious metals was used in ancient times and established in medieval European craft guilds. In the 19th century, countries such as France, Britain and the US enacted legislation to permit the registration of marks belonging to suppliers of goods, with service marks added in the early 20th century. (The term “trademark” now refers to both trade and service marks.) This legislation recognised that marks that were distinctive of a trader’s goods or services supported valuable goodwill and should be seen as a type of property. For the customer, a trademark, supplemented by ingredient labelling, should offer precise information that is easily assimilated about the origin, content and quality of the good.

“A trade mark is a sign, logo or insignia used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person.”² What is the economic logic of having a monopoly over a logo? A registered trademark is a state-granted right to exclude others from using an insignia or mark.³ As this creates some degree of monopoly power, albeit small, its justification depends on there being a “quid pro quo” for

* Thanks to Graeme Dinwoodie, Christine McDaniel, Carsten Fink, Gaétan de Rassenfosse, Paul Jensen, Owen Morgan, Georg von Graevenitz, Hazel Moir, Russell Thomson and Deborah Cobb-Clark for comments.

¹ See the recent survey of the economic impact of trademarks by Philipp Schautschick and Christine Greenhalgh, “Empirical Studies of Trade Marks—The Existing Economic Literature”, available at <http://www.ipria.org/publications/wp/2013/WP713.pdf> [Accessed April 9, 2015]. An updated version of this paper is forthcoming in *Economics of Innovation and New Technology*.

² Australian Trade Marks Act 1995 s.17.

³ At the same time, protection for unregistered marks is derived from the law of passing off which prevents one person from misrepresenting his or her products as being the products of the trademark “owner”. It also prevents one person from holding out his or her products as having some association or connection with the “owner” when this is not true.

society.⁴ This “quid” is information for consumers. It enables them to make more efficient choices (static efficiency) as the information contained in the trademark reduces their search and transaction costs. Because they know and trust the product, they do not waste time looking for alternatives or suffer a loss of satisfaction that could occur if they were to buy an inferior good or service from another producer. The alternative (without marks) is that consumers have to engage in costly trial and error based on the shape or appearance of the product. If quality is never observable pre-consumption⁵ and the origin of the good is concealed, then there may be no accumulated learning at all. This is not only expensive but also wasteful if products are rejected. Furthermore, if buying is infrequent, as is often true with durable goods, consumers may never find their most preferred product.

From the seller’s perspective, producers actively use the trademark system to register company names, logos and insignia and to differentiate their products by name and type (reflecting their varied characteristics). Their protected marks can have the dynamic effect of giving these firms the confidence to invest in research and development into new products. This incentive arises because they know that their trademarks will enable their customers to differentiate between product characteristics which are not apparent from casual observation (dynamic efficiency).⁶ So the key is that the mark reduces consumer confusion over both the source (like a hallmark) and the characteristics of the product (whether trade or service marks). Society benefits if a seller cannot confuse consumers as to the origin or nature of the good.

How are trademarks now being used?

The basis of brand creation

Unlike a patent or copyright that will eventually expire, a trademark can be renewed indefinitely as long as the owner continues to trade. This permanence permits a firm to build a brand image using successive waves of advertising. Such a brand can act as a barrier to entry for new firms that have no established reputation. It can also permit the brand holder to enter new fields of enterprise using the reputation established in their existing product area. This is possible as there is likely to be some confidence in their ability to produce new goods and services based on their existing successes. These features of trademarks mean that the authorities designing and implementing trademark law must pay particular attention to any features of the law that might result in anti-competitive behaviour or divert the original intentions of the law. We outline below a number of such features that we consider to be generating negative consequences for consumers.

Sentiment and brand image

Are trademarks doing their bit to provide consumers with accurate information? In the last few decades, there has been an evolving use of trademarks, which we would argue has led to deterioration in the value of marks to consumers, but appreciation in the value of marks to producers. Companies and their advertisers have realised that trademarks can be designed to embody sentiment, gestalt, emotions or personal image, and such designs engender psychological responses in buyers, leading to greater product loyalty. Such marks are the basis of building brand image for the company and its portfolio of products, and they add value to the product over and above its substance—hence, these kinds of labels and trademarks attract extra price and enhance profits. This development has attracted little criticism from lawyers, who rather

⁴ While the stated purpose of a trademark right is not to grant market power, the effect of a brand, coupled with marketing, tends to change the elasticity of demand making it less sensitive to price rises.

⁵ And it is not feasible to write a contract over quality. Heski Bar-Isaac and Steven Tadelis, “Seller Reputation” (2008) 4 *Foundations and Trends in Microeconomics* 273.

⁶ At the limit, if consumers cannot distinguish between high- and low-quality products, the market may disappear. George A. Akerlof, “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism” (1970) 84 *Q.J. Econ.* 488.

criticise economic theorists as failing to see the point of trademarks as a means to facilitate markets within a status culture.⁷ For example, Barton Beebe states:

“In asserting that trademarks do no more than facilitate search and encourage quality, the Chicago School has long declined to acknowledge what is obvious: that firms produce trademarks as status goods, that consumers consume trademarks to signal status, and that courts routinely invest trademarks with legal protection in an effort to preserve this status-signaling function.”⁸

He even goes so far as to say—without questioning the justification of such a regime

“in modern culture, the trademark need no longer identify any particular commodity (other than itself) in order to receive protection.”⁹

Knowing that sentiment and status effects can be eroded by the same factors that created them, companies have sought legal protection against so-called “dilution”.¹⁰ Dilution is said to have occurred if the reputation of a well-known mark is tarnished or blurred by the actions of another firm, even when there is no infringement of the trademark or no prospect of consumer confusion. Typically such cases can arise when another firm seeks to use the same trademark, or a very close variation of it, in a completely different product field. Hence there is no confusion, but the new product is one which by its nature has an image contrary to that of a well-known mark. The arguments supporting this law are that the later user wilfully intended to trade on the established reputation of the earlier mark or that they intended to damage its reputation.

This entitlement by companies to buy and sell property rights over emotion has become so well entrenched that companies such as McDonalds feel justified in challenging organisations across the globe that use the prefix “Mc” on their products. In Australia, a community rugby team was pursued for using the term “McBrat” (the nickname of their team sponsor, Malcolm McBratney) on their shorts, but this trademark was subsequently allowed by the Australian Trade Marks Office.¹¹ Christine Greenhalgh cites two more such cases involving McDonalds and local suppliers: one relating to “MacTea” in Singapore and another to “McCurry” in Malaysia.¹² Both cases went to their respective appeal courts before the local suppliers won the rights to retain their mark. This ethos of property rights over words has even permeated non-profit agencies: the “Don’t mess with Texas” slogan, trademarked by the Texas Department of Transportation to reduce roadside littering, has been the subject of over 100 cease-and-desist letters since 2000.

⁷ An exception is Senfleben whose work we reference below when discussing solutions: see Martin Senfleben, “Bringing EU Trademark Protection Back into Shape—Lessons to Learn from Keyword Advertising”, available at <http://www.epip.eu/conferences/epip06/papers/Parallel%20Session%20Papers/SENFLEBEN%20Martin.pdf> [Accessed May 6, 2015]; Martin Senfleben, “Trade Mark Protection—A Black Hole in the Intellectual Property Galaxy?” (2011) 42 Int’l Rev. Intell. Prop. & Competition L. 383; M.R.F. Senfleben, “The Trademark Tower of Babel—Dilution Concepts in International, US and EC Law” (2009) 40 Int’l Rev. Intell. Prop. & Competition L. 45.

⁸ Barton Beebe, “The Semiotic Analysis of Trademark Law” (2004) 51 UCLA L. Rev. 621, 624. Beebe refers here to the economic theory of trademarks as “The Chicago School” based on the location of some of its authors.

⁹ Beebe, “The Semiotic Analysis of Trademark Law” (2004) 51 UCLA L. Rev. 621, 625.

¹⁰ In the US, the Federal Trademark Dilution Act, which provides protection to “famous marks”, was enacted in 1996 and revised in the 2006 Trademark Dilution Revision Act. In the European Union, art.5(2) of the EC Trademark Directive 89/104 protects a trademark that “has a reputation in the Member State”: see Senfleben, “The Trademark Tower of Babel” (2009) 40 Int’l Rev. Intell. Prop. & Competition L. 45. In Australia, the Trade Marks Act 1995 contains provisions that some commentators argue will protect against dilution, but the interpretation of the Act remains a controversy: see Maurice Gonsalves and Patrick Flynn, “Dilution Down Under: The Protection of Well-Known Trademarks in Australia” (2006) 28 Eur. Intell. Prop. Rev. 174; Michael Handler, “Trade Mark Dilution in Australia?” (2007) 29 Eur. Intell. Prop. Rev. 307. In an attempt to downplay the deleterious effects of dilution provisions, commentators have argued that these provisions are not often used in court: Mark D. Janis and Peter K. Yu, “International and Comparative Aspects of Trademark Dilution” (2008) 17 Transnat’l L. & Contemp. Prob. 603. However, this does not address the issue as to why dilution provisions should exist at all. Nor does it acknowledge the impact the dilution provision may have on economic behaviour. We know from surveys of patent enforcement that patents pre-empt and modify many types of behaviour before such behaviour becomes apparent.

¹¹ *McDonald’s Corp. v McBratney Services Pty Ltd* [2006] ATMO 71 (Re MCBRAT).

¹² Christine Greenhalgh, “The Social Benefits and Costs of Trade Marks and Brands” in Andrew T. Kenyon, Ng-Loy Wee Loon and Megan Richardson (eds), *Law of Reputation and Brands in the Asia Pacific Region* (Cambridge: Cambridge University Press, 2012), pp.23–44.

Closely aligned with the view that organisations “own” the right to exclude people from using insignia associated with their brand is anti-ambush marketing legislation.¹³ It is becoming commonplace for international sporting associations to require nations vying for the opportunity to host the “international cup” to enact laws to prevent ambush marketing.¹⁴ Marketing practices thus appear to have co-opted an intellectual property right designed to help consumers identify the source and quality of a product and have made this into a weapon for enhancing their own profitability. So the question we are posing is: have trademark and associated laws—that is, of the ambush marketing sort—been hijacked by the marketing industry at the expense of consumers?

Confusion about product origin

First, consider the fact that the buying, selling and licensing of marks are permitted and frequent. When a mark is sold (termed “assignment” in law) or licensed to another party, this can lead to it being a source of confusion for consumers about the origin of the good, rather than a clarification of its source. Where the whole production unit—embodying plant and equipment; blueprints and algorithms; staff; and the established supply chain—is sold as a package, there are grounds for arguing that the trademark, as an integral part of this package, should be included in the sale. However, there is no scrutiny or oversight over the sale and licensing of trademarks. Cases where the trademark is disembodied from the production unit appear, from the consumers’ perspective, the same as trademark sales that are part of a production unit package. It might be argued that company ownership can be inferred from the supplier printing a name somewhere on the product, but small print on the reverse label is no substitute for a trademark prominently displayed on the front.

With the sale (assignment) of a mark, it is quite possible that the new owner will decide to change the quality of the good or service, either to move the product to capture a different market segment, or to cheapen its production and lower its costs.¹⁵ Alternatively, firms without reputation may choose to buy a company with an established strong reputation for its brand. These can be deliberate strategies to confuse consumers. Steven Tadelis argues that there are strong incentives for low-quality producers to buy reputable high-quality product trademarks (and take them down market) since low-quality producers are unable to create a high-quality reputation for themselves.¹⁶

After the sale (assignment) of a trademark, it may well take time for existing consumers to realise their regular purchase is not what it was. For example, how many purchasers of Volvos know that this quintessentially Swedish car manufacturer was owned by Ford Motor Company from 1999 for a decade and taken over by a Chinese firm, Zhejiang Geely Holdings, in 2010? A repeat customer loyal to the Swedish manufacturer, who has driven Volvos all his life, might be surprised to find out that his last vehicle was manufactured by an American firm while the new car he just bought came from a Chinese-owned operation.

Consider too the situation where a business and its associated goodwill (or reputation), including a registered trademark, are sold. Of particular interest is the situation when the trademark is a person’s name, as in the case of the dress designer Elizabeth Emanuel. After selling her business and its personal mark, she tried later to oppose a new owner registering new graphic forms of her name as trademarks. She lost the case at the European Court of Justice in 2006, in spite of a clear acknowledgement by the judge that

¹³ Ambush marketing occurs when a producer or seller associates himself or herself with a major event (often sporting, such as the Olympics or the FIFA World Cup) without the event organisers’ permission.

¹⁴ Owen J. Morgan, “Ambush Marketing—New Zealand Is in Search of Events to Host” (2008) 30 Eur. Intell. Prop. Rev. 454.

¹⁵ Kraft Foods took over Cadbury Chocolate in 2010. One of its best-selling items is the Cadbury Creme Egg with sales of 200 million per annum. After complaints by customers, an investigation by *The Sun*, a British newspaper, reported in this and many other newspapers on January 12, 2015, has led to an admission by Kraft foods that it has changed the chocolate covering of this product, switching from top quality dairy milk to a standard cocoa mix product.

¹⁶ Steven Tadelis, “What’s in a Name? Reputation as a Tradeable Asset” (1999) 89 Am. Econ. Rev. 548.

she was no longer associated with the business. The judge declared there was no deception involved as the earlier style of the mark using her name had been sold as part of a package that included the goodwill of the firm.¹⁷ One wonders how many buyers of a dress from a company trading as Elizabeth Emanuel, who achieved significant personal fame as the designer of the wedding dress of Princess Diana in 1981, would have known that after 1997 she was no longer associated with the business bearing her name?

Multiple marks from one producer

Another way in which the modern use of trademarks can lead to confusion is due to the common practice of one originator using many marks. The producer may do this to reach different segments of the market by appealing to differences in image and style, but at the same time this practice has the effect of implying more competition and producers than actually exist. It can also be the case that producers want to realise the emotive value of trademarks to differentiate essentially identical products. So supply of homogenous products from the same factory can occur under different marks. In these situations, a consumer who wants to avoid them based on a bad experience with a company or a diminished view of their standard of health and safety may end up buying their good or service under the guise of a different company trademark. Well may a business use their brands in this way, but the question for public policy is: should the law and the offices of the government be used to support this type of activity? Is the government acting as an agent of business working to increase consumer confusion?

Without stopping to consider the implications, the practice of having multiple trademarks or brands by a given owner has become pervasive among industry, especially in the area of consumer goods. Common examples include newspapers (News Limited and Fairfax); bread (George Weston Foods and Quality Bakers); cleaning products (Colgate-Palmolive); toilet paper (Kimberly-Clark and AB SCA Finans); canned fruit (SPC Ardmora); tea (Tetley); and multiple goods (Simplot, Campbells and Fonterra). Websites and packaging can be sufficiently obscure that it is difficult for consumers to identify the original manufacturer. An excellent survey of this problem can be found in a study by Beth Hoffman, which contains several illustrative diagrams of the widespread concentration of brand ownership among top food and beverage suppliers.¹⁸ This study reports that Nestlé owns 13 brands of chocolate and PepsiCo owns 15 brands of soft drinks.

One mark for multiple suppliers

Consumer confusion can also ensue when companies share or lease trademarks. For instance, a consumer can buy a ticket from one airline and end up travelling on a flight operated by a foreign subsidiary company with a poorer safety standard. Similarly, how many chocolate buyers would know or take time to research the fact that in the US since 1988 all Cadbury products have been manufactured by Hershey, a competitor firm producing its own range of chocolate bars? So if a customer bought a Cadbury's bar to avoid Hershey's after a bad experience with their products, he was misled about both the supplier source and the extent of market competition.

Some trademarks are quite simply misleading as product labels. Should the legal system condone the use of the trademark UGG-AUSTRALIA by an American firm manufacturing boots in China? Should the confusion threshold be set higher for government-sanctioned trademarks? We, the public, are so accustomed to wily marketing practices that we may assume that when a mark is sold, it is our responsibility

¹⁷ *Emanuel v CSL* (IPPT20060330) (European Court of Justice), p.11, available at http://www.ippt.eu/files/2006/IPPT20060330_ECJ_Emanuel_v_CSL.pdf [Accessed May 6, 2015]: "Article 3(1)(g) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, must be interpreted as meaning that a sign comprising, at least partially, a proper name, assigned together with the goodwill of which it forms [sic] part, does not deceive the public, even if it evokes the mistaken impression that that person took part in the design and creation of the goods for which it is used."

¹⁸ Beth Hoffman, "Behind the Brands: Food Justice and the 'Big Ten' Food and Beverage Companies" (2013) *Oxfam Briefing Paper* 166.

to learn about the change to the quality or origin of the product. But is this good public policy? Should we assume that it is up to us to learn that two apparently distinct trademark-sanctioned products are rolling off the same production line? Or is it the responsibility of other parts of the law—such as consumer protection—to mop up any problems created by an overly generous trademark law?

Anti-competitive uses of trademarks

“Trademark squatting” occurs when a country allows someone other than the originator to take out a mark on an international mark so that when the originator comes to register his mark he faces blockage from the domestic owner. This can occur quite legally under the “first to file” principles that are applied in many countries. However, it clearly disadvantages the owners of international brands, who are essentially being held to ransom by local registrants hoping for a big financial reward for selling their trademark. Recent work on this problem has focused on Chile as one example.¹⁹ These authors conclude that their theoretical and empirical analysis demonstrates that squatters are able to enforce legal rights that they should not have been able to register in the first place. In their view, successful squatting is on average not the outcome of systematic mistakes made by the trademark office, but a consequence of the design and implementation of the law and its related institutions, thereby raising hopes of the possibility of designing a system inimical to squatting practices. Squatting is also a common problem in China. For example, Penfolds cannot export wine to China under their brand name, as someone has taken out the trademark in China and Penfolds would be sued for infringement if they exported to China. Ashley Benjamin discusses several changes to trademark law in China that might improve the rights of overseas owners, but concludes that the legal position is not at all clear as yet and that some elements of change may have even strengthened the position of trademark squatters.²⁰ Even if countries have a use requirement in their trademark law, trademark squatters can still extract rents for a period of time if the legal process for revoking a trademark is slow.

“Trademark cluttering” is another possible type of anti-competitive behaviour. This can occur when firms take out more trademarks than necessary, or when trademarks that are registered in far more classes than the firm is likely to make products in. This problem is aggravated for pharmaceuticals as the firm eventually has to have a product name that is acceptable to the medical regulatory authorities as being sufficiently clear and distinctive so as to not lead either prescribers or dispensers into making errors that could be dangerous to patients. Here firms may well need to register multiple names most of which are eventually rejected. In other fields, however, the objective is rather to make it harder for other firms to establish a suitable basis for brand building, as trademark cluttering causes extra costs and search difficulties for new applicants. Preliminary evidence suggests this is becoming quite a serious issue.²¹

Redesigning trademark law

The concerns raised above suggest that policy makers who design and implement laws in the area of trademarks and branding should re-consider their intent. Laws which grant businesses a privilege are typically justified on the basis that there is a corresponding responsibility to the public.²² There is enough

¹⁹ Carsten Fink, Christian Helmers and Carlos Ponce, “Trademark Squatters: Evidence from Chile” (2014) CDIP/14/INF/3.

²⁰ Ashley Benjamin, “China: Will New Chinese Law Help in Battle against Trade Mark Squatters?”, available at <http://www.mondaq.com/cx/282204/Trademark/Will+New+Chinese+Law+Help+In+Battle+Against+Trade+Mark+Squatters> [Accessed April 9, 2014].

²¹ Roland Knaak, Annette Kur and Alexander von Mühlendahl, “The Study on the Functioning of the European Trade Mark System” (2012) Max Planck Institute for Intellectual Property & Competition Law, Research Paper No.12–13; Georg von Graevenitz, “Trade Mark Cluttering—Evidence from EU Enlargement” (2013) 65 Oxford Econ. Papers 721; Georg von Graevenitz, Christine Greenhalgh, Christian Helmers and Philipp Schautschick, *Trade Mark Cluttering: An Exploratory Report* (Newport: UK Intellectual Property Office, 2012).

²² Graeme Dinwoodie, in correspondence, has drawn our attention to the fact that historically there were rules that imposed responsibilities on trademark owners who licensed marks, requiring the licensees to control the “nature and quality” of licensed goods so as to ensure that any licence was not “naked” and thus an abandonment of the trademark. The trend, however, has been very much away from this. In addition, the law never imposed responsibilities for quality control on manufacture by the mark owner himself.

circumstantial evidence to suggest that, with respect to trademark and branding laws, this responsibility has been forgotten. Any government that aims to maximise social welfare cannot condone the right of firms to confuse consumers about the origins of their products. Although the amount of evidence measuring consumer confusion is limited,²³ there is a prima facie case for arguing that current practices of creating, buying and selling trademarks do confuse consumers. We argue that the default position ought to be that the force of the law be used only when a case can be made in the public interest. Based on this principle we now set out a number of reforms which are clearly feasible as precedents are already in place in some countries.

Our first proposal for reform is to require all countries to institute and efficiently enforce a “use” requirement for trademarked products. As noted earlier, in many jurisdictions there is no obligation for the applicant to demonstrate that he has a product in the market or close to reaching the market using this trademark. In other jurisdictions, the speed with which the use requirement is enforced is slow. Both squatting and cluttering would be largely eliminated if trademark law everywhere were to be strengthened to enforce a use requirement early in the existence of the mark, as is already done in the US.

Our second proposal is that the law should bear down on the use of marks to confuse consumers as to non-significant product differences between essentially identical products from the same producer. Currently a trademark can be registered if it is distinctive from other marks—there is no test for whether the product is distinctive (if it has the same owner) or whether it clearly denotes the origin of the product. At present, little is expected of the trademark applicant in terms of either adequate clarification of the source of production or genuine product differentiation from those of competitors. To obtain a patent the applicant has to demonstrate novelty; to obtain copyright, a creator has to assert the item is his own work. To obtain a trademark, it might therefore be reasonable to require some element of genuine product distinction and that the mark, when in use, should denote the company of origin. Barton Beebe proposed that trademark distinctiveness be reconceptualised as consisting of two forms.²⁴ The first he calls “source distinctiveness”, which describes the trademark’s distinctiveness of origin. His position is that, to determine whether or not a trademark merits anti-infringement protection, a court should consider whether it possesses source distinctiveness. The second characteristic he calls “differential distinctiveness”, which is effectively its distance from other marks. He argues this should determine the scope of anti-infringement protection that is awarded. This model could usefully be adopted for trademarks, but we would argue there is a need to go further. As noted above, Beebe is indifferent to the role of marks in creating artificial status characteristics attached to products, or even the existence of a product related to a mark.

Our third recommendation is that the legal defence of dilution should largely be eliminated. Here again, the model is the US system, but we note too that Australia does not recognise the force of dilution arguments. Any jurisdiction that includes dilution clauses in their legislation may be using the law to protect mere sentiment. It has become commonplace among intellectual property professionals to accept without questioning that, since sentiment *is* protected as a form of property, it is right and proper that it should be. This is another key notion that we wish to challenge. The laws governing dilution are variously defined and interpreted across jurisdictions, with the result, as Martin Senftleben concludes, that “the door to protection against dilution is opened slightly in the US, and widely in the EC”.²⁵ After a lengthy review of the case for and against dilution law he argues

“it seems desirable that the trend towards the degeneration of trademarks into exploitation instruments be stopped by restrictively employing the infringement criteria of harm, detriment and unfair advantage.”

²³ e.g. Vicki Huang, Kimberlee Weatherall and Elizabeth Webster, “The Use of Survey Evidence in Australian Trade Mark and Passing-Off Cases” in Kenyon, Ng-Loy and Richardson (eds), *Law of Reputation and Brands in the Asia Pacific Region* (2012).

²⁴ Beebe, “The Semiotic Analysis of Trademark Law” (2004) 51 UCLA L. Rev. 621.

²⁵ Senftleben, “The Trademark Tower of Babel” (2009) 40 Int’l Rev. Intell. Prop. & Competition L. 45.

However, he recognises that pressure from industry may lead the law in the reverse direction of supporting dilution claims (and it certainly has done so in Europe). If this happens then, any brand image exploitation rights should at least be constrained by obligations and limitations parallel to those employed in copyright law to preserve freedom of expression.²⁶

Our fourth proposal is that the transfer of ownership of trademarks should be considerably restricted in situations when the location of production and the management team governing product quality are to be drastically altered. In such situations it should be a requirement that the new owners or producers register a new variant of the trademark that may incorporate both the original mark and an added word or character signalling the changes in management and location. This would enable the new owners to retain some of the reputation of the original mark while also signalling to customers that the origin of the product or the head office of its management has changed.

This tying of marks to their genuine product origins parallels the situation that would happen if a law concerning geographic indications were introduced. Prior to its adoption it was confusing to consumers for firms to use terms such as “burgundy” for wines or “parma” for hams that were not produced in this region of France or Italy, respectively. Enforcing more restrictive clarification of the origin of a product has had the effect of forcing local producers in other areas to develop their own marks. This has boosted the reputations of previously unknown regions, while underlining the true origins of different wines and hams.

Conclusion

In sum, our recommended changes amount to saying that trademark owners have obligations to consumers. There is a “quid” for the “quo”. Trademark protection should be drawn back from being based on consumer sentiment and opinion; instead, it should be based predominantly on objective and observable information. The mark should not be used to suppress valid competition within the product group or uphold claims of dilution. For example, lookalikes (products with essentially similar colours and styles of packaging) can at present be prohibited in law, even when they are clearly labelled with a different product name that should not confuse any but illiterate consumers.

In our view, ensuring genuine novelty and clarifying the origins of products would lessen consumer confusion. The first condition for trademark registration should be that the producer can demonstrate an imminent use requirement for the mark in relation to a good or service about to reach the market or already in production. We would also welcome the withdrawal of the right to buy, sell or license a trademark in any situation involving a significant change in supplier without the requirement to modify the trademark to signal the change of ownership. We would support the elimination of any arguments relating to dilution as a legal defence and set the task of the law to be that of deciding all contested marks on grounds of genuine infringement.

²⁶ To some extent, this just shifts the legal debate about whether or not to allow dilution claims sideways, as fair use or fair dealing exceptions vary considerably among countries. Martin Senftleben argues that the US system, which enshrines freedom of expression in their dilution system, can serve as a model for other countries: see Senftleben, “Bringing EU Trademark Protection Back into Shape” (see fn.7); Senftleben, “Trade Mark Protection” (2011) 42 *Int'l Rev. Intell. Prop. & Competition L.* 383; Senftleben, “The Trademark Tower of Babel” (2009) 40 *Int'l Rev. Intell. Prop. & Competition L.* 45.

Scholarly Publication in Nigeria: Implications of Open Access

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☞ Academic lawyers; Access to information; Developing countries; Educational institutions; Intellectual property; Law journals; Nigeria; Online services; Publications

Introduction

“Nigeria does not lack literary talent, but still, books written by native authors and further still, published by Nigerian publishing houses, are incredibly rare.”¹ According to Nigerian poet and novelist Ben Okri, “The best writing is not about the writer, the best writing is absolutely not about the writer, it’s about us, it’s about the reader.”²

The African writer and reader are, however, confronted with several challenges: the writer faces the challenge of getting his work out to both a local and global audience, while the reader faces the challenge of accessing works by fellow Africans. A lack of proper infrastructure to facilitate the visibility and accessibility of Nigerian scholarly publications can be held accountable for these challenges.

Nigeria has a large number of higher educational institutions, both public and private, as well as research institutions.³ Considering the high numbers, it is expected that a large amount of information and data ought to be generated and published in journal articles. Publishing the outputs of Nigeria-based research can be achieved in two ways: one is to publish in a local journal, and the other is to publish in an international or foreign journal. The choice of where to publish often determines accessibility, visibility, impact and utility of the work. Most works published in Nigeria suffer low global and local visibility.⁴ By contrast, works published in foreign journals are globally visible, but most often inaccessible to Africans as well as to others in developing countries due to the high subscription costs and pay-per-view fees. Most people in the global north have access to most peer-reviewed journal articles through their institutions which are able to afford subscription fees. For those within the global south, however, the inability of virtually all universities and research institutions to keep up with high subscription fees has necessitated cancellations, thereby reducing access to peer-reviewed journal articles.⁵

Since works of those Africans who publish in foreign journals are inaccessible to the average African, could the answer be to stop publishing in foreign journals? The promotion and assessment mechanism in

¹ Ana Zoria, “Nigeria’s Publishing Industry: Telling Our Own Stories”, available at <http://www.pambazuka.net/en/category/books/93917> [Accessed April 9, 2015].

² Ben Okri, “19 Jan 2015, 06:42”, available at <http://first-thoughts.org/on/Ben+Okri/> [Accessed April 9, 2015].

³ National Universities Commission, “List of Approved Universities in Nigeria, National Universities Commission”, available at <http://www.nuc.edu.ng/nucsite/File/Monday%20Bulletin/MB%202014/MONDAY%20Bulletin%2003-02-2014.pdf> [Accessed April 9, 2015].

⁴ Gideon Emcee Christian, “Issues and Challenges to the Development of Open Access Institutional Repositories in Academic and Research Institutions in Nigeria”, p.7, available at <https://idl-bnc.idrc.ca/dspace/bitstream/10625/36986/1/127792.pdf> [Accessed April 9, 2015]; Ifeanyi J. Ezema, “Trends in Electronic Journal Publishing in Africa: An Analysis of African Journal Online (AJOL)” (2010) 7(1) *Webology*, available at <http://www.webology.org/2010/v7n1/a74.html> [Accessed April 9, 2015].

⁵ Justin Norrie, “Harvard Decries the High Cost of Journal Subscription”, *The Conversation*, April 24, 2012, available at <http://theconversation.edu.au/harvard-journal-subscription-fees-are-prohibitive-6659> [Accessed April 9, 2015]; John Willinsky, *The Access Principle: The Case for Open Access to Research and Scholarship* (Cambridge, MA: The MIT Press, 2006), p.7.

the academic field has created a “publish or perish” culture, placing a high premium on works published within certain journals, most of which are foreign.⁶ This being the case, how then will an author be convinced not to publish in foreign journals when such publications are the pathways to promotion? Worsening matters is that works published with local journals mostly lack visibility and accessibility and are only seen, used and known by members of a particular association.⁷

Those who are meant to read and put the knowledge to use are unable to see the journals due to weak distribution infrastructures and the fact that most local publishers are not linked to the global publishing network. Most of these works are still largely undigitised, and they sit on the shelves where the knowledge, though useful, is inaccessible and will therefore not make the impact it should. As a result, Nigerians are technically cut out from all of this important intellectual discussion as well as the important information about issues and events. Even worse, this inaccessibility is a deprivation of one’s fundamental right—that is, the right of access to knowledge.⁸

For those in the global south and probably the few in the global north who are unable to access needed information owing to some form of restriction, the issue then is to identify how to address the problem of visibility and inaccessibility to knowledge. This article discusses the entrance of open access to the Nigerian system. It looks at scholarly publishing in Nigeria and identifies several initiatives that have been introduced for the purpose of granting access to developing countries. It highlights the progress made so far towards enabling open access in Nigeria and discusses the implications of open access to Nigeria and other developing countries.

Scholarly publishing in Nigeria

Journal publishing has existed in Nigeria for a long time. The *West African Medical Journal* was established in Nigeria during the colonial era in the 1920s.⁹ The journal of the Nigerian Field Society, *Nigerian Field*, was first published in 1931 and is still being published.¹⁰ The establishment of the University College, Ibadan in 1948 has been noted as what spiralled academic publishing in Nigeria: “From then till the late 1970s, Ibadan was the fountain of academic research, particularly in humanities.”¹¹ As of 2015, records from *African Journal Online* (AJOL), the largest collection of African journals, show that it hosts 209 Nigerian Journals.¹²

In the early days of scholarly publishing in Nigeria, the publishing cycle was strictly adhered to, with authors responsible for writing intellectual thoughts, publishers responsible for organising the logistics and financial components of the peer-review process, publication and marketing, and libraries providing access through subscription.¹³ However, the decline in the Nigerian economy and the education sector led to the “brain drain” syndrome,¹⁴ low quality and irregularity of journal articles, the inability of Nigerian university libraries to afford journal subscriptions, and a general dissatisfaction in the Nigerian academic

⁶ Phil Davis, “Publish-or-Perish Culture Promotes Scientific Narcissism”, available at <http://scholarlykitchen.sspnet.org/2012/05/07/publish-or-perish-culture-promotes-scientific-narcissism/> [Accessed April 9, 2015].

⁷ Ezema, “Trends in Electronic Journal Publishing in Africa” (2010) 7(1) *Webology*.

⁸ Willinsky, *The Access Principle* (2006), p.143 (noting that “access to knowledge is a human right that is closely associated with the ability to defend”).

⁹ Ajao O.G and Ugwu B.T, “Some Problems Facing Scientific Medical Publication in Nigeria” (2011) 1 *Journal of the West African College of Surgeons* 1, 1–2.

¹⁰ Nigerian Field Society, “NFS Journal”, available at http://www.nigerianfield.org/index.php?option=com_content&view=article&id=5&Itemid=155 [Accessed April 9, 2015].

¹¹ Ayodejo Olukoju, “The Crisis of Research and Academic Publishing in Nigerian Universities”, available at http://codesria.org/IMG/pdf/Ayodejo_Olukoju.pdf [Accessed April 9, 2015].

¹² African Journals Online, “Nigeria”, available at <http://www.ajol.info/index.php/index/browse/country?countryId=156> [Accessed April 9, 2015].

¹³ The 2012 *STM Report* states: “research information, created by an author . . . , passes through the journal editorial office of the author’s chosen journal to its journal publisher subscribing institutional libraries—often via a subscription agent . . .”. Mark Ware and Michael Mabe, *The STM Report: An Overview of Scientific and Scholarly Publishing* (Oxford: International Association of STM Publishers, 2012), p.14.

¹⁴ National Universities Commission [NUC], “FG turning Brain Drain to Brain Gain”, *NUC Bulletin*, June 16, 2014, p.1, available at <http://www.nuc.edu.ng/nucsite/File/Monday%20Bulletin/MB%202014/MONDAY%20Bulletin%2016-06-2014.pdf> [Accessed April 9, 2015].

community, which, in turn, has led to endless strike actions by academic staff unions.¹⁵ All of these developments brought about a gradual decay and a virtual collapse of scholarly publishing in Nigeria.¹⁶ The folding up of reputable journals and academic publishers such as the *Journal of the Historical Society of Nigeria*, a journal published by the oldest professional society in Nigeria, further indicated the collapse in the industry.

Ever since this crisis, scholarly publishing in Nigeria has been a survival of the fittest. The “publish or perish” culture has made it imperative for Nigerian academics to continue to publish.¹⁷ However, quality has been sacrificed to satisfy the drive for publication at all costs. Many academics in Nigeria and most parts of Africa run the entire publication process from start to finish on their own, and publications are sometimes made without going through any form of peer review.¹⁸ It should therefore be no surprise that the outputs from these journals are questionable. This is further buttressed by the fact that most Nigerian authors have no access to research materials because university libraries are unable to afford journal subscription fees demanded by major international journal publishers.¹⁹

The decay in the system culminated in the creation of a multi-dimensional access problem. Nigerian academics could not access current research from the West. Meanwhile, the research findings that Nigerians managed to publish but failed to get indexed remained localised and were therefore inaccessible and lacked visibility to the international community. No matter how brilliantly researched they were, these works made little or no impact.

Journal publications that survived the decay adopted one of the three options listed below:

1. they levied members with annual dues to sustain the journals;
2. they charged publication fees on every accepted manuscript before such papers were published; or
3. they charged assessment fees on every manuscript even before assessment.

As would be expected, the third option was not very popular with prospective authors because of the risk of losing money if the article was rejected. As a result, not many journals adopted that option.²⁰

Using these three options, journals were published, but a major challenge was that these works, after publication, were neither accessible nor visible. Their impact and utility were very low, partly because the works could not be located on the major indexing services such as Medline, PubMed, ISI Web of Science or Google. The implication was that both the local and international communities could not discover such publications, particularly considering the fact that the majority of journals in developing countries are not indexed.²¹ Therefore, many of the journals in Nigeria are being encouraged to get indexed and to embrace the possibilities enabled by technological development, particularly the open access movement which strives to remove restrictions to access.²²

¹⁵ Niyi Akinnaso, “Still on ASUU vs Government”, *PUNCH*, September 10, 2013, available at <http://www.punchng.com/opinion/viewpoint/still-on-asuu-vs-government/> [Accessed April 9, 2015].

¹⁶ “Nigeria Structural Adjustment Program: Policies, Implementation and Impact” (1994) Report No.13053-UNI, available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1994/05/13/000009265_3961006113001/Rendered/PDF/multi0page.pdf [Accessed April 9, 2015].

¹⁷ Andrew Plume and Daphne Van Weijen, “Publish or Perish? The Rise of the Fractional Author”, *Research Trend*, September 2014, available at <http://www.researchtrends.com/issue-38-september-2014/publish-or-perish-the-rise-of-the-fractional-author/> [Accessed April 9, 2015].

¹⁸ Olukoju, “The Crisis of Research and Academic Publishing in Nigerian Universities”; Ahmed Mohammed, “The Development of Academic Journals in Institutions of Higher Learning in Kano State, Nigeria” (2008) Library Philosophy and Practice, available at <http://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1215&context=libphilprac> [Accessed April 9, 2015].

¹⁹ Samuel Utulu and Omolara Bolarinwa, “Open Access Initiatives: Adoption by Nigerian Academics” (2009) 58 *Emerald L. Rev.* 660.

²⁰ Olukoju, “The Crisis of Research and Academic Publishing in Nigerian Universities”.

²¹ Daisy Ouya, “Open Access Survey of Africa-Published Journals” (2006) International Network for the Availability of Scientific Publications, infobrief 7, available at http://www.inasp.info/uploads/filer_public/2013/01/29/infobrief_7_open_access_survey_africa_journals_ouya.pdf [Accessed April 9, 2015].

²² Ezema, “Trends in Electronic Journal Publishing in Africa” (2010) 7(1) *Webology* (recommending that “in order to enhance the visibility of African research outputs more journals publishers should be encouraged to join AJOL”).

Nigeria introduced to open access

The global movement for access to knowledge (A2K) has been on-going now for several years,²³ but an off-shoot of the wider A2K movement known as the open access movement has focused on the need to provide free, immediate, online and unrestricted access to peer-reviewed literature. This movement seeks to achieve access via a new model for journal publishing that would grant users free use and reuse rights to peer-reviewed literature on the platform of the Internet. It also seeks to increase access by calling upon authors to make their work available to the world by depositing a pre- or post-print in a digital repository—that is, an online site that serves as an archive, a store where information is kept and where anyone with a computer and Internet connectivity is able to access the information kept therein. This new journal publication model is capable of addressing both the visibility and accessibility issues in the conventional publishing model.

This movement, which started in the global north in 2002, has now found its way to Nigeria. In 2008, the first programme to sensitise Nigerians on open access took place in Nigeria.²⁴ Titled “Open Access Repositories: New Model for Scholarly Communication”, the programme was sponsored by the Electronic Information for Libraries Network (EIFL), the Department of Library and Information Sciences, Ahmadu Bello University and the Nigerian Universities Libraries Consortium (NULIB). It had 45 institutions and 89 participants, including policy makers from the academic and research field, experts in the libraries and information sciences, and information and communications technology experts working within the knowledge development sector.²⁵ The meeting addressed the importance of open access:

“Communicating scholarly information through open access repositories provide the added advantages of faster publishing opportunities, greater visibility for authors and institutions and cheaper access”²⁶

The meeting further noted the need for an open access policy for the nation. In 2009, another programme was held as a follow-up to this earlier meeting, with the theme “Open Access: Maximizing Research Quality and Impact”. It has been reported that, as a result of these two workshops

“[the] University of Jos and Ahmadu Bello University, Zaria have deployed their institutional repositories (University of Jos institutional repository, Ahmadu Bello University’s institutional repository is only accessible through the university intranet for now). The Department converted its two journals from toll access journals to [open access]: *The Samaru Journal of Information Studies* and *The Information Manager*.”²⁷

Institutional repositories in Nigeria

Since 2009, the number of institutional repositories in Nigeria has begun a gradual but slow climb. The websites that track and register all open access repositories, the Registry of Open Access Repositories (ROAR)²⁸ and the Directory of Open Access Repositories (DOAR),²⁹ provide information on the status of repositories in Nigeria. The first institutional repositories in Nigeria was set up by the University of Jos in 2009. By the next year, two other institutional repositories had been set up by the University of Nigeria and Covenant University on August 29, 2010 and November 24, 2010, respectively. A search on

²³ Gaëlle Krikorian and Amy Kapczynski, *Access to Knowledge in the Age of Intellectual Property* (New York: Zone Books, 2010), pp.1–2.

²⁴ Ezra Shiloba Gbaje, “Open Access Journal Publishing in Ahmadu Bello University, Zaria, Nigeria”, available at <http://conference.ifla.org/past-wlic/2010/138-gbaje-en.pdf> [Accessed April 9, 2015]; UNESCO, “Overview of OA in Nigeria”, available at <http://www.unesco.org/new/en/communication-and-information/portals-and-platforms/goap/access-by-region/africa/nigeria/> [Accessed April 9, 2015].

²⁵ UNESCO, “Overview of OA in Nigeria”.

²⁶ Electronic Information for Libraries, “Strategic Approach to Open Access in Nigeria”, Open Access News, Nigerian Open Access Workshop, May 19, 2008, available at <http://legacy.earlham.edu/~peters/jos/2008/05/nigerian-oa-workshop.html> [Accessed May 22, 2015].

²⁷ UNESCO, “Overview of OA in Nigeria”.

²⁸ Available at <http://roarmap.eprints.org/> [Accessed April 9, 2015].

²⁹ Available at <http://www.opendoar.org/> [Accessed April 9, 2015].

the ROAR website indicates that there are nine repositories, eight of which use the DSpace software³⁰ and one uses the EPrint software.³¹ Both the DSpace and EPrint software is open source software developed to support the setting up and running of institutional repositories. The two pieces of open software are both built in compliance with the interoperable standards prescribed by the Open Archive Initiative which aims to ensure interoperability by standardising the method for inputting information and thereby facilitating efficient content distribution.³² Although the website lists nine repositories, these repositories represent six organisations. In addition to the repositories mentioned in ROAR, DOAR lists amongst others the Kashim Ibrahim Library of the Ahmadu Bello University as having a repository which uses DSpace software. The table below provides information on the status of repositories in Nigeria using the information from the ROAR and DOAR websites.

S/N	Name	Date	Software	Comment	Website
1.	University of Jos (UNIJOS)	19/05/2009	DSpace	421	ROAR
2.	University of Nigeria Nsukka (UNN)	29/08/2010		2989	ROAR
3.	Covenant University	24/11/2010	EPrint	3307	ROAR
4.	Federal University of Technology Akure (FUTA)	22/04/2012	DSpace	5130	ROAR
5.	University of Jos (UNIJOS)	12/07/2012	DSpace	5649	ROAR
6.	University of Nigeria	14/08/2012		5803	ROAR
7.	Federal University Oye Ekiti	23/02/2013	DSpace	6543	ROAR
8.	Michael Okpara University of Agriculture	25/07/2013	DSpace	7145	ROAR
9.	CU Repository	27/1/2014	DSpace	7818	ROAR
10.	Kashim Ibrahim Library, Ahmed Bello University		DSpace		DOAR

When Queensland University of Technology adopted the first ever university-wide open access mandate, Tom Cochrane noted the impact it had on authors and the increase in the number of deposits in the University's institutional repository "QUT EPrint".³³ The adoption of open access mandates has increased since then. So have deposits in institutional repositories.³⁴ Nigeria does not have any national open access policy, but one of the universities in Nigeria—namely, Covenant University—is said to have adopted a university-wide open access mandate.³⁵

Open access journals in Nigeria

Journals that avail users of the opportunity and freedom to use and reuse peer-reviewed literature are often indexed in the Directory of Open Access Journal (DOAJ). This website, which provides an index of most open access journals, currently lists 38 open access journals and 1167 open access articles published in Nigeria. Amongst these journals are *African Journal Online* (AJOL),³⁶ *Bioline International*,³⁷ *Academic*

³⁰ Available at <http://www.dspace.org/> [Accessed April 9, 2015].

³¹ Available at <http://www.eprints.org/software/> [Accessed April 9, 2015].

³² Available at <http://www.openarchives.org/> [Accessed April 9, 2015].

³³ Tom G. Cochrane and Paula A. Callan, "Making a Difference: Implementing the EPrints Mandate at QUT" (2007) 23 *International Digital Library Perspectives* 262.

³⁴ Stevan Harnad et al., "The Access/Impact Problem and the Green and Gold Roads to Open Access" (2004) 30 *Serial Review* 310.

³⁵ UNESCO, "Overview of OA in Nigeria" (noting that the policy was adopted in January 2011 mandating all refereed publications in Journals, conferences and books to be deposited in the university's repository).

³⁶ Available at <http://www.ajol.info/> [Accessed April 9, 2015].

³⁷ Available at <http://www.bioline.org.br/journals> [Accessed April 9, 2015].

*Online*³⁸ and *Academia Publishing*.³⁹ Some of these journals are listed as journals and providers, which means they actually serve as both journals and hosts to several journals. The AJOL, for instance, “is the world’s largest and pre-eminent collection of peer-reviewed, African-published scholarly journals”. Based in South Africa, it currently hosts 468 journals, 8,136 issues, 92,439 abstracts and 86,322 full texts. Nigeria has 209 of the 468 journals spanning through virtually all the academic fields.

Open access journals provide access to peer-reviewed literature free of charge to users. It is, however, without dispute that the cost of producing peer-reviewed journals is not free. The cost of peer review, editing, printing, marketing and other sundry costs are involved. The costs under the open access model are covered by the adoption of different business models. Some journals charge an article processing charge (APC) to cover the production costs (BioMed Central uses this business model).⁴⁰ Other open access journals do not charge article processing fees, but seek alternative funding to cover the cost of production (*Murdoch University Law Review* is an example).⁴¹ BioMed Central, one of the world’s leading open access commercial publishers with over 258 peer-reviewed open access journals and 482 members in 52 countries, charges an APC for each paper to cover the entire publication process. In acknowledging the inequalities between the global north and the global south, a fund waiver scheme called “open access waiver fund” was instituted in favour of certain least developed and developing countries.⁴² Nigeria is not on the list of such countries and may not draw on such privilege. To ease the payment of the APC, authors who are part of the BioMed Central membership programme do not need to pay the APC as such fees are covered by their institutions. There are two Nigerian institutions listed as members: Obafemi Awolowo University and the University of Benin. It is evident that both conventional and open access publishing adopt business models to cover production and other requisite costs. The difference between these two publishing models is that, whilst conventional publishing is unable to achieve visibility, make reasonable impact and maximise the utility of the published work, open access publishing provides access and visibility, and therefore greater opportunities for impact and maximal utility of the published work.

Opening access to developing countries

The wider the access gate, the more information is made available to the public. Whereas the goal is free, immediate, unrestricted, online access to all peer-reviewed literature, several initiatives have been put in place in Africa and other developing countries that have enabled greater access to knowledge. It may not have fully opened up the access gate, but it definitely has shifted from an entirely closed gate. This section will explore those initiatives that have enabled such opening up of access to knowledge.

HINARI

The need to improve the state of health in the developing world as well as the growing gap between academics and researchers in developed and developing countries over access to important peer-reviewed scientific articles prompted both the then secretary general of the United Nations, Kofi Annan, and the director general of the World Health Organization, to make a call for building partnerships that would facilitate the improvement of health in the developing world.⁴³ It was to this call that six major publishers—namely, Elsevier, Springer, Blackwell, Harcourt Worldwide STM Group, Wolters Kluwer and John Wiley—responded on July 9, 2001 in London. The Health InterNetwork Access to Research

³⁸ Available at <http://www.academicjournals.org/> [Accessed April 9, 2015].

³⁹ Available at <http://www.academiapublishing.org/> [Accessed April 9, 2015].

⁴⁰ BioMed Central, “Article-Processing Charge”, available at <http://www.biomedcentral.com/authors/apc> [Accessed April 9, 2015].

⁴¹ Available at <https://mdulr.murdoch.edu.au/index.php/mdulr> [Accessed April 9, 2015].

⁴² BioMed Central, “Open Access Waiver Fund”, available at <http://www.biomedcentral.com/authors/oawaiverfund> [Accessed May 6, 2015].

⁴³ World Health Organization [WHO], “Publishers’ Statement of Intent”, available at <http://www.who.int/hinari/statementofintent/en/> [Accessed April 9, 2015].

Initiative (HINARI) was set up with the aim of providing local, not-for-profit institutions in developing countries with free or very-low-cost online access to the major journals in biomedical and health sciences. Today, the partnering publishers have grown from 6 to about 160, and they supply in excess of 42,000 information materials.⁴⁴

In implementing this initiative, the publishers put in place a structure that would identify bona fide academic and research institutions. This structure was established because the idea was to provide neither global nor free access. Rather, the goal was to open up access by providing low-cost access and, where it deems fit, free access. The metrics used in determining countries that would fall within the two-tiered access system of either free or low-cost access was whether the World Bank listed such countries as low- or lower-middle-income countries. The access granted was to be restricted to only biomedical and health information. Access authentication was also put into the HINARI access structure. Nigeria fell into the free access stream within the HINARI access structure. Beneficiaries of this initiative were expected to have computers with high-speed Internet connections of at least 56K bandwidth. They were also expected to comply with registration formalities.

At the time, this initiative was an opening to a closed door. It surely did not provide clear-cut open access, but it at least provided some form of opening to the prior toll-and-closed access. The challenges with the initiative was that access was provided to only specific institutions; even within these institutions, access was highly restricted and was therefore not open to everyone. Worse still, the materials could only be accessed at specific locations, and thus ease of working from different locations was unavailable. The access provided was highly restricted in that it was narrowed down to only biomedical and health information. All other fields were locked out. The Internet and computer requirements were other challenges, particularly when considering the poor Internet infrastructure in Africa and the bad power situation. Nonetheless, it was a step out of the dark room where the access doors were entirely closed.

INASP

The International Network for the Availability of Scientific Publication (INASP) is a charity set up in the UK in 1992 with the goal that developing countries should be able to access the world's wealth of scientific information. It works with a global network of partners to improve access, production and use of research information and knowledge. INASP currently operates within over 70 countries and has over 1,800 partners. It supports librarians, information technology staff, editors and policymakers and collaborates with the different country partners to provide online scholarly literature to countries across Africa, Asia and Latin America. In the area of furthering the cause of open access, INASP works closely with libraries to provide them with access to millions of journal articles. INASP also focuses on interpersonal development of authors by providing AuthorAids, an initiative which provides capacity building to authors and assists them in the process of publication. This initiative affords beneficiary authors the opportunity for visibility and high impact of their work. The 2012–2013 report of the organisation tells the success story of two AuthorAids recipients who successfully published their research findings in reputable journals through the help of AuthorAids.⁴⁵ One of the landmark successes of INASP was the launch in 1998–1999 of African Journal Online.⁴⁶

⁴⁴ WHO, "About HINARI" (2014), available at <http://www.who.int/hinari/about/en/> [Accessed April 9, 2015].

⁴⁵ INASP, *Annual Review (2012–13)* (Oxford: INASP, 2013), pp.10–11, available at http://www.inasp.info/uploads/filer_public/2013/10/24/2012-2013_annual_review.pdf [Accessed April 9, 2015]. The review was conducted by Rhouné Ochako (Kenya) and Bezaye Taye (Ethiopia).

⁴⁶ INASP, *Annual Review (2012–13)* (2013), pp.10–11. On the history of the organisation, see INASP, *Annual Review (2012–13)* (2013), p.7.

AJOL

African Journal Online (AJOL) is the largest collection of African peer-reviewed journals, and it is indexed in the DOAJ.⁴⁷ Its development became necessary to address the dearth of platforms providing visibility for knowledge developed by Africans to the African and global communities. AJOL thus became the first African online journal dedicated to advancing African knowledge. This platform seeks to transform African knowledge to African development by increasing the accessibility, visibility, impact and utility of African research outputs. It is a platform in which Africans can showcase their works and can search for works by other Africans. The old saying that “he who pays the piper dictates the tune” underscores the vision of AJOL as an African concern taking her destiny in her own hands. The website of AJOL notes as follows:

“At the same time as online academic resources from the developed Global North are made available to Africa (such as HINARI, AGORA and OARE), there needs to be corresponding online availability of information from Africa. Important areas of research in Africa are not necessarily covered by publications from the developed world. African countries need to collectively play a greater role in the global online scholarly environment. African researchers also need access to their own continent’s scholarly publications.

Mainly due to difficulties accessing them, African-published research papers have been under-utilised, under-valued and under-cited in the international and African research arenas. The internet is a good way to change this, but many hundreds of worthy, peer-reviewed scholarly journals publishing from Africa cannot host their content online in isolation because of resource limitations and the digital divide.

Valuable information has not reached the people who need it.”

AJOL achieves her vision by freely hosting African journals and currently hosts over 460 peer-reviewed journals in over 30 African countries. About 130 of these journals are open access journals. The hosted journals are not restricted to any particular field. They cover the medical and health sciences as well as social sciences, humanities, law, agriculture and virtually all fields. AJOL maximises the benefits of the open environment by operating solely on open source software. It uses the open journal systems⁴⁸ (OJS) developed by the Public Knowledge Project in Canada and runs the PHP scripting language as well as MySQL for its database management system. Its web server uses the Apache software and runs on a Linux operating system.

AGORA

There are other initiatives advancing the cause of not just access to knowledge but free access to knowledge. There is the Access to Global Online Research in Agriculture (AGORA) which was sponsored by the United Nations Food and Agriculture Organization.⁴⁹ This initiative is focused on providing the outputs of research on issues around food, agriculture, environmental sciences and related social sciences. Designed to enhance scholarship in developing countries, it provides a collection of more than 3,500 key journals and 3,300 books to 2,500 institutions in over 116 countries.

⁴⁷ Available at <https://doaj.org/> [Accessed April 9, 2015].

⁴⁸ Available at <http://pkp.sfu.ca/ojs/> [Accessed April 9, 2015]. The OJS is a management and publishing system aimed at expanding and improving access to research.

⁴⁹ Available at <http://www.aginternetwork.org/en/> [Accessed April 9, 2015].

OARE

Online Access to Research in the Environment (OARE) is another initiative focused on providing access to knowledge—this time, knowledge about the environment.⁵⁰ It was initiated in 2006 by the United Nations Environment Programme in partnership with the major publishers. It currently has over 5,710 peer-reviewed scientific journals made available by about 461 of its partners to over 100 eligible low-income countries. This initiative provides the world’s largest collection of environmental scientific research and has the vision of providing access to this information, improving the quality and effectiveness of environmental sciences, research, education and training in low-income countries.

ARDI

There is also the Access to Research for Development and Innovation (ARDI) coordinated by the World Intellectual Property Organization in partnership with the major publishers for the purpose of increasing availability to scientific and technical information in developing countries.⁵¹ It currently partners with about 17 publishers and has about 10,000 journals available to over 107 developing countries.

Siyavula

Siyavula is another African initiative focused on opening up the access gate to knowledge.⁵² It is based in South Africa and provides educational resources to students at no cost. It seeks to join hands in the global action towards access to knowledge by developing and providing for free, educational resources to students on the platform of the Internet.

African LII

The African Legal Information Institute (African LII) provides free access to Kenyan legal resources.⁵³ It is helping to shape African law and provides access on legal knowledge to all willing minds.

SSRN

The world’s largest repository, the Social Science Research Network (SSRN), recently set up a journal dedicated strictly to works relating to African law.⁵⁴ It was sponsored by seven law schools, six of which are American and one African (University of the Witwatersrand). The African Law eJournal currently has received visits with over 86 million paper downloads.

All of these initiatives provide a wider gate for access to knowledge. Some merely provide better opportunities for access to knowledge through lower-priced regimes (also referred to by Leslie Chan, Barbara Kirsop and Subbiah Arunachalam as donor access⁵⁵ and by John Willinsky as per capita open access).⁵⁶ Meanwhile, others comply with the expectation set for open access in the Budapest, Bethesda and Berlin statements and provide to Nigerians—and indeed all users—free, online, permanent and unrestricted use and reuse rights to their peer-reviewed literature.

⁵⁰ Available at <http://www.unep.org/oare/AboutOARE/tabid/129711/language/en-US/Default.aspx> [Accessed April 9, 2015].

⁵¹ Available at <http://www.wipo.int/ardi/en/> [Accessed April 9, 2015].

⁵² Siyavula, “Our Story”, available at <http://siyavula.com/who-we-are/our-story/> [Accessed April 9, 2015].

⁵³ Available at <http://www.africanlil.org/> [Accessed April 9, 2015].

⁵⁴ Social Science Research Network, “Announcing New LSN African Law” (2014), available at <http://www.ssrn.com/update/lsn/lsnann/annA004.html> [Accessed April 9, 2015].

⁵⁵ Barbara Kirsop, et al., “Access to Scientific Knowledge for Sustainable Development: Options for Developing Countries” (2007) 52 ARIADNE, available at <http://www.ariadne.ac.uk/issue52/kirsop-et-al> [Accessed April 9, 2015].

⁵⁶ Willinsky, *The Access Principle* (2006), pp.215–216.

Open Access implications for Nigeria

The impact of open access within the wider scope of access to knowledge has been explored as well as a number of initiatives that have been developed to further availability and access to the outputs of scientific research. This section will look at the likely implications of open access for Nigeria.

When an idea is born, it is important to ask what it is, why it was born, who proposed the idea, what problems it intends to address, the targeted audience for the idea, the pillars on which the idea stands and is expected to be implemented, the proposed mode of implementation and how the idea might create impact, be it positive or negative. These questions may seem trivial and at the same time may appear to be apparent, but these are the questions that I believe developing countries need to ask with regard to open access in order to put themselves in a position of strength when intermingling with the concept of open access and the general concept of open.

What is it?

Open access is about making the outputs of research (journal articles) freely available for use and reuse via the platform of the Internet.

Why was it born?

It arose as a reaction and a solution to the problem of a growing inability to access knowledge, particularly knowledge within journal articles. This inability has been linked to legal, price and technical structures erected around the process of generating and distributing knowledge.⁵⁷ The legal structure refers to intellectual property laws, particularly copyright law which grants right owners the right to exclude all others from using or reusing works except where authorisation has been obtained or where a limitation or an exception applies.⁵⁸ The price structure refers to subscription and pay-per-view fees which are business models developed by publishers for granting access to the wealth of knowledge published and locked up behind their pay walls. The technical structure refers to technological inventions that enable right owners to monitor, regulate and control use of their content by means of digital rights management and technological protection measures imputed on devices carrying copyrighted contents.

Who proposed the idea?

The idea was the combination of several minds who were agitated by the barriers to access and who were part of the wider pressure group interested in seeing access to knowledge with regard to medicine, software, education and information.⁵⁹ The Budapest Open Access Initiative (BOAI) meeting in Hungary on February 14, 2002 appears to be the reference point and is actually where the phrase “open access” was coined.⁶⁰ That meeting had 16 members in attendance, all representing the global north.⁶¹ It therefore suffices to say that the idea of open access was not developed in the global south, nor was the global south a major player at the conceptualisation stages of this idea.

⁵⁷ Peter Suber, *Open Access* (Cambridge, MA: MIT Press, 2012), p.8 (noting that the basic idea of open access is to “make research literature available online without price barriers and without most permission barriers”); Willinsky, *The Access Principle* (2006), p.18 (referring to the joint statement from a librarian and universities association stating that “[t]he current system of scholarly publishing has become too costly for the academic community to sustain”).

⁵⁸ Kunle Ola, *Copyright Collective Administration in Nigeria Lessons for Africa* (Berlin: Springer, 2013), p.4.

⁵⁹ David Bollier, *Viral Spiral: How the Commoners Built a Digital Republic of Their Own* (New York: New Press, 2008).

⁶⁰ Mellisa Hagemann, “Ten Years on, Researchers Embrace Open Access”, available at <http://www.opensocietyfoundations.org/voices/ten-years-on-researchers-embrace-open-access> [Accessed April 9, 2015].

⁶¹ “Budapest Open Access Initiative”, available at <http://www.opensocietyfoundations.org/openaccess/read> [Accessed April 9, 2015]. The names of those who signed the initial statement are listed at the end of the document.

What problems it intends to address?

The intent of this initiative was to address the barriers to open access, the structures and business models that had enabled a growing closure to vast wealth of knowledge.⁶²

The targeted audience for such ideas

The potential beneficiary is meant to be the whole world, but in reality it is any curious mind who possesses Internet connectivity, a computer device and the basic skills to navigate the Internet to find the requisite information.⁶³

The pillars on which the idea stands

Two key factors are cardinal to the success of open access. The first is the willingness of authors to publish their journal articles for free and to participate in the peer-review process without the expectation of any financial remuneration. The second is the Internet.⁶⁴

The mode of implementation

Two strategies were suggested at the BOAI meeting, and these two strategies have apparently been the modus operandi for the implementation of open access. Although they appear in different flavours, the two basic strategies are self-archiving and open access journal publishing.⁶⁵ Self-archiving refers to putting up an electronic version of one's work online for free. The electronic version often put up and permitted by publishers is the pre-print version. However, some publishers allow the post-print version to be uploaded online.⁶⁶ The other strategy is the open access journal publishing model. This refers to publishing in a journal which makes the articles freely available to users and recoups investments through alternative business models such as APC, donations from funders, sale of print copy or some other business models. Some of these journals place an embargo on the opening of the articles to enable them to recoup their investment. After the embargo period, the articles become free to use and reuse (delayed open access).⁶⁷ Other publishers maintain the traditional publishing model with toll access, but provide the opportunity to willing authors to pay a fee that would enable open access to their materials (hybrid open access).⁶⁸

Clearly there are merits to open access, but demerits also exist. The next section will look at the positive and negative sides of open access.

Merits

Accessibility, visibility, impact and utility

Open access has the potential to increase the accessibility, visibility, impact and utility of an author's work. The potential for these four impacts is possible considering that once an author is able to upload his or her work through self-archiving or is able to publish it via an open access journal, the work will become freely available on the Internet and to anyone with Internet connectivity, a computer device and,

⁶² Alma Swan, *Policy Guidelines for the Development and Promotion of Open Access* (Paris: UNESCO 2012).

⁶³ "Budapest Open Access Initiative".

⁶⁴ Peter Suber, "Timeline of the Open Access Movement", available at <http://www.earlham.edu/~peters/fos/timeline.htm> [Accessed April 9, 2015].

⁶⁵ Sha Li Zhang, "The Flavors of Open Access" (2007) 23 *International Digital Library Perspectives* 229, 231–233 (discussing the different flavours of open access).

⁶⁶ Romeo Sherpa, "Publisher Copyright Policies & Self-Archiving", available at <http://www.sherpa.ac.uk/romeo/PDFandIR.html> [Accessed February 2, 2015] (providing for the different categories of publisher that grant access and the terms on which they are granted).

⁶⁷ "Delayed Open Access", available at http://en.wikipedia.org/wiki/Delayed_open-access_journal [Accessed April 9, 2015].

⁶⁸ "Hybrid Open Access", available at http://en.wikipedia.org/wiki/Hybrid_open-access_journal [Accessed April 9, 2015].

for those in developing countries, the requisite power supply and basic computer literacy. That information becomes not only available but accessible. It will also become visible on a global scale. Thus, it is not only those members of a certain association or an elite group that have the privilege to read or interact with the knowledge; this time, the Internet provides global visibility to that particular work and creates the possibility for people from all over the world to gain from the knowledge and refer to it in their research. This, in turn, contributes to impact factors for both the author and his or her institution and provides the platform and possibility for the widest utility of the work.⁶⁹

Sharing knowledge

Other possible positive impacts for developing countries include what was captured in the BOAI Meeting: “*sharing the knowledge of the rich with the poor and the poor with the rich*”. Put another way, *sharing the knowledge of members of developed countries with members of developing countries and the knowledge of members of developing countries with the knowledge of members of developed countries*. I have suggested this new slant because rich and poor is relative—and without a doubt, so is developed and developing countries. Since this article focuses on knowledge, an ephemeral commodity that is not easily quantifiable, the cloak of rich and poor appears to cast aspersions on the quality of knowledge with regard to the knowledge of the rich and the knowledge of the poor, sending a superiority/inferiority signal and thereby setting an unequal ground from the outset. However, the possibility for a platform for sharing knowledge is what is vital as it provides limitless opportunities for development and is an important advantage to members of developing countries.⁷⁰

Access to the World’s Library

Open access will provide developing countries with the possibility for access to the vast resources of the world’s wealth of knowledge. I call this access to the World’s Library—an access which before now was locked up and for which institutions in developing countries could not afford, meaning that her people were unable to access needed research materials.

Global and local visibility

Open access provides the platform for global and local visibility to works authored by members of developing countries. Global visibility was practically impossible prior to the open access initiative. Most journals published in developing countries were circulated within the associations that produced them, and what compounded the problem was that the major publishers were not aware of such works. Even when they were aware, they rarely indexed such works amongst their collection. Thus, these works were not within the rank and file of materials that could be located if a search was conducted. Thanks to the Internet and open databases and indexes, works authored by members of developing countries can now enjoy both global and local visibility. The possibility for local visibility is particularly interesting, because, prior to the advent of open access, works authored within the same developing country jurisdictions were usually not visible due to poor channels of distribution and circulation and to the fact that these works were not included in the major commercial indexes for journal articles.⁷¹

⁶⁹ Harnad et al., “The Access/Impact Problem and the Green and Gold Roads to Open Access” (2004) 30 *Serial Review* 310.

⁷⁰ Michael Finger and Philip Schuler, *Poor People’s Knowledge Promoting Intellectual Property in Developing Countries* (Washington, DC and Oxford: World Bank and Oxford University Press, 2004).

⁷¹ Leslie Chan, Barbara Kirsop and Subbiah Arunachalam, “Towards Open and Equitable Access to Research and Knowledge for Development” (2011) *PLoS Med* 8(3): e1001016.

Digitisation and preservation of works or heritage

The practice in so many developing countries is to conduct research—be it thesis or dissertation, research articles, government commissioned research or some other form of research. The outputs of this research are then locked up in some cabinet where they rot away and no one has access to them. Open access provides several advantages to such works. The first is the prospect for digitisation and preservation of such works. Digitised works cannot be torn, burnt or eaten up by termites. They are therefore better preserved. It is true that digitised works can be destroyed due to corruption of the device on which such information is held, but this is often taken care of by backing up such documents. Open access also provides such work with the possibility of being read by anyone in the world. Thus, the product of such research is able to enjoy not only global visibility, but has the potential of being maximally utilised. In preserving works, one of the fundamental things achieved is the preservation of knowledge. For Nigerians and nations with rich cultural heritage, preservation of knowledge provides an opportunity to preserve the cultural heritage of a people. In a nutshell, open access provides the opportunity for bringing alive works that were virtually dead as well as for preserving works and, in turn, the cultural heritage of a people—heritage that in many cases is slowly gliding into extinction.

Avoiding duplicity

In the absence of a platform like open access which freely shares the outputs of research, duplication is inevitable. In so many organisations, whether in developed or developing countries, the duplication of research is unfortunate. So often, what Organisation A is researching on is what Organisation B has worked on and may have already produced credible and useful reports and data. However, because of the lack of a system to freely share such information and data, the same research is duplicated and scarce resources which could have been deployed to some other highly needed areas are re-invested into the same research, which simply amounts to re-inventing the wheels and wasting taxpayers' money.

Learning without barriers

Through an initiative relating to open access, open educational resources afford members of developing countries the opportunity to learn from the minds to which they otherwise would not have had access. Examples abound with organisations such as Khan Academy that provides video recordings on YouTube for free use and reuse on virtually any topic within the sciences. What is even more interesting is that these educational resources are provided for all strata of society, even for those at the elementary level. A look at the Khan Academy website shows that education resources are even available for those as low as Grade 3. The academy states that its mission is to provide “a free world-class education for anyone anywhere”:

“The website features thousands of educational resources, including a personalized learning dashboard, over 100,000 exercise problems, and over 4,000 micro lectures via video tutorials stored on YouTube teaching mathematics, history, healthcare, medicine, finance, physics, general chemistry, biology, astronomy, economics, cosmology, organic chemistry, American civics, art history, macroeconomics, microeconomics, and computer science. All resources are available for free to anyone around the world. Khan Academy reaches about 10,000,000 students per month and has delivered over 300,000,000 lessons.”

Similarly, we have several other initiatives that provide the opportunity for free learning via the Internet. There is the Wikiversity closely associated with Wikipedia,⁷² the Open School of Learning (P2PU) run

⁷² Available at <http://en.wikiversity.org/> [Accessed April 9, 2015].

by Creative Commons⁷³ and CopyrightX providing lectures prepared and delivered by Professor William Fisher of Harvard Law School.⁷⁴ All of these initiatives provide high-quality standard education at no cost to any willing mind and allow the reuse of these materials. Learning within these parameters basically has no limit. You can learn when you want to and how you want to. You are able to control the use of your resources. If it is a video, you may stop the video, take it back and listen again. In some instances, you are also able to type in your question and receive feedback from the moderators. The innovation to learning is simply transformative and affords unprecedented learning opportunities to willing minds.

Demerits

Consuming partners

Could an initiative such as this have any negative effects? Open access in its contextual form is meant to provide an avalanche of information and should provide it at the click of a mouse via the Internet. The first negative impact I see is that it holds the potential of turning developing countries into consumption partners in the knowledge creation and sharing relationship. Although this may not be the objective, the likelihood of its occurrence seems apparent, and this is so considering that the vast majority of information in the global north is already digitised and online and that the current stock of information in the world's major libraries is made up of writings from the global north.

The simple reasoning is that, based on probability, if there are 10 balls in a basket with 9 of them red and only 1 blue, the probability of my picking a blue ball is only 1 out of 10. This is the same probability for accessing knowledge from the open access pool. What is likely to be accessed is information located within the global north. It is clear that open access affords the opportunity for all to share, use and, where permitted, reuse information. When one considers what is within the pool of the world's vast resources of knowledge, developing countries have a tendency to become more of knowledge consumers than knowledge contributors. This is so because there is already the complaint of knowledge explosion. Within developing countries, there is also a tendency to tilt the educational system in favour of western educational materials.

It is also important to think about the fact that before developing countries are able to digitise and make their knowledge fully available, there is the fear that the knowledge accessible (that is knowledge within the global north) is the knowledge that would be accessed and utilised. That being the case, a pattern of knowledge consumption by members of the developing countries may have been established.

Lopsided knowledge sharing

Open access from a global perspective should work towards promoting a balanced knowledge sharing relationship, not a lopsided one. It is a relationship which BOAI described as sharing knowledge and not merely consuming knowledge. This concern is of particular interest when consideration is given to how Hollywood has invaded the cultural lives of many nations, influencing their national characters and sometimes eroding and even eradicating such cultures. This *concern of a cultural re-orientation and a possible loss of cultural heritage* through too much exposure to western knowledge poses concerns to open access.

⁷³ Available at <http://schoolofopen.p2pu.org/> [Accessed April 9, 2015].

⁷⁴ Available at <http://blogs.law.harvard.edu/copyrightx/> [Accessed April 9, 2015].

Digital divide

The other challenge lies in the fact that open access is structurally built to function technologically. It is common knowledge that the global south suffers from technological retardation and that the digital divide amongst other factors have de-capacitated the global south from operating at the level of the global north. One of the two major pillars of open access is the Internet. Now, if open access is structured to work based on a technological leg which the global south is known not to have, the question over whether the global north has actually contemplated the participation of the global south may arise.

One may answer this question by noting the expectation that the global south will eventually catch up with technological advancements and connect with the global move towards open access. The rationality of catching up, however, is still in question, when consideration is given to the rate of technological growth in the global north and the fact that people within the global south are barely able to keep pace with technological change.⁷⁵ This being the case, how then can it be reasonably expected for the global south to catch up with the technological advancements in the global north?

Infrastructural challenges

The problems associated with open access and the digital divide is further compounded by a lack of regular power supply in most developing countries and, worse still, a lack of basic computer literacy. I must state that all of these challenges are no fault of those who have initiated the idea of open access. In fact, the idea is intended to provide platforms and a level-playing field for all regardless of class, nationality, wealth, position or status. However, in taking advantage of these platforms, it is important for anyone engaging with the concept to understand the complexities around utilising them and, where necessary, erect structures for the preservation of knowledge and heritage and the widest possible utility for these platforms.

The fear is to ensure that open access does not amount to a creativity killer by its provision of free and reuseable information. The concern is to ensure that researchers can look up works that have already been researched and yet take the next step to build upon it. The concern is for teachers to look up materials that have already been created—not just copy and paste them, but take the time to adapt them to local needs, thereby adding value to the content. The concern is for developed countries to not become mere consumers of the already available and free knowledge, but actual contributors to the vast wealth of the world's knowledge. The purpose of highlighting these concerns is not to distance developing countries from open access, which will only adversely affect the countries concerned. Rather, it is to build a consciousness for strategic engagement with open access to the end that the initiative will serve as a propelling force for development.

Conclusion

The possibilities made available by the open access publishing model are numerous. It provides the platform for visibility, accessibility, impact and utility. However, those in the global south appear prone to becoming consuming partners in the open access knowledge market if proper strategies are not put in place to effectively benefit, contribute and engage with the dynamics of this new publishing model. Open access no doubt provides an avalanche of information. The more the information going into the global pool, the more its possibility for maximal impact. If this avalanche of information unfortunately breeds a sense of complacency in the global south and leads developing countries not to develop their own knowledge, it could lead to a steady eradication of local knowledge, culture and heritage. This could bring about a gradual re-colonisation—this time, not one forcefully annexing the physical territory, but a willing surrender of the mind through assimilation of ideas and information.

⁷⁵ Michael Strangelove, "The Internet as Catalyst for a Paradigm Shift" (1994) 1(8) *Computer-Mediated Communication Magazine* 7.

The central purport of open access is to democratise access to knowledge, thereby enabling willing minds to explore without barriers. Maximising the benefits of open access can be best achieved by engaging as contributors and not mere consumers to the pool of information within the open access to knowledge market.

The Economics of Intellectual Property Enforcement

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☞ Enforcement; Infringement; Intellectual property

Introduction

The economics of the intellectual property system has become a central focus of interest among researchers and policy makers. Similarly, intellectual property enforcement has also become a priority at the international level, prompting the adoption of ambitious policies and demanding obligations in numerous and heterogeneous fora. Invariably, economic analyses on the scale and impact of intellectual property infringement have been invoked to justify the need of new enforcement norms and institutions. In this sense, the traditional reliance on industry-produced studies is progressively giving place to a better informed and more nuanced debate that takes into consideration a broader set of relevant factors and interests.

Economic analyses have frequently touched upon the *scale* and *impact* of intellectual property infringement. The scale of infringement alludes to the magnitude of infringement in terms of quantity, while the impact of infringement captures its socio-economic relevance. In the first case, attention is commonly put on aspects such as the number of infringing goods seized, the products that most frequently attract infringement or the quantity of counterfeit goods in particularly sensitive domains. On its turn, the impact of intellectual property is usually illustrated by evoking the social benefits arising from intellectual property protection for consumers, right holders, governments and the economy as a whole.

Economic studies on the scale and impact of infringement pose numerous methodological problems. Estimates often fail to recognise relevant economic variables as well as the positive, though legally unacceptable, effects of infringement, the anticompetitive impact of some enforcement norms and their potential negative impact on welfare. In parallel, the lack of scholarly attention to the economic aspects of enforcement institutions per se is striking. We start therefore by identifying and systematising economic aspects of enforcement that, even if recognised, usually receive less attention. We then address the economic significance of civil, border and criminal enforcement mechanisms considered independently and depict a research agenda in this particular regard.

Overall, this article argues that more efforts should be made to analyse the economic relevance of intellectual property enforcement, both in general as well as concerning the different enforcement areas. The knowledge acquired in this process may result in different enforcement options, depending on the intellectual property category involved, the level of development of countries, the content of primary norms and the public and private interests at stake.

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Positive effects arising from intellectual property infringement

A strictly legal analysis would probably reject taking into consideration the benefits of intellectual property infringement, since it may be assumed that “if laws do not serve the public interest, they ought to be changed rather than disregarded”.¹ However, economic analysis may suggest otherwise. That is, from a purely economic angle, the net economic impact of intellectual property will result from subtracting the positive from the negative impact of infringement.² In spite of this, current estimates rarely compute the eventual benefits of certain intellectual property infringements which, we hold, should be taken into account to estimate “how much of the losses the intellectual property industries claimed to have suffered would be cancelled out”.³

First, reference must be made to consumer surplus. Consumers may purchase infringing products purposely, since these goods may be cheaper than genuine products. In this manner, consumers reduce expenditure, generating savings that may ultimately benefit consumption in other areas.⁴ Consumers who knowingly purchase fake products are likely to be better off from counterfeiting activity, since “their choice reflects a rational trade-off between price, status value, and quality”.⁵

Secondly, lower prices of goods infringing intellectual property may enable access to products that otherwise would have not been bought—for instance, (fake) luxury goods.⁶ In a related fashion, cheaper counterfeit goods may exert pressure to lower prices for legitimate goods and therefore also benefit consumers.⁷

Thirdly, price set aside, intellectual property-infringing goods may also be the only source for accessing products not available in the market, sometimes of similar, or even equal, quality to the original.⁸ A clear example is that of movies not yet released in cinemas and that may not be released at all in a given country. Something similar, but with more serious consequences, may happen with regard to patented pharmaceuticals, which may not be available at all, or are available only in insufficient quantities in poor and commercially weak markets.

Fourthly, economists allude to network externalities or demand-side economies of scale to explain some benefits arising from infringement. The valuation of products may increase with the number of consumers who own the same product. Take, for instance, a computer programme: the more users it has, the more it enhances interaction and the more value it has to consumers—and this regardless of whether the programme is originally pirated.⁹ In fact, this may not only have positive welfare effects for the consumer of both the original and infringing product, but also for the right holder himself, since

“illegal copying activity in the presence of network externalities can allow the software producer to segment the market and to price-discriminate, reaping higher profits compared to a scenario where there is no illegal copying”.¹⁰

¹ Carsten Fink, “Enforcing Intellectual Property Rights: An Economic Perspective” (2009) WIPO/ACE/5/6, p.4.

² US Government Accountability Office [GAO], “Intellectual Property: Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods” (2010) GAO Report 10-423, p.27, available at <http://www.gao.gov/new.items/d10423.pdf> [Accessed April 9, 2015].

³ Peter K. Yu, “Enforcement, Economics and Estimates” (2010) 2 WIPO J. 1, 8.

⁴ GAO, “Intellectual Property” (2010) GAO Report 10-423, p.1.

⁵ Fink, *Enforcing Intellectual Property Rights*, (2009) WIPO/ACE/5/6, p.8.

⁶ GAO, “Intellectual Property” (2010) GAO Report 10-423, p.14.

⁷ Carlos Correa, “Anti-Counterfeiting: A Trojan Horse for Expanding Intellectual Property Protection in Developing Countries?” in Christophe Geiger (ed.), *Criminal Enforcement of Intellectual Property: A Handbook of Contemporary Research* (Cheltenham: Edward Elgar Publishing, 2012), p.64.

⁸ Yu poses the example of the “ghost shifts”, where infringing goods are made to the same specifications by the same factories using the same personnel and raw materials. Yu, “Enforcement, economics and estimates” (2010) 2 WIPO J. 8, 12.

⁹ Kathleen Reavis Conner and Richard P. Rumelt, “Software Piracy: An Analysis of Protection Strategies” (1991) 37 *Mgmt. Sci.* 126; Lisa N. Takeyama, “The Welfare Implications of Unauthorized Reproduction of Intellectual Property in the Presence of Demand Network Externalities” (1994) 42 *J. Indus. Econ.* 155, 155–166.

¹⁰ Fink, “Enforcing Intellectual Property Rights” (2009) WIPO/ACE/5/6, p.11; Hui Kai-Lung and Ivan Png, “Piracy and the Legitimate Demand for Recorded Music” (2003) 2(1) *Contributions to Economic Analysis & Policy* 11; Takeyama, “The Welfare Implications of Unauthorized Reproduction of Intellectual Property in the Presence of Demand Network Externalities” (1994) 42 *J. Indus. Econ.* 155, 156.

Fifthly, economic activity may also improve as a consequence of infringement. Beneficiaries may be directly related to the infringement, but may also be unrelated third parties or even the right holder. The positive output of intellectual property-intensive industries in terms of creation and quality of employment is frequently highlighted. However, “employment effects are unclear, because employment may decline in certain industries or rise in other industries as workers are hired to produce counterfeits”.¹¹ Similarly, industrial activity and manufacturing capacities may also benefit from infringement,¹² particularly in developing and emerging countries. As mentioned, third parties may also indirectly benefit from infringement. For example, Internet infrastructure manufacturers are possible beneficiaries of digital piracy, because of the bandwidth demands related to the transfer of pirated digital content.¹³ Finally, even right holders may reap benefits from infringements. In this regard, companies experiencing losses in one business area may increase revenues in related or complementary businesses due to increased brand awareness.¹⁴ Moreover, in the context of copyright, infringing copies may stimulate the acquisition of originals by parties related in different ways to the infringer.¹⁵ In fact, it has even been held that some companies have allowed a period of flexibility regarding infringement with the intention to become popular in the local market. Once this objective has been achieved, demands for effective enforcement have increased.¹⁶

It should also be kept in mind that there is a contradictory relationship between infringement and creativity. Even if economic revenues deriving from copyright protection are vital for the majority of artists, online copyright infringement can help artists at the early stages of their careers to achieve some popularity.¹⁷ This relative fame can result in concerts and sale of merchandising. In a related context, it has been underlined that infringement may increase sales of legitimate goods based on consumer “sampling” of pirated goods. Consumers may use pirated goods to “sample” music, movies, software or electronic games before purchasing legitimate copies.¹⁸

In reference to the benefits arising from infringement it has been stated that

“these arguments are, naturally, not valid if a State wants to maintain its international reputation and participate in the international exchange of culture, information and entertainment”.¹⁹

The answer, however, is more complex. Educated consumers, companies, decision-makers and the public in general need to know the exact benefits arising from intellectual property protection. If the overall balance is positive, the full comprehension of positive and negative effects should improve innovation policies, maximising the former and minimising the latter. Indeed, when assessing the usually neglected effects of infringement, attention should also be paid to the static cost-dynamic cost trade-offs. While

¹¹ GAO, “Intellectual Property” (2010) GAO Report 10-423, p.29. This is the reason why “stronger trademark enforcement may well lead to substantial short-run employment losses in the concerned countries”. Carsten Fink, “Enforcing Intellectual Property Rights: An Economic Perspective” in International Centre for Trade and Sustainable Development [ICTSD], *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (Geneva: International Centre for Trade and Sustainable Development, 2009), p.6. More precisely, “in many developing countries, the distribution of counterfeit and pirated goods often offers an important source of employment for low-skilled workers”. Fink, “Enforcing Intellectual Property Rights” in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.9.

¹² Correa, “Anti-Counterfeiting” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.64.

¹³ GAO, “Intellectual Property” (2010) GAO Report 10-423, p.15.

¹⁴ Pirate music and film may act as a marketing tool for producers. For instance, they may incentivise increased revenues due to the sales of merchandise that are based on movie characters whose popularity is enhanced by sales of pirated movies. GAO, “Intellectual Property” (2010) GAO Report 10-423, p.15; Stijn Hoorens et al., *Measuring IPR Infringements in the Internal Market Development of a New Approach to Estimating the Impact of Infringements on Sales* (Santa Monica: RAND Corp., 2012), p.vii.

¹⁵ Hui and Png, “Piracy and the Legitimate Demand for Recorded Music” (2003) 2(1) *Contributions to Economic Analysis & Policy* 11. These authors also hold that piracy helps the legitimate producer by enabling more effective price discrimination. Hui and Png, “Piracy and the Legitimate Demand for Recorded Music” (2003) 2(1) *Contributions to Economic Analysis & Policy* 11, p.19.

¹⁶ Charles Piller, “How Piracy Opens Doors for Windows”, *Los Angeles Times*, April 9, 2006.

¹⁷ European Commission, “Synthesis of the Responses: ‘Civil Enforcement of Intellectual Property Rights: Public Consultation on the Efficiency of Proceedings and Accessibility of Measures’”, p.5, available at http://ec.europa.eu/internal_market/consultations/docs/2012/intellectual-property-rights/summary-of-responses_en.pdf [Accessed April 9, 2014].

¹⁸ GAO, “Intellectual Property” (2010) GAO Report 10-423, p.15.

¹⁹ WIPO, *WIPO Intellectual Property Handbook*, 2nd edn (Geneva: WIPO, 2008), p.217.

pursuant to a number of the abovementioned arguments under-enforcement may improve social welfare, it can also lead to social welfare reduction as a consequence of reduced returns to innovative actions (and expectations thereof). Even if difficult to model and theorise, the sacrifice of static efficiency in exchange of dynamic efficiency is, after all, one of the pillars of the intellectual property system.²⁰

Costs of intellectual property enforcement

What costs?

Intellectual property enforcement requires heavy public investment.²¹ Although this applies to all types of countries, it has been particularly noted that in the case of developing countries the transition to stronger protection involves short-run costs that are not trivial.²² Certainly, right holders and alleged infringers will bear part of the costs, but the state will still need to invest in a very meaningful manner. Hiring personnel, setting up institutional infrastructures, restructuring existing agencies and acquiring the necessary means for implementing enforcement activities are just the first steps. Afterwards, the state will have to assume the running costs of the system, which will greatly surpass those of setting it up. Scholars have only started to analyse these costs,²³ which are generally unnoticed when estimating the economic impact of intellectual property and adopting new obligations.

In order to assess the investment required, it is necessary to identify the activities falling within the enforcement domain as well as the investment items related to them. Among such activities are identification of the infringement, storage of allegedly infringing goods, adjudication of controversies, disposal and destruction of infringing goods, and imprisonment of those responsible for criminal infringement.

The identification of the infringement of an intellectual property right may require significant resources and expertise, particularly when it implies searches into the premises of the infringer or conducting raids to identify and seize infringing materials sold, for instance, in the streets. Particularly in the case of criminal enforcement, it has been noted that costs “have to do with the expenses of identifying violators and of adjudication, which can be substantial, especially when public enforcement agents are involved”.²⁴ In the context of criminal enforcement, there are two main types of sanctions: monetary and imprisonment. Monetary sanctions imply a transfer of command over resources; this is why they are socially free.²⁵ Conversely, the administration of monetary sanctions and imprisonment requires substantial investment. In the case of imprisonment, funds are needed to set up and run the penitentiary system.²⁶

Destruction and disposal are also expensive activities. Recycling, open-air burning, shredding, crushing and burying in landfill sites are typical disposal activities.²⁷ In case infringers are identified, they will generally bear part of the costs arising from these activities. However, this will not always be the case,

²⁰ Joseph A. Schumpeter, *The Theory of Economic Development* (Oxford: Oxford University Press, 1934).

²¹ While this has been a relatively neglected topic at the international level, the provision of resources for enhanced protection forms part of the normal process for the adoption and implementation of national laws. See, for instance, the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PRO-IP Act) (Pub. L. 110-403), which was adopted to strengthen and improve the protection of intellectual property and which included the creation of the Office of the United States Intellectual Property Enforcement Coordinator.

²² World Bank, *Global Economic Prospects and the Developing Countries 2002* (Washington DC: World Bank, 2001), p.136.

²³ Timothy P. Trainer and Vicki E. Allums, *Protecting Intellectual Property Rights across Borders* (St Paul: Thomson West, 2008), pp.705–706; Fink, “Enforcing Intellectual Property Rights” in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.15; Xavier Seuba, Joan Rovira and Sophie Bloemen, “Welfare Implications of Intellectual Property Rights Enforcement Measures”, Program on Information Justice and Intellectual Property, American University [PIJIP], Research Paper No.5; Yu, “Enforcement, Economics and Estimates” (2010) 2 WIPO J. 1, 3.

²⁴ Steven Shavell, “Law versus Morality as Regulators of Conduct” (2002) 4 Am. L. & Econ. Rev. 240.

²⁵ Shavell, “Law versus Morality as Regulators of Conduct” (2002) 4 Am. L. & Econ. Rev. 240.

²⁶ On the resource implications of criminal enforcement, see Henning Grosse Ruse-Khan, “Criminal Enforcement and International IP Law” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.174; Jumpol Pinyosinwat, “A Model of Intellectual Property Rights Enforcement for Developing Countries” (2007) *IIP Bulletin*, available at http://www.iip.or.jp/e/e_summary/pdf/detail2006/e18_19.pdf [Accessed April 9, 2014].

²⁷ Judith Soentgen, “Disposing of Counterfeit Goods: Unseen Challenges”, *WIPO Magazine*, November 2012, available at http://www.wipo.int/wipo_magazine/en/2012/06/article_0007.html [Accessed April 9, 2014].

and regardless, the state will assume the running costs of the specialised infrastructure, machinery and skilled personnel, particularly costly when environmentally sound regulations are in place.

In a different context and level of complexity, temporary storage of goods detained at the border also represents a significant investment. Seized goods have to be secured in warehouses while other enforcement actions or even judicial proceedings take place, which may mean prolonged storage. Naturally, as seizures increase, customs agencies' storage and destruction costs grow and become increasingly burdensome.

Even if part of the running costs will be borne by the losing party, the public investment necessary for an efficient system of intellectual property enforcement will still be significant. This raises several questions, including the following: What should be the optimal level of public investment in intellectual property enforcement? Should the investment change depending on the level of development in the country concerned? And what does this investment tell us about intellectual property rights as "private" rights?

Table 1. Investment items required for enforcement activities.

ENFORCEMENT ACTIVITY	AREA OF ENFORCEMENT	INVESTMENT ITEMS
Identification of the infringement	Civil, border, criminal	<ul style="list-style-type: none"> • Technical means: security devices Personnel: judges, clerks, border authorities, police • Infrastructure: judicial, police and customs facilities • Technical means: needed for conducting a civil search or criminal raid
Storage of allegedly infringing goods	Border, criminal	<ul style="list-style-type: none"> • Personnel: border authorities, police, workers in warehouses • Infrastructure: warehouses, free zones • Technical means: machinery, trucks
Adjudication	Civil, border, criminal	<ul style="list-style-type: none"> • Personnel: judges, police, prosecutors • Infrastructure: courts and judicial facilities • Technical means: forensic means
Destruction and disposal (recycling, open-air burning, shredding, crushing, burying in landfill sites)	Civil, border, criminal	<ul style="list-style-type: none"> • Personnel: judges, police, prosecutors, technicians in the field of disposal and recycling • Infrastructure: open air facilities, factories, warehouses, incineration plants • Technical means: specialised machinery, means of transport, air pollution filtering mechanisms
Imprisonment	Criminal	<ul style="list-style-type: none"> • Personnel: judges, police, prosecutors, prison wardens • Infrastructure: courts, prisons, means of transport • Technical means: security devices

Optimal levels of investment and private rights

While an intellectual property law practitioner would probably hold that the optimal level of investment on enforcement is just the amount necessary to guarantee right holders' rights, from the economic perspective the answer is rather more pragmatic. In this sense, it has been noted that

"it is optimal for governments to devote a level of public spending on law enforcement, such that the marginal benefit of fighting [intellectual property rights] violations equals the marginal cost of enforcement activity".²⁸

Hence, there are optimal levels of investment on enforcement: the benefit arising from law enforcement must at least equal its cost. This means, in effect, there are rational levels of intellectual property infringement—or in economic terms, investments not worth making.

²⁸ Fink, "Enforcing Intellectual Property Rights" in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.15.

Existing estimates on the budgetary investment needed for enforcement are partial or indirect, and the amount required globally is just unknown. To remedy this gap, it is possible to study the investment made by countries or donors when implementing enforcement provisions in preferential trade agreements,²⁹ the economic allotments of technical assistance programmes,³⁰ or reforms in countries that strengthen their intellectual property enforcement regime.³¹ While this task is feasible with respect to specific institutions and intellectual property enforcement areas, such as the graduated response systems in specific countries,³² it becomes far more complex when enforcement norms fulfil enforcement functions with respect to areas of law that are different from intellectual property.

Developing countries will have fewer incentives to invest in intellectual property enforcement. These countries typically face other pressing priorities for public spending, and the costs of enforcement constitute opportunity costs, since they may be used for other purposes, like the provision of public goods. Given these resource constraints in developing countries, “an increased use of resources in the enforcement area inevitably will lead to the withdrawal of resources from other competing, and at times more important, public needs”,³³ such as health, security, food security or education.

During the Uruguay Round of Multilateral Trade Negotiations, developing countries “did not see any benefit in incurring in the costs of establishing mechanisms for the administrative or judicial protection of intellectual property rights of foreign companies”,³⁴ although it was clear that they would have to devote resources to establishing the domestic machinery needed to enforce intellectual property rights.³⁵ However, they succeeded in inserting into the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) art.41.5, which states that members of the World Trade Organization (WTO) are not required to devote more resources to intellectual property enforcement than to other areas of law enforcement. This provision is frequently invoked as recognition for the role resource constraints will play when allocating investment on enforcement.

Some preferential trade agreements recognise the costs specifically deriving from the implementation of intellectual property enforcement provisions. In some cases, in recognition of the effort required, countries are allowed a number of years to undertake the necessary reforms and investment.³⁶ In other cases, the recognition of the costs is not accompanied by an exemption or moratorium. On the contrary,

²⁹ Seuba, Rovira and Bloemen, “Welfare Implications of Intellectual Property Rights Enforcement Measures”, PIJIP, Research Paper No.5. Estimations of these costs are rare: e.g. J. Michael Finger and Philip Schuler, “Implementation of the Uruguay Round Commitments: The Development Challenge” (2000) 23 *World Econ.* 511.

³⁰ Commission on Intellectual Property Rights, *Integrating Intellectual Property Rights and Development Policy* (London: Commission on Intellectual Property Rights, 2002), pp.149–151; Christopher May, *The World Intellectual Property Organization: Resurgence and the Development Agenda* (London: Routledge, 2007), pp.61–66; Carlos Correa, “The Push for Stronger Enforcement Rules: Implications for Developing Countries” in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.35.

³¹ Fink, “Enforcing Intellectual Property Rights” in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.21.

³² In the case of France, “[t]he governmental contribution has been tens of millions of euros so far”. Rebecca Giblin, “Evaluating Graduated Response” (2014) 37 *Colum. J.L. & Arts* 155. The budget for 2013 was €8 million, while the budget in previous years amounted to €12.5 million. On the costs of the graduated response systems, see Thierry Rayna and Laura Barbier, “Fighting Consumer Piracy with Graduated Response: An Evaluation of the French and British Implementations” (2011) 6(4) *Int’l J. Foresight & Innovations Pol’y* 294.

³³ Frederick M. Abbott and Carlos M. Correa, *World Trade Organization Accession Agreements: Intellectual Property Issue* (Geneva: Quaker United Nations Office, 2007), p.31; Ermias Tekeste Biadgleng and Viviana Muñoz Tellez, *The Changing Structure and Governance of Intellectual Property Enforcement* (Geneva: South Centre, 2008), p.4; Correa, “Anti-Counterfeiting” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.74; Correa, “The Push for Stronger Enforcement Rules” in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.43; Carsten Fink, “Intellectual Property Rights” in Jean-Pierre Chauffour and Jean-Christophe Maur (eds), *Preferential Trade Agreement Policies for Development: A Handbook* (Washington DC: World Bank, 2011), p.396; Gregor Urbas, “Criminal Enforcement of Intellectual Property Rights: Interaction between Public Authorities and Private Interests” in Christopher Heath and Anselm Kamperman Sanders (eds), *New Frontiers of Intellectual Property Law: IP and Cultural Heritage, Geographical Indications, Enforcement and Overprotection* (Oxford: Hart Publishing, 2005), p.321; Yu, “Enforcement, economics and estimates” (2010) 2 *WIPO J.* 1, 4; Peter K. Yu, “TRIPS Enforcement and Developing Countries” (2011) 26 *Am. U. Int’l L. Rev.* 727, 750–751.

³⁴ Terence P. Stewart (ed.), *The Uruguay Round: A Negotiating History* (The Hague: Kluwer Law International, 1995), p.468.

³⁵ Jorg Reinbothe and Anthony Howard, “The State of Play in the Negotiations on TRIPS (GATT/Uruguay Round)” (1991) 5 *Eur. Intell. Prop. Rev.* 157; J.C. Ross and J.A. Wasserman, “Trade-Related Aspects of Intellectual Property Rights” in Stewart, *The Uruguay Round* (2005).

³⁶ e.g. art.17.12.2(b) of the US-Chile Free Trade Agreement.

it is expressly stated that decisions on the distribution of enforcement resources shall not excuse the parties from honouring those commitments.³⁷

New international commitments on intellectual property enforcement are characterised by high levels of exigency and detail, and by the inclusion of provisions requiring “increased pressure to use the state machinery to reduce the cost of private enforcement”.³⁸ New agreements oblige states to invest more in terms of infrastructure. At the same time, the expansion of measures applicable *ex officio* shifts to the state the cost of such measures, as well as potential liability when measures are wrongly adopted.³⁹ In response, it has been argued that “such pressures should be resisted, and right owners assume the initiative and costs of enforcing their private rights”.⁴⁰

The TRIPS Agreement recognises that intellectual property rights are private rights.⁴¹ Consequently, it is understood that right holders and not governments should take the lead and generally assume the costs of enforcing their rights.⁴² In *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, the WTO panel noted that a common feature of the TRIPS enforcement provisions is that the launch of procedures is normally the responsibility of private right holders.⁴³ According to the Panel, “a condition that authority shall only be available upon application or request seems to be assumed in much of Sections 2, 3 and 4 of Part III”,⁴⁴ a feature consistent “with the nature of intellectual property rights as private rights”.⁴⁵

The argument for rejecting public investment because of the private nature of intellectual property rights could be, however, limited. States already invest in police, the judiciary or, among other areas of enforcement, border enforcement. Devoting public resources to the enforcement of private rights has sound grounds, since “helping individual intellectual property owners enforce their rights using public resources is justified because, in aggregate, it serves the public good”.⁴⁶ Indeed, many consider law enforcement a public⁴⁷ or collective consumption⁴⁸ good, in the sense that once produced for some consumers, additional consumers can consume it without additional costs.⁴⁹ In a more lax sense, it has been noted the

³⁷ e.g. art.15.10.3 of the US-Oman Free Trade Agreement.

³⁸ Duncan Matthews, “The Fight against Counterfeiting and Piracy in the Bilateral Trade Agreements of the EU” (2008) EXPO/B/INTA/2008/28, pp.2, 25. In fact, this has also been noted at the internal level. According to Christophe Geiger, HADOPI “amounts to an indirect funding by the state of a record industry that is facing difficulties, and hence to support sector-based interests”. Christophe Geiger, “Challenges for the Enforcement of Copyright in the Online World: Time for a New Approach” in Paul Torremans (ed.), *Research Handbook on Cross-Border Enforcement of Intellectual Property* (Cheltenham: Edward Elgar Publishing, 2015).

³⁹ Correa’s remarks allude to criminal enforcement, but are also applicable to border enforcement. Correa, “Anti-Counterfeiting” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.74.

⁴⁰ Commission on Intellectual Property Rights, *Integrating Intellectual Property Rights and Development Policy* (2002), p.147.

⁴¹ This nature, clarified in recital 4 of the TRIPS Preamble, was particularly underlined by some national delegations during the Uruguay Round. UNCTAD-ICTSD, *Resource Book on TRIPS and Development* (Cambridge: Cambridge University Press, 2005), p.11, fn.21.

⁴² Frederick M. Abbott, Thomas Cottier and Francis Gurry, *International Intellectual Property in an Integrated World Economy* (New York: Aspen Publishers, 2007), p.608; WIPO, *WIPO Intellectual Property Handbook* (2008), p.207; Matthews, “The Fight against Counterfeiting and Piracy in the Bilateral Trade Agreements of the EU” (2008) EXPO/B/INTA/2008/28, p.26.

⁴³ For the Panel, “acquisition procedures for substantive rights and civil enforcement procedures generally have to be initiated by the right holder and are not done ex-officio by the authorities”. “China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights”, Report of the Panel, (2009) WT/DS362/R, para.7.247.

⁴⁴ This would be proved by “the first sentence of Article 42 and the first sentence of Article 51, the reference to an ‘applicant’ in Article 50.3 and 50.5, the reference to ‘request[s]’ in Articles 46 and 48.1, and the option (not obligation) to make *ex officio* action available under Article 58”.

⁴⁵ “China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights”, (2009) WT/DS362/R, para.7.247.

⁴⁶ “China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights”, Report of the Panel, (2009) WT/DS362/R, para.7.247.

⁴⁷ Daniel Gervais, “Criminal Enforcement in the US and Canada” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.270.

⁴⁸ Partha Dasgupta, “Modern Economics and the Idea of Citizenship” in Pontifical Council for Justice and Peace, *Social and Ethical Aspects of Economics* (Vatican City: Pontifical Council for Justice and Peace, 2011), p.49; Todd Sandler, “Public Goods and Regional Cooperation for Development: A New Look” (2013) 17(36) *Integration & Trade* 13; Gordon Tullock, “Decisions as Public Goods” (1971) 79 J. Pol. Econ. 913; Yang Tseming, “International Treaty Enforcement as a Public Good: Institutional Deterrent Sanctions in International Environmental Agreements” (2006) 27 Mich. J. Int’l L. 1131, 1149. For a critique to the inaccurate use of this term to describe government output, including legislation and law enforcement, see Randall G. Holcombe, “A Theory of Public Goods” (1997) 10 Rev. Austrian Econ. 11.

⁴⁹ In Samuelsonian terms, see Paul A. Samuelson, “The Pure Theory of Public Expenditure” (1954) 36 Rev. Econ. & Stat. 387.

⁴⁹ Reference is being made here to the general concept of enforcement (compliance). Thus, the different activities that make up this concept, such as dispute resolution, can be better described as intermediate goods, since they are “an input into compliance with socially desired standards of behavior”. William M. Landes and Richard A. Posner, “Adjudication as a Private Good” (1979) 8 J. Legal Stud. 236.

“enforcement of legal norms is a public good because it generates widespread benefits, including safety from violence and anarchy and affirmative support of the pursuit of individual happiness”.⁵⁰

Generally, the state will supply the necessary resources to guarantee the provision of public goods, including law enforcement.

It must be underlined, however, that the public good nature of law enforcement does not improve or validate the substantive content of norms. Instrumentalism sees property as an institutional mechanism that has to serve moral values.⁵¹ At least in the international context, these values are generally identified with the legal interests protected by international human rights law.⁵² While certainly broad, this caveat introduces a note of caution and reveals the importance of looking mostly at the effects of substantive (or primary) norms and not at procedural (or secondary) rules. In our view, both legitimate and legal reasons to decline enforcement may exist in particular cases in light of the primary norms’ impact on the values that the legal system aims to protect. These should be differentiated from those legitimate but frequently non-legal reasons to decline enforcement, such as resource constraints.

While this does not say much about the specific enforcement-related activities that should be funded with public resources, some topics of discussion are easier to agree. There is, for instance, a growing scholarly consensus rejecting the replacement of civil enforcement with criminal enforcement. In response to the increasing criminalisation of intellectual property infringement, it has been noted that such a replacement amounts to subsidising right holders and “transferring wealth from the taxpayers, in the form of *ex officio* police investigations and prosecution, to the cultural industries”,⁵³ among others.

As noted above, there is an optimal level of investment on enforcement. This level, however, does not necessarily coincide with the investment needed to fulfil international intellectual property commitments. Arguably, in strictly economic terms, only public investment made by countries with intellectual property-intensive industries is sound. However, more and more states adopt commitments that require greater public investment. This can be explained by taking into account three different factors. First, the adoption of new intellectual property commitments is frequently part of a larger trade-off responding to interests unrelated to local needs in terms of innovation and competition.⁵⁴ Secondly, there is a lack of knowledge of both the scale of infringement and its socio-economic impact.⁵⁵ Thirdly, the economic relevance of specific enforcement institutions is just unknown. In response to the existence of legal commitments on enforcement that require economically inefficient levels of investment either reforming the system or privatising these costs are sound options.⁵⁶

⁵⁰ Yang, “International Treaty Enforcement as a Public Good” (2006) 27 Mich. J. Int’l L. 1131, 1150.

⁵¹ Peter Drahos, *A Philosophy of Intellectual Property* (Aldershot: Ashgate, 2001), p.214.

⁵² Xavier Seuba, “Mainstreaming the TRIPS and Human Rights Interactions” in Carlos Correa (ed.), *Research Handbook on the Protection of Intellectual Property under WTO Rules* (Cheltenham: Edward Elgar Publishing, 2010), p.194.

⁵³ Tuomas Mylly, “Criminal Enforcement and European Union law” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.244. Along similar lines, see Correa, “The Push for Stronger Enforcement Rules” in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.42; Henning Grosse Ruse-Khan, “Re-Delineation of the Role of Stakeholders: IP Enforcement beyond Exclusive Rights” in Li and Correa (eds), *Intellectual Property Enforcement* (2009), pp.51–52; Li Xuan, “Ten General Misconceptions about the Enforcement of Intellectual Property Rights” in Li Xuan and Carlos Correa (eds), *Intellectual Property Enforcement: International Perspectives* (Cheltenham: Edward Elgar Publishing, 2009), pp.28–31.

⁵⁴ See principle 1 of the Max Planck Institute for Intellectual Property and Competition Law (MPI), “Principles for Intellectual Property Provisions in Bilateral and Regional Trade Agreements”, available at http://www.ip.mpg.de/files/pdf2/Principles_for_IP_provisions_in_Bilateral_and_Regional_Agreements_final1.pdf [Accessed April 13, 2015].

⁵⁵ “If intellectual property enforcement provisions in agreements are to be introduced, this must be done on the basis of adequate evidence on the level of counterfeiting and piracy and its effects. At present there is insufficient reliable evidence to confirm whether or not additional enforcement provisions are necessary.” Matthews, “The Fight against Counterfeiting and Piracy in the Bilateral Trade Agreements of the EU” (2008) EXPO/B/INTA/2008/28, p.30.

⁵⁶ Fink, “Enforcing Intellectual Property Rights” in ICTSD, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries* (2009), p.21.

Negative impact

Norms on enforcement are not neutral. Strengthening the right holders' position to the detriment of their competitors' procedural rights may deter legal competition and restrict access to legal products. Moreover, new norms on enforcement may expand their impact to third countries and jurisdictions. These examples relate to the broader, and much more complex, debate concerning the content of legally accurate norms in terms of maximising social welfare. Transparency (norms must contain well-defined words, with universally accepted meanings), accessibility (norms must be easily applicable to concrete situations and intended audience) and congruity (the substantive words included in the norms must result in the intended behaviour)⁵⁷ are the elements that have been identified as compounding regulatory precision. Ideally, administrative policy makers are "profit-maximizing entrepreneurs who manufacture standards" by selecting that mix of accessibility, congruity and transparency that maximises its net income.⁵⁸ The effects and examples introduced in the next section will illustrate, however, that the precision of normative trends in intellectual property enforcement may be far from optimal.

Chilling effect

Some intellectual property enforcement norms may provoke over-deterrence and discourage legal activities in fear of the consequences of eventual lawsuits and the costs of litigation.⁵⁹ Unjustified threats of infringement actions, unreasonable claims for damages or the obligation to assume lawyer's fees independently of the judicial decision are potential sources of this "chilling effect".

Injunctions are a case in point. Preliminary injunctions in patent cases have been used to impose financial stress to competitors. Certainly, if a plaintiff can temporarily shut down the defendant's operations while a case is being resolved, the defendant is likely to experience a sharp reduction in cash flows.⁶⁰ Facilitating the grant of interim injunctions may also raise legal expenditure, a highly dissuasive increase in countries where each party bears the cost of litigation. In this case, competitors may be forced out of business even before the infringement investigation is completed.⁶¹

Excessively high damages are also a factor deterring competition. Take, for instance, the US, where statutory damages have allegedly caused "technology companies to withhold new products and services from the market".⁶² More generally, scholars have reflected upon the specific amount of damages awards. In this context, Roger Blair and Thomas Cotter asked in 2005

"what sort of monetary relief should courts provide in order to preserve the incentive structure upon which the system is premised while at the same time avoiding the overdeterrence of lawful conduct?"⁶³

This question clearly infers that the discretion is not without effects on the system.

The "chilling effect" of criminal sanctions is particularly worth examining.⁶⁴ Take, for instance, the case of pharmaceutical patents. In light of the complexities of drug development and commercialisation, both competitors and innovators take risks in their daily activity, which include the possibility of infringing

⁵⁷ Colin S. Diver, "The Optimal Precision of Administrative Rules" (1983) 93 Yale L.J. 66.

⁵⁸ Diver, "The Optimal Precision of Administrative Rules" (1983) 93 Yale L.J. 66, 102.

⁵⁹ Seuba, Rovira and Bloemen, "Welfare Implications of Intellectual Property Rights Enforcement Measures", PIJIP, Research Paper No.5, p.16.

⁶⁰ Jean O. Lanjouw and Josh Lerner, "Preliminary Injunctive Relief: Theory and Evidence from Patent Litigation" (1996) National Bureau of Economic Research, Working Paper No.5689, p.4.

⁶¹ Staff of the Joint Economic Committee, "The Impact of Intellectual Property Theft on the Economy", p.3, available at http://www.jec.senate.gov/public/index.cfm?a=Files.Serve&File_id=aa0183d4-8ad9-488f-9e38-7150a3bb62be [Accessed April 9, 2015].

⁶² NetCoalition and the Computer & Communications Industry Association, "Response of NetCoalition and the Computer & Communications Industry Association to the Intellectual Property Enforcement Coordinator's Request for Comments on the Joint Strategic Plan", p.14, available at <http://www.docstoc.com/docs/31483004/IPEC-Comments-FINAL-w-Attachments> [Accessed April 9, 2015].

⁶³ Roger D. Blair and Thomas F. Cotter, *Intellectual Property: Economic and Legal Dimensions of Rights and Remedies* (Cambridge: Cambridge University Press, 2005), p.3.

⁶⁴ Grosse Ruse-Khan, "Criminal Enforcement and International IP Law" in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.174.

a patent. The criminalisation of patent infringement may have deleterious effects on innovation and competition, since the eventual infringer—the scientist or the entrepreneur—would be highly unlikely to proceed if he knew that he could face criminal prosecution.⁶⁵

As the last example indicates, the consequences of the “chilling effect” are not limited to competitors in the market. Several socio-economic interests may be affected. For instance, commerce may suffer since “the threat of having to defend oneself against an intellectual property suit could have a discouraging effect on trade”.⁶⁶ Fundamental rights may also be endangered. In the context of copyright, it has been noted that “a true strict liability system” could have a “chilling effect upon the publication of new works”, a problematic outcome both from an economic point of view and for the guarantee of freedom of speech.⁶⁷ Similarly, the blurring of definitions of the term “counterfeit” may impact on the availability of generic drugs and, consequently, on access to health.⁶⁸

Restricting access to legal products

The restriction of access to legal products may also be a direct and anticipated consequence of new norms on intellectual property enforcement. Some enforcement statutes have enhanced the right holders’ position in such a manner that new substantive rights have been granted. A clear case in point is the faculty to detain patented products in transit by invoking intellectual property rights in the country of transit. This permits right holders to control foreign markets, since it enables the obstruction of trade and limits access to products that are perfectly legal both in origin and destination. The proposal of in-transit seizure and detention was indeed rejected during the ACTA negotiations, but it has made its way in some trade agreements. Moreover, some normative proposals in the European Union intend to modify the jurisprudence under the Court of Justice of the European Union regarding the control of counterfeit goods in transit. The proposed amendment to the trademark regulation entitles right holders to prevent third parties from bringing into the customs territory of the Union from third countries goods bearing without authorisation a trade mark that is essentially identical to the trade mark registered in respect of those goods regardless of whether they are released for free circulation.⁶⁹

The socio-economic relevance of seizures and detentions of products in transit invoking local patent rights was raised in 2009, when seizures of pharmaceutical products in transit occurred as a result of the implementation of the European border enforcement regulation. Disregarding the jurisprudence of the European Court of Justice, the “manufacturing fiction” permitted Dutch courts to detain in-transit products even if there was no risk of diversion into the Dutch market. In that context it was held by many that given the nature of the seized goods and their relevance to the protection of health, seizures would have an impact on the right to health in third countries.⁷⁰ To our knowledge, there are no economic estimates on the impact that local enforcement measures have in third markets. Similarly, while voices have been raised in relation to the socio-economic effects of new controls on trademarked goods in transit, arguing that

⁶⁵ European Generic Medicines Association, “Amended Proposal for a European Parliament and Council Directive on Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property Rights”, COM(2006) 168, p.3.

⁶⁶ M.C.E.J. Bronckers, D.W.F. Verkade and Natalie M. McNelis, *TRIPS Agreement: Enforcement of Intellectual Property Rights* (Luxemburg: Office for Official Communications of the European Communities, 2000), p. 11.

⁶⁷ Blair and Cotter, *Intellectual Property* (2005), p.107.

⁶⁸ Christoph Spenneman, “ACTA, East African Enforcement Legislation and Generic Medicines—A Comparison” in Pedro Roffe and Xavier Seuba (eds), *The ACTA and the Plurilateral Enforcement Agenda: Genesis and Aftermath* (Cambridge: Cambridge University Press, 2014).

⁶⁹ See art.9(5) of the Proposal for a Regulation of the European Parliament and of the Council Amending Council Regulation (EC) No 207/2009.

⁷⁰ Anand Grover, “Report of the Special Rapporteur on the Right of Everyone to the Enjoyment of the Highest Attainable Standard of Physical and Mental Health” (2009) A/HRC/11/12, para.92; ; Xavier Seuba, *Border Measures Concerning Goods Allegedly Infringing Intellectual Property Rights: The Seizures of Generic Medicines in Transit* (Geneva: ICTSD, 2009), p.19; Xavier Seuba, *Free Trade of Pharmaceutical Products: The Limits of Intellectual Property Enforcement at the Border* (Geneva: ICTSD, 2010); H. Grosse Ruse-Khan and T. Jaeger, “Policing Patents Worldwide?—EC Border Measures against Transiting Generic Drugs under EC and WTO Intellectual Property Regimes”, 40 *Int’l Rev. Intell. Prop. & Competition L.* 502; Shashank P. Kumar, “International Trade, Public Health, and Intellectual Property Maximalism: The Case of European Border Enforcement and Trade in Generic Pharmaceuticals” (2010) 5 *Global Trade & Customs J.* 155; Anna Giulia Micara, “TRIPS-plus Border Measures and Access to Medicines” (2012) 15 *J. World Intell. Prop.* 73.

this would increase transaction costs and prevent traders from using the most efficient transit routes,⁷¹ no economic impact assessment on this particular measure has been conducted, nor the consequences on access to legal goods have been assessed.

Economic impact of intellectual property enforcement institutions

The value of the system, substantive norms and secondary norms

Studies on the economic value of intellectual property rights generally focus on the positive economic output resulting from the enforcement of intellectual property rights. In those studies, enforcement is generally understood as a given or neutral activity, with scant attention paid to the fact that the economic impact of each enforcement institution differs—that is, the very same institution can be implemented in different manners, and “enforcement” is the result of a complex mechanism and variable processes. Therefore, it is not generally taken into account that the same substantive provisions have different economic impact depending on the enforcement norms found in the legal order.

The study of the economic impact of intellectual property enforcement per se has not attracted the attention it deserves, and the impact of enforcement institutions is in general terms poorly understood.⁷² It has been noted that “even within the burgeoning literature on the law and economics of intellectual property rights, there is still relatively little discussion on the appropriate remedies for infringement”.⁷³ Even this statement overlooks the fact that remedies (injunctions plus damages)⁷⁴ are only part of a complex mechanism integrating not only civil enforcement but also criminal and border enforcement, as well as the variable processes resulting in the enforcement of intellectual property.

Intellectual property enforcement norms are secondary rules, frequently secondary rules of adjudication. While in *Hartian* terms it is in principle easy to differentiate between primary norms enshrining substantive rights and obligations on the one hand and secondary norms enacting the procedures to, among other activities, adjudicate disputes on the other, sometimes it is almost impossible to distinguish the contours of these two sets of norms. This is clear in the enforcement area. Take the example of damages. While awarding very substantial damages strengthens the value of a patent or a copyright, a system that awards minimal or no damages, or that imposes insurmountable difficulties in proving damages, weakens those rights. This exemplifies the difficulty in delineating the contours of primary and secondary norms, and some of the difficulties that will confront those trying to give independent value to intellectual property enforcement institutions.

Specific areas of research

The economic analysis of remedies has delivered interesting results in the areas of liability standards, standing, injunctions and, in particular, damages. Litigation per se and other intellectual property enforcement institutions, such as technological protection measures (TPMs), have also attracted research.

One of the first enforcement-related areas to rouse the interest of economists was patent litigation.⁷⁵ Data and evidence on litigation have been studied to reach conclusions such as: (i) the more valuable patents are the more frequently litigated⁷⁶; (ii) small firms avoid research and development if this may

⁷¹“Civil Society Letter regarding Proposed Rules for EU Trademark Legislation”, available at <http://www.msfaaccess.org/content/civil-society-letter-regarding-proposed-rules-eu-trademark-legislation> [Accessed April 9, 2015].

⁷² Andrej Savin, “Intellectual Property: Economic and Legal Dimensions of Rights and Remedies” (2006) 116 *Econ. J.* F159, F160.

⁷³ Blair and Cotter, *Intellectual Property* (2005), p.2.

⁷⁴ Following the restricted approach adopted by Suzanne Scotchmer, *Innovation and Incentives* (Cambridge, MA: MIT Press, 2004), p.206.

⁷⁵ Anne Duchêne and Konstantinos Serfes, “Patent Settlements as a Barrier to Entry” (2012) 21 *J. Econ. & Mgmt. Strategy* 399; Michael J. Meurer, “The Settlement of Patent Litigation” (1989) 20 *RAND J. Econ.* 77.

⁷⁶ Jean Olson Lanjouw and Mark Schankerman, “Enforcing Intellectual Property Rights”, National Bureau of Economic Research, Working Paper No.8656, p.4.

attract litigation on the part of larger firms⁷⁷ or, as Suzanne Scotchmer says, “where litigation is prevalent”⁷⁸; (iii) the costs of litigation affect the willingness to enforce patents⁷⁹; (iv) there is a relationship between portfolios’ size and litigation⁸⁰; (v) the cost of enforcing patents changes the value of patent rights⁸¹; (vi) patent litigation impacts on innovation⁸²; (vii) the use of preliminary injunctions can discourage research and development of small companies⁸³; (viii) some courts are more likely to favour patents and patent holders than others⁸⁴; and (ix) the propensity to litigate patents varies with the expected benefits of litigation.⁸⁵ More broadly, litigation modifies the profitability of intellectual property rights in a manner that differs across types of firms and technologies.⁸⁶ As it can be observed, many of these conclusions offer invaluable guidance when designing intellectual property enforcement regimes.

A remedy that has attracted the interest of law and economics scholars is preliminary injunctive relief. Among the aspects that have been explored, mention can be made of the use of preliminary injunctive relief as a predatory instrument against financially weak competitors.⁸⁷ Economic analysis has also proved that injunctive relief generally favours large litigants and is likely to increase expenditures on legal fees in the process of dispute resolution.⁸⁸ Again, economic analysis may orientate the legal design of this specific institution.

With regard to damages, both the nature of the award and the specific calculation of monetary damages have been intensively studied.⁸⁹ In the model developed by Roger Blair and Thomas Cotter,⁹⁰ the prevailing right holder in a patent, trade secret, copyright or trademark infringement action should be able “to recover the greater of her lost profits attributable to the infringement or the defendant’s profits so attributable. In some cases the award should be further modified for optimal deterrent effect”⁹¹—that is, to avoid over- or under-deterrence.⁹² Analysed in the context of US law, the authors indicate that trade secret law satisfactorily conforms to this model, and that copyright, trademark and patent laws are also satisfactory in general terms. However, there are a number of departures from the model. In this context, Blair and Cotter reject the impossibility of claiming restitution of profits in patent law,⁹³ criticise but justify statutory

⁷⁷ Josh Lerner “examines the relationship between patenting behavior and two proxies for litigation costs. Firms with high litigation costs appear less likely to patent in the same subclass as rivals. These firms seem particularly reluctant to patent after awards to firms that have low litigation costs.” Josh Lerner, “Patenting in the Shadow of Competitors” (1995) 38 J.L. & Econ. 463, 489–490.

⁷⁸ Scotchmer, *Innovation and Incentives* (2004), p.203.

⁷⁹ Jean O. Lanjouw and Josh Lerner, “The Enforcement of Intellectual Property Rights: A Survey of the Empirical Literature” (1997) National Bureau of Economic Research, Working Paper No.6296.

⁸⁰ “[H]aving a larger portfolio of patents reduces the probability of filing a suit on any individual patent, conditional on its observed characteristics.” Lanjouw and Schankerman, “Enforcing Intellectual Property Rights”, National Bureau of Economic Research, Working Paper No.8656, p.4. The same authors reached similar results with respect to the size of the company: the smaller the company, the more probable is the litigation. Scotchmer, *Innovation and Incentives* (2004), p.203; Lanjouw and Schankerman, “Enforcing Intellectual Property Rights”, National Bureau of Economic Research, Working Paper No.8656, pp.45–74.

⁸¹ Lanjouw and Lerner, “The Enforcement of Intellectual Property Rights” (1997) National Bureau of Economic Research, Working Paper No.6296.

⁸² Lanjouw and Lerner, “The Enforcement of Intellectual Property Rights” (1997) National Bureau of Economic Research, Working Paper No.6296.

⁸³ Lanjouw and Lerner, “Preliminary Injunctive Relief” (1996) National Bureau of Economic Research, Working Paper No.5689.

⁸⁴ Scotchmer, *Innovation and Incentives* (2004), p.205.

⁸⁵ Lanjouw and Lerner, “The Enforcement of Intellectual Property Rights” (1997) National Bureau of Economic Research, Working Paper No.6296.

⁸⁶ Scotchmer, *Innovation and Incentives* (2004), p.204.

⁸⁷ Lanjouw and Lerner, “Preliminary Injunctive Relief” (1996) National Bureau of Economic Research, Working Paper No.5689.

⁸⁸ Lanjouw and Lerner, “Preliminary Injunctive Relief” (1996) National Bureau of Economic Research, Working Paper No.5689, p.3. Suzanne Scotchmer invokes a number of these findings in Scotchmer, *Innovation and Incentives* (2004), pp.202–204.

⁸⁹ The economics of the calculation of monetary damages have been analysed in Blair and Cotter, *Intellectual Property* (2005), pp.208–262; John W. Schlicher, Patent Law: *Legal and Economic Principles*, 2nd edn (St Paul: Thomson West, 2003); Sumanth Addanki, “Economics and Patent Damages: A Practical Guide” (1998) 532 *PLI/Pat* 845; Ned L. Conley, “An Economic Approach to Patent Damages” (1987) 15 *AIPLA Q.J.* 354; John W. Schlicher, “Measuring Patent Damages by the Market Value of Inventions—The *Grain Processing, Rite-Hite, and Aro Rules*” (2000) 82 *J. Pat. & Trademark Off. Soc’y* 503; Gregory J. Werden, Luke M. Froeb and Lucian Wayne, “Economic Analysis of Lost Profits from Patent Infringement with and without Noninfringing Substitutes” (1999) 27 *AIPLA Q.J.* 305.

⁹⁰ Roger D. Blair and Thomas F. Cotter, “An Economic Analysis of Damages Rules in Intellectual Property Law” (1998) 39 *Wm. & Mary L. Rev.* 1585.

⁹¹ Blair and Cotter, *Intellectual Property* (2005), p.68.

⁹² It is particularly clear that the goals of the specific remedy will condition the assessment of its economic efficiency. Whether the emphasis is put on deterrence, restitution or prevention from unjustified benefits will condition the ulterior assessment of the economic rationale.

⁹³ The impossibility to claim restitution is in effect at odds with the recommendation put forward in the sense that the prevailing party should be entitled to the greater of her own lost profit or the defendant’s profit. For the authors, the difficulty of properly calculating the proportion of profit

damages in copyright law,⁹⁴ and consider correct the limitation of restitution in the context of trademark law in cases of wilful infringement.⁹⁵

Scotchmer's analysis of patent damages leads to different conclusions. While Blair and Cotter criticise the absence of restitutionary damages in US patent law, Scotchmer held that awarding lost profits may be better suited to the interests of owners of product patents, and that both lost profits and unjust enrichment fulfil compensatory and deterrent goals. In the model Scotchmer developed, the lost profits of the right holder are superior to the unjust enrichment of the infringer. The benefit of the monopolist right holder is superior to his own benefit after the infringement *plus* the unjust enrichment of the infringer. This is due to the fact that in an infringement situation, both the price of the product and the market share decrease. Thus, "due to price erosion, the lost-profit rule yields larger damages for the right-holder than the unjust enrichment rule does".⁹⁶ Given that lost profits are higher than unjust enrichment, deterrence is accomplished if awarded damages amount to lost profits. However, unjust enrichment would also have a deterrent effect, since there is no incentive to infringe. Although Scotchmer probably overlooked the potential risk posed by an audacious infringer—who under the rule of unjust enrichment risks losing nothing—and that paying punitive damages is mostly limited to the United States, her arguments still give a very powerful basis to the lost profits rule.

Concerning the mental state of the alleged infringer, economists have studied the implications of the diverse liability standards and have tried to ascertain whether, when and in what circumstances a strict liability regime, proof of intent or negligence should be required. Their analysis has concluded that statutory limitations to the strict liability regime are roughly justified. Conversely, it has also been held that actual or constructive notice of patent infringement, negligence or intent in trade secret infringement, and copying copyrighted material construe economic rationales to impose strict liability.⁹⁷ Similarly, the rationales of recognising independent discovery as a defence in cases of trade secret and copyright infringement, but not in cases of patents and trademarks, are generally found acceptable.⁹⁸ The particular situation in trademark law—where compensatory damages are due in case of actual confusion regardless of the intent, whereas wilful infringement allows imposing restitution⁹⁹—is also found acceptable. Proposals for improvement are put forward in several respects, particularly in the case of patent law and constructive notice.¹⁰⁰

Standing has also been the object of economic analysis in the US context, more precisely whether only the right holder or the assignee, or also its licensees, should be entitled to enforce the right. The rules of patent, copyright and trademark laws diverge significantly. Sometimes only the owner or the assignee are entitled to sue; on other occasions, the licensee may assert claims for infringement if the owner also joins; and in still some other cases, the licensee has the right to file a suit on its own. The great diversity of situations may give the impression of arbitrariness. Nevertheless, economic analysis has concluded that the rationales for such differentiations are acceptable, although traditional rules "are at best only approximations for the optimal set of rules to be applied in different settings".¹⁰¹

attributable to the infringing conduct is not a sufficient reason to impede claiming restitution. Blair and Cotter, *Intellectual Property* (2005), p.73; Blair and Cotter, "An Economic Analysis of Damages Rules in Intellectual Property Law" (1998) 39 Wm. & Mary L. Rev. 1585.

⁹⁴ The possibility to claim a quantity unrelated to the actual loss or the infringer's profits does not conform to the model. However, in this case the departure is a reasonable response to the "pervasiveness of small-scale infringements". Blair and Cotter, *Intellectual Property* (2005), p.71; Blair and Cotter, "An Economic Analysis of Damages Rules in Intellectual Property Law" (1998) 39 Wm. & Mary L. Rev. 1585, 1651.

⁹⁵ The restriction of restitution to the cases of wilful trademark counterfeiting is justified, since it is very difficult to exactly assign the benefits in the case of non-wilful trademark infringement and the possibility to award damages in excess of restitution may exceed deterrence. Blair and Cotter, *Intellectual Property* (2005), p.72; Blair and Cotter, "An Economic Analysis of Damages Rules in Intellectual Property Law" (1998) 39 Wm. & Mary L. Rev. 1585, 1672.

⁹⁶ Scotchmer, *Innovation and Incentives* (2004), p.208. The difficulty, recognised by Scotchmer, is that price erosion should be calculated with respect to an unknown equilibrium that should have occurred but did not occur. This is solved by referring to a benchmark level of profit that could be achieved in various ways, with or without licensing.

⁹⁷ Blair and Cotter, *Intellectual Property* (2005), pp.98–104.

⁹⁸ Blair and Cotter, *Intellectual Property* (2005), p.107.

⁹⁹ Blair and Cotter, *Intellectual Property* (2005), p.105.

¹⁰⁰ Blair and Cotter, *Intellectual Property* (2005), p.98.

¹⁰¹ Blair and Cotter, *Intellectual Property* (2005), p.161.

Finally, in a different context, TPMs have also been the object of economic research. A first reflection is that all TPMs involve wasted costs, since they represent an unnecessary investment in an ideal world where users respect intellectual property.¹⁰² Secondly, truly effective TPMs will negatively impact on welfare when this welfare is enhanced by fair use, since these measures will be equally effective in impeding licit and illicit uses of the protected material. Similarly, truly effective TPMs may extend protection further than the period of exclusivity granted by the intellectual property right, and may also avoid the disclosure requirement in the case of patents. In both situations, they will nullify the established trade-off of the intellectual property category in case. Scotchmer also studied the potential interaction between TPMs and price and found that they could have a moderating influence. However, given that they may perpetuate protection and that the system of protection is costly, one potential conclusion is that circumvention may enhance social welfare.¹⁰³

Research agenda

The research conducted on the independent economic significance of intellectual property enforcement institutions is meagre. Most of the attention has been traditionally directed to rules of substantive law, while important civil, border and criminal enforcement norms have largely been ignored. For this reason, a complex and rich research agenda almost remains unexplored.

Except in the case of damages and, to a lesser extent, injunctions and standing, the rest of civil enforcement institutions have not been studied by law and economics scholars. Unresearched institutions play a crucial role in any intellectual property system. Think about, for instance, the cases of the right of information, provisions on evidence, measures for the preservation of evidence, or corrective measures, all of them virtually unresearched. But even in cases of injunctions and standing, it is clear that more research is needed. Take, for example, the promising field of study on the relevance of legal fees in the context of non-practicing entities.¹⁰⁴

If civil enforcement is largely an unresearched area, border enforcement has not been studied at all by law and economics scholars. While pursuant to the TRIPS Agreement states must solely impede the importation of counterfeit and pirated products, new international norms make states responsible for the control of a large number of border situations and almost all intellectual property categories. However, from an economic point of view, it is just not known what difference it makes to right holders, competitors and the entire system controlling the transit, exportation and re-exportation of products. The same applies to intellectual property categories that are different from trademarks and copyrights. Similarly, aspects as important as the economic impact of the presumption of infringement in the context of border measures, and therefore the automatic destruction of goods, have not been studied at all.

Criminal enforcement has so far attracted minimal attention.¹⁰⁵ Indeed, it was already affirmed in the late 1990s that the rent-seeking model commonly applied in the non-criminal context was also applicable to the criminalisation of copyright infringement.¹⁰⁶ Conscious of the relevance of using the tools of law and economics,¹⁰⁷ later studies have held that the assessment of benefits and costs indicates that “the

¹⁰² Scotchmer, *Innovation and Incentives* (2004), p.216.

¹⁰³ Scotchmer, *Innovation and Incentives* (2004), p.218.

¹⁰⁴ James E. Bessen and Michael J. Meurer, “The Direct Costs from NPE Disputes” (2014) 99 *Cornell L. Rev.* 387 (2014); David L. Schwartz and Jay P. Kesan, “Analyzing the Role of Non-Practicing Entities in the Patent System” (2014) 99 *Cornell L. Rev.* 425.

¹⁰⁵ Andrea Wechsler, “Criminal Enforcement of Intellectual Property Law: An Economic Approach” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012).

¹⁰⁶ Lanier Saperstein, “Copyrights, Criminal Sanctions and Economic Rent: Applying the Rent Seeking Model to the Criminal Law Formulation Process” (1997) 87 *J. Crim. L. & Criminology* 1472.

¹⁰⁷ Daniel Gervais has noted that strict criminal enforcement may not “serve the public interest in every case”. Gervais, “Criminal Enforcement in the US and Canada” in Geiger (ed.), *Criminal Enforcement of Intellectual Property* (2012), p.271.

deterrent benefit of criminalizing infringement may be limited, while the costs to copyright policy and long-term effectiveness of the criminal law may be large”.¹⁰⁸

Researchers should also take into consideration the need for further refinement and differentiation between intellectual property categories. While the problems detailed in this piece are applicable to many intellectual property categories, the specific calculation of the economics of enforcement will require attention to the particularities of enforcement norms of each intellectual property category.

Conclusions

Estimates of the scale and impact of intellectual property infringement have proliferated in the last two decades. In the majority of cases, studies have been commissioned by interested parties and have implemented controversial methodologies, frequently containing objectionable assumptions. Fortunately, public institutions show a growing interest in the economic aspects of intellectual property. While this is positive news, the complexities and the multifaceted socio-economic impacts of intellectual property have received only limited attention.

Economic estimates of the impact of intellectual property do not generally reflect the *net* impact of intellectual property. Studies neglect the capital aspects, such as the investment necessary to set up and run a proper system for the enforcement of intellectual property rights, the eventual benefits arising from intellectual property infringement, and the anticompetitive and extraterritorial effects of new enforcement institutions. Moreover, estimates assume that a homogeneous and infallible enforcement system is in place, while in reality enforcement is better described as a variable and complex process.

The elaboration of reliable estimates reflecting the general impact of intellectual property infringement on the economy, taking into account all aspects mentioned above, is just not possible at the present moment. Current estimates of the socio-economic effects of intellectual property protection at the macro-level are particularly questionable and, at maximum, can only be considered “educated guesses”. In contrast, narrowing the object of research and studying specific products, markets or institutions may result in more credible estimates.

Activities that commonly fall within the realm of enforcement and investment items related to those activities need to be identified in order to calculate the investment needed to enforce intellectual property law. In this article, we identify these items and activities and propose some indirect sources to conduct the calculation. The result should be assessed against the fact that the levels of investment on enforcement that are optimal from an economic point of view do not necessarily coincide with the levels of enforcement required to fulfil intellectual property law. A number of factors explain the mentioned gap, such as the adoption of international treaties where states assume obligations with the sole intention to reap benefits in fields other than intellectual property, internal pressures to adopt higher standards of protection, and the lack of reliable information on the socio-economic impact of new enforcement commitments. New sources of funding, probably right holders, should bear the costs of the economically inefficient investment on enforcement.

Enforcement norms should preserve the function devised for substantive norms and the objectives of the intellectual property system. If enforcement over-deters competition, the trade-off that underpins some intellectual property norms—to spur innovation and creativity by temporarily restricting competition—is nullified. On the other hand, the strengthening of the right holder’s position may result in unexpected situations, where alleged enforcement rights become substantive rights or trespass national borders and confer to the right holder the power to control foreign markets. In this context, it must be recalled that the drafting of legally accurate rights in terms of maximising social welfare is not by any means straightforward.

¹⁰⁸ Geraldine Szott Moohr, “Defining Overcriminalization through Cost-Benefit Analysis: The Example of Criminal Copyright Laws” (2005) 54 Am. U. L. Rev. 805.

While judging the quality of the rules should be accompanied by positive proposals relating to the actual degree of formal precision of administrative rules, determining the latter is a contextual, and frequently inconclusive, exercise.

Finally, it is necessary to draw a distinction between the value of the intellectual property system and the value of enforcement institutions. Civil, criminal and border enforcement norms diverge greatly across nations, and the legally available options result in critical differences in terms of economic impact. However, up until now, with the exception of damages, the institutions that make up the intellectual property enforcement arsenal have been largely ignored by law and economics scholars.

The Transformative Authorial Self in Jewish Thought

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☞ Authorship; Copyright; Ethics; Intellectual property; Israel; Judaism; Moral rights; United States

Introduction

Authors and artists are influenced by and respond to earlier elements of their cultural heritage. Authors make copies of, and changes to, prior works of creativity. In Judaism, both traditional and contemporary, humans are understood to work together creatively in partnership with God, and to rely and draw upon others. This article explores the theoretical basis in Jewish sources for the concept of transformative authorship, as well as the ethical principles behind the tradition guiding authors' interactive behaviour. Judaism sets forth duties of respect between and among them. Copyright doctrine, under US and Israeli law, also engages authorial transformations. In copyright, the transformative use of earlier works is increasingly protected under the transformative use defence. Informed by Jewish thought, ethical principles can be seen to frame that concept in copyright doctrine. With the ensuing strengthening of authors' rights and duties, the excesses of copyright may be reduced.

Transformativity is widely apparent in art. Eras of creative works have been inspired by, been reacted to or led to the rejection of prior work or cultural traditions. In Newton's famous words, creators stand upon the shoulders of giants. Transformativity in artistic traditions is apparent in Western art, where artworks of all forms comment and build upon earlier works.¹ In traditional and modern Israeli art, works of creativity also use and reuse Biblical literary and visual imagery.²

Jewish thought recognises the author as transformative. In Judaism, the human is said to be a creative being, working with and relying upon others. Further, on the Jewish model, duties arise from the relational aspect of the authorial self. The duty of respect extends to an author in her transformative use of earlier works of art: the so-called "primary" author, as well as the reader and fair user or modifier, are all owed respect. The ethical structure in Jewish thought supporting guidelines for authorial relations can affect trends in copyright doctrine. Jewish sources providing a normative basis for liberal Western approaches indeed have been analysed by commentators in many legal fields.³ Associations have also been made between copyright and Judaism.⁴

¹ Nelson Goodman and Catherine Z. Elgin, *Reconceptions in Philosophy and Other Arts and Sciences* (Indianapolis: Hackett Publishing, 1988), p.vii; Nick Zangwill, "Aesthetic Functionalism" in Emily Brady and Jerrold Levinson (eds), *Aesthetic Concepts* (Oxford: Oxford University Press, 2001), p.131. See also Kim Treiger, "Adaptations with Integrity" in Helle Porsdam (ed.), *Copyright and Other Fairy Tales: Hans Christian Andersen and the Commodification of Copyright* (Cheltenham: Edward Elgar Publishing, 2006), p.63.

² Yigal Zalmona, *A Century of Israeli Art* (Jerusalem: Israel Museum, 2013), pp.112–116, 450–451.

³ See e.g. Robert Cover, "Nomos and Narrative" (1983) 97 Harv. L. Rev. 4; Suzanne Last Stone, "In Pursuit of the Counter-Text: The Turn to the Jewish Legal Model in Contemporary American Legal Theory" (1993) 106 Harv. L. Rev. 813.

⁴ Roberta Rosenthal Kwall, *The Soul of Creativity: Forging a Moral Rights Law for the United States* (Stanford: Stanford University Press, 2009); Neil Weinstock Netanel and David Nimmer, *From Maimonides to Microsoft: The Jewish Law of Copyright since the Birth of Print* (New York: Oxford University Press, forthcoming); Nahum Rakover, *Copyright in Jewish Sources* (Jerusalem: Library of Jewish Law, 1991) (Hebrew); Kim Treiger-Bar-Am, "Autonomy of Expression as a Normative Basis for Copyright" in Miriam Marcowitz-Biton and Lior Zemer (eds), *Intellectual Property: A Multidisciplinary View* (Jerusalem: Nevo Press, forthcoming) (Hebrew). Many Israeli copyright and moral rights cases refer to Jewish law.

Copyright doctrine in the US recognises the author as transformative. In *Campbell v Acuff-Rose Music Inc.*,⁵ where the Supreme Court set forth the transformative use defence to copyright, the Court recalled Justice Story's understanding that, in literature, art and science, nothing is truly new.⁶ The Court further cited Judge Pierre Leval's statement that "there is no such thing as a wholly original thought or invention. Each advance stands on building blocks fashioned on prior thinkers."⁷ The evaluation of transformative use has become a central element of the fair use test.⁸

Transformativity and intertextuality have given rise to post-modern criticism of the concept of authorship in copyright.⁹ While post-modern scholarship draws the conclusion from transformativity and intertextuality that no authorship should be protected as original,¹⁰ it is submitted that all authorship should be recognised as transformative and protected.¹¹ In place of the post-modern deconstruction of the subject, the concept of the self, and indeed the authorial self, may be reimagined, and the concept of the author may be deconstructed to be rebuilt. The author is herself a transformer, upon a democratic levelling down. Moreover, upon a democratic levelling up, the user or modifier is herself an author. All of these authors deserve protection.

This article begins by examining Jewish thought on transformative creativity. Jewish ethics of communication are outlined, showing duties of respect for transformative speakers and authors. The article then looks at the transformative use defence in law, with a focus on US copyright doctrine and Israeli moral rights cases. Transformations in meaning are in view as well, both in Jewish thought and copyright law. The article concludes by exploring how the ethical principles in Judaism governing authors may enhance authorial rights and duties in copyright.

Transformative authorship in Jewish thought

While the Bible instructs against making graven images to serve idol worship, Judaism has a rich tradition of creativity.¹² That tradition supports transformative authorship in a number of ways. Even the Divine creation of the world is on some accounts transformative, where the world is considered not to have been created *ex nihilo* (out of nothing). God then made the human in His image, as a creative being. In their creativity, humans draw on others and are to complete the Divine creation of the world. This section explores Divine creation and human creativity, the transformative nature of Jewish law (*halacha*), the intertextuality of the *Talmud* and the evolution of meaning in Jewish law.

Creation and creativity

Divine creation may be seen as participative. So too human creativity is participative, both in its partnership with God and in its encounter with others.

⁵ *Campbell v Acuff-Rose Music Inc* 510 U.S. 569 (1994).

⁶ *Folsom v Marsh* 9 F. Cas. 342 (C.C.D. Mass. 1841).

⁷ Pierre N. Leval, "Toward a Fair Use Standard" (1990) 103 Harv. L. Rev. 1105, 1109.

⁸ Neil Weinstock Netanel, "Making Sense of Fair Use" (2012) 15 Lewis & Clark L. Rev. 715.

⁹ See e.g. Julie E. Cohen, "Creativity and Culture in Copyright Theory" (2007) 40 U.C. Davis L. Rev. 1151, 1202; Mark Rose, "The Author as Proprietor" in Brad Sherman and Alain Strowel (eds), *Of Authors and Origins* (Oxford: Clarendon Press, 1994), p.55.

¹⁰ See e.g. Martha Woodmansee and Peter Jaszi (eds), *The Construction of Authorship: Textual Appropriation in Law and Literature* (Durham: Duke University Press, 1994).

¹¹ Kim Treiger-Bar-Am, "Authors' Rights as a Limit to Copyright Control" in Fiona Macmillan (ed.), *New Directions in Copyright*, Vol.6 (Cheltenham: Edward Elgar Publishing, 2007).

¹² *Exodus* 20:3-4; Lionel Kochan, *Beyond the Graven Image: A Jewish View* (New York: New York University Press, 1998), pp.101, 103.

1. Divine creation of the world in partnership

Whether the Divine creation of the world was *ex nihilo*, as put forward by Maimonides (*Rambam*) in the 12th century and the Jewish mystical tradition *Kabbalah*,¹³ has been the subject of age-old debates. Perhaps God's creation of the world was out of "tohu va-vohu" (*Genesis* 1:2), the waters and darkness that preceded creation. In some parts of the Biblical creation narrative, God's name appears in the plural, *Elokim* (*Genesis* 1:26), indicating on some accounts that God created the world with other creations, perhaps with angels.¹⁴ Moreover, the first word of the Bible (*Bereisheet*), translated generally as "in the beginning", may be separated into its parts and read as *be-reisheet*, or "with *reisheet*". *Reisheet* is said to indicate the righteous, and the phrase *Bereisheet* points to God's creation of the cosmos together with the righteous.¹⁵

Whether the Divine creation was *ex nihilo* or transformative of what came before, a teaching in Jewish thought takes us beyond this inquiry. Judaism has a tradition of not delving into questions of when, whether and how God created the world, or how God came to be. Rather than looking backwards to ask what came before, we are to look forwards at the world and to how humans can complete the creation.¹⁶ Indeed in Jewish tradition, humans are given the role of fixing the world (*tikkun olam*).¹⁷

2. Human creativity as transformative

In Judaism, humans are seen as created in God's image, as creators.¹⁸ Rabbi Akiva, of the first and second centuries, emphasised man's creative office.¹⁹ We are God's partners in the work of creation.²⁰ Isaiah wrote of humanity as bearing the responsibility to keep the world from dissolving and of creation from unfolding.²¹ The wisdom of the human creative being is based on experience in the world and knowledge gained from others. Hence, such wisdom may be called transformative.

A paradigmatic example of human creativity in the Bible is the construction of the Sanctuary (*Mishkan*) that the Jews carried with them in their wanderings in the desert. There are many parallels between the text in *Genesis* of the creation of the world and in *Exodus* of the construction of the *Mishkan*, called a microcosm of existence.²² The Biblical account tells that Bezalel, the artisan of the *Mishkan*, was endowed with "wisdom, understanding and knowledge" (*chochma, tvunah* and *da'at*).²³ The chief artisan of King Solomon's Temple is also described as having the same three gifts: *chochma, tvunah* and *da'at*.²⁴ The three terms indicate that human creativity involves learning from others, both human and Divine, as well as the human initiative in transforming the lessons learned.

¹³ Moses Maimonides, *The Guide for the Perplexed*, 2nd edn (New York: Dover Publications, 1956), pp.212, 218, 266; Gershom Scholem, *Kabbalah* (New York: Quadrangle, 1974), pp.94–95 (God is never-ending, and the world no-thing). See also Joseph B. Soloveitchik, *Halakhic Man* (Philadelphia: Jewish Publication Society, 1983), p.102.

¹⁴ David L. Leiber et al. (eds), *Etz Hayim: Torah and Commentary* (Philadelphia: Jewish Publication Society, 2001), comments on *Genesis* 1:26, *Genesis Rabbah* 8:3 and the RaDak (God spoke with other creations).

¹⁵ Avivah Gottlieb Zornberg, *Genesis: The Beginning of Desire* (Philadelphia: Jewish Publication Society, 1995), pp.35–36 (*reisheet* may also indicate the Bible).

¹⁶ *Genesis Rabbah* 1:10.

¹⁷ *Shabbat* 119b:11–12, on *Genesis* 2:1. All cites to the *Talmud* herein are to the Babylonian *Talmud*, unless otherwise indicated.

¹⁸ Joseph B. Soloveitchik, *The Lonely Man of Faith* (New York: Doubleday, 1965); Soloveitchik, *Halakhic Man* (1983), p.99.

¹⁹ Norman Lamm, *Faith and Doubt: Studies in Traditional Jewish Thought* (New York: Ktav Publishing House, 1971), p.176.

²⁰ *Yalkut Shemini*; Zornberg, *Genesis* (1995), p.36.

²¹ *Isaiah* (43:1).

²² *Yalkut Shemini*; *Proverbs* 3:19–20. See also Nehama Leibowitz, *Studies in Shemot (Exodus), Terumah* (Jerusalem: World Zionist Organization, 1976) (Hebrew); Avivah Gottlieb Zornberg, *The Particulars of Rapture: Reflections on Exodus* (New York: Doubleday, 2002), p.478 (showing linguistic analogies between the accounts).

²³ *Exodus: Ki Tissa* 31:2–3, *Vayakhel* 35:30–31.

²⁴ *1 Kings* 7:14 (the *haftarah* portion read on the Sabbath following the reading of the account of Bezalel's work on the *Mishkan*).

Chochmah is externally sourced. It is what a person can learn from another, as the 11th century French commentator Rashi explained.²⁵ The source of *chochmah* is one's experience in the world. Rabbi Jonathan Sacks describes *chochma* as "the truth we discover ... by seeing and reasoning".²⁶

Tvunah is internally sourced. It is the human creator's innovative ability, in deducing by one's own intelligence the information gathered from others. While Bezalel learned from the world through *chochma*, he transformed that knowledge with *tvunah*. In Jewish tradition, the human creator also relies upon the externally sourced *da'at*—namely, inspiration from God.²⁷

A Biblical narrative in the collection of stories that have been passed down orally through the Ages (*midrash*) gives an account of the building of the desert Sanctuary and sheds light on these sources of creativity. As Alan Dershowitz writes, *midrash* is an interpretation of the Biblical text "by the use of illustrative stories, explanations, commentaries, and other forms of exegesis".²⁸ *Midrash* itself reflects wisdom, or *chochmah*, as it is a human creation relying on our experience in the world.

According to the *midrash*, the plan for the *Mishkan* was given by God to Moses on Mount Sinai in an image of fire. While the guide was God's gift, working in fire is the recombination and transformation of different worlds to make new worlds, as Avivah Zornberg writes.²⁹ The *midrashic* tale reflects all three elements of human creativity.

Human creativity is thus both internally and externally based. Human perfection of the Divine creation of the world is based on transformative creativity. Transformations are also apparent in the development of Jewish law.

Human development of Jewish law

In Jewish tradition, the interpretation of God's law (*halacha*) is accomplished through human creativity. Discussions of rabbis interpreting Jewish law from the third to fifth centuries are set forth in the *Talmud*,³⁰ which is still accepted today as the basis of *halacha*. Both the discursive process and the recording of it are transformative.

1. The transformativity of *halacha*

While the Bible (*Torah*) is the starting point for the Jewish legal system, the law continued to progress from that starting point. Judaism supports a rich tradition of interpretation through the Oral Law, where opinions build upon each other.³¹ Jewish law has been seen to reject textual fundamentalism, and rather to depend upon human agency for interpretive creativity.³² Throughout the ages, the boundaries of the law emerged through contested discourse and in historically specific contexts: the rabbis "perceived *halachic* discourse as a process of constant confrontation between contesting views, each one in its own time and place".³³

²⁵ Leiber et al. (eds), *Etz Hayim* (2001), on *Vayakhel* 35:31.

²⁶ Jonathan Sacks, *Future Tense* (London: Continuum International Publishing Group, 2009). On Biblical texts as wisdom literature, see Yoram Hazony, *The Philosophy of Hebrew Scriptures* (Cambridge: Cambridge University Press, 2012), pp.231, 284, fn.16.

²⁷ *Midrash Rabba* (40:2). The acronym of the three terms *chochma*, *tvunah* (or *binah*) and *da'at* is *Chabad*. It is used as the name of a Hasidic group within Judaism.

²⁸ Alan M. Dershowitz, *The Genesis of Justice: Ten Stories of Biblical Injustice That Led to the Ten Commandments and Modern Law* (New York: Warner Books, 2000).

²⁹ Zornberg, *The Particulars of Rapture* (2002), pp.470, 478, 498.

³⁰ The *Talmud* is comprised of the *Mishna* and the *Gemara*.

³¹ Menachem Elon, *Jewish Law: History, Sources, and Principles*, Vol.1 (Philadelphia: Jewish Publication Society, 1994), p.232; David Novak, *Covenantal Rights: A Study in Jewish Political Theory* (Princeton: Princeton University Press, 2009).

³² Roberta Rosenthal Kwall, "Intellectual Property Law and Jewish Law: A Comparative Perspective on Absolutism" (2013) 22 *Yale J.L. & Human. 143*.

³³ Eliezer Berkovits, *Not in Heaven* (Jerusalem: Shalem Press 1983), p.174. See also Avi Sagi, *The Open Canon* (London: Continuum, 2007), p.188.

A famous example of Jewish law being determined through human interpretation is the *Talmudic* story of the Akhnai oven.³⁴ When rabbis disagreed about a ruling under religious law as to whether a certain type of oven could become impure, the majority won, even when the minority view was accompanied by a series of miracles to indicate its correctness. Voicing the majority view, Rabbi Joshua quoted a Biblical passage stating that “The *Torah* is not in heaven.”³⁵ When the prophet Elijah was asked about God’s reaction to this event, Elijah responded, “He laughed [with joy], saying, ‘My children have defeated Me, My children have defeated Me.’” This event has become known as *lo bashamayim hee*, indicating that the source of interpretation of the law is on Earth, rather than in Heaven.

Halacha is dynamic and continually advancing. The *Talmud* tells that when Moses ascended to Heaven, God showed him Rabbi Akiva studying. Moses was unable to follow the arguments, but was comforted when one of the disciples asked Rabbi Akiva whence he knew a certain point of law. Rabbi Akiva responded, “This is a law given to Moses on Mount Sinai.”³⁶ The tale underscores that the *Torah* is understood by not only tradition, but also interpretation throughout the generations.³⁷

A multiplicity of voices comprises the human interpretation of the law. Respect for this multiplicity is evident in a *Talmudic* saying with regard to the schools of Rabbis Hillel and Shamai (*Bet Hillel* and *Bet Shamai*), which were often in dispute. While the position settled upon was generally that of *Bet Hillel*, the position of *Bet Shamai* was also valued. It is written in the *Talmud* that a heavenly voice proclaimed: “these and these are the words of the living God”.³⁸ *Bet Hillel* was revered for referring to the views of *Bet Shamai* even before its own.

That the transformative and multi-voiced rabbinic discourse in the *Talmud* was venerated may be seen in its ancient recording in the *Talmud*.

2. Intertextuality and the *Talmud*

The *Talmud*, the basic source of Jewish law and the heart of Jewish learning, records the discussions among generations of rabbis. We move in our discussion from the author to the text: akin to the transformativity of authorship in Jewish law is the intertextuality of the text itself.³⁹ Just as the rabbinic voice in the *Talmud* is collective and non-linear, so too is the text of the *Talmud*.

An intertextuality of commentaries is to be found on each page of the *Talmud*. The structure of the *Talmud* is comprised of discussions between rabbis from different periods and in different locales. The combination of texts on a page of the *Talmud* refers to several linked documents together, creating a web of units connected by associations.⁴⁰ This non-linear form of a page of the *Talmud* has been termed “hypertext”.

³⁴ *Baba Metzia* 59.

³⁵ *Deuteronomy* 30:12; *Exodus* 23:2.

³⁶ *Menahoth* 29b.

³⁷ Sagi, *The Open Canon* (2007), pp.176–177.

³⁸ *Eruvin* 13b, *Gittin* 6b.

³⁹ On the relation between the elements of author, text and reader, see Kim Treiger-Bar-Am, “Copyright, Creativity, and Transformative Use” in Helle Porsdam (ed.), *Copyrighting Creativity: Creative Values, Cultural Heritage Institutions and Systems of Intellectual Property* (Farnham: Ashgate Publishing, forthcoming). I thank Stina Teilmann-Lock for discussion of the relationship between transformativity and intertextuality. See M.M. Bakhtin, *The Dialogic Imagination: Four Essays* (Austin: University of Texas Press, 1981).

⁴⁰ Daniel Boyarin, *Intertextuality and the Reading of the Midrash* (Bloomington: Indiana University Press, 1990); Joseph Fong et al. (eds), “Advances in Web-Based Learning: First International Conference” (Berlin: Springer-Verlag, 2002), p.278. While the non-linear format of a page of the *Talmud* developed as a publication style in the 16th century (see Tsvi Brisk and Moshe Dror, *Futurizing the Jews: Alternative Futures for Meaningful Jewish Existence in the 21st Century* (Westport: Praeger Publishing, 2003), p.195), our experience of reading a page of the *Talmud* has been for many generations based on that intertextual format. I welcome Sophia Tropper’s insight on this point.



Illustration: A page of the Talmud, Megillah 24.

David Porush writes as follows:

“A page of Talmud is structured around a single text surrounded by concentric layers of commentary and commentary on commentary. By form and content, it announces the unfinished quality of constructing knowledge and the collective construction of shared values. Even in its layout on the page, the Talmud suggests a kind of time and space destroying hypertextual symposium rather than an authoritative, linear, and coherent pronouncement with a beginning and ending written by a solitary author who owns the words therein.”⁴¹

The reader is invited into this symposium of multilogues, across time and space. Just as it is collective in its construction, the study of the *Talmud* is collective. Learning the *Talmud* is not done on one’s own but in *hevruta*, involving interactions with learning partners—and thus a multiplicity of readers.

The reader continues to be in focus, as the discussion herein turns to the readers’ role in the evolving interpretations of the law.

3. Meaning

A work may be transformed through its meaning. Jewish law progresses through human interpretation of the Divine word, with an evolution of meaning. The Hebrew term for “meaning” (*mashmaut*) has as its root “to hear” (*shema*), thus pointing to the listener—the reader or the audience—playing a role in defining

⁴¹ David Porush, “Ubiquitous Computing vs. Radical Privacy: A Reconsideration of the Future” (1995) 2 Computer-Mediated Comm. Mag. 46. See also Mel Alexenberg, *The Future of Art in a Digital Age: From Hellenistic to Hebraic Consciousness* (Bristol: Intellect, 2006), pp.21–24, fn.31.

and advancing meaning. Indeed, contemporary hermeneutic theory sees the meaning of a text evolving through its readers' interpretations.

The Bible teaches that all of the Jewish people stood at Sinai (*Exodus* 20:15), each with their own interpretations of the words of the law. It is said that there are 70 faces to the *Torah*—namely, many different and valid interpretations of the *Torah*.⁴² New meaning is constantly found in *drash*, the Jewish commentary on the *Torah* and the *Talmud*, which is considered part of the oral tradition of the Bible.⁴³ With the narrative commentary *midrash*, interpretation “keeps its gates open. It never closes a debate”; the “quest” continues, “untamed” and “unabated” in its spirit of free inquiry.⁴⁴

Drash may be related to the movement in literature whereby the reader constructs meaning from the text. Upon contemporary hermeneutic reader-response theory, the reader's role in advancing the meaning of a work is central. In the post-modern world of literary criticism and art theory, it has become widely accepted that readers determine the meaning of a text.⁴⁵ Post-moderns critique the reliance on authorial intent—in the sense of an author's biography and the inner working of the author's mind⁴⁶—as a basis for determining a work's meaning.⁴⁷

Hence, Jewish law is transformative on a number of levels: in the transformativity of rabbinic authorship, the intertextuality of the *Talmud* and the evolving interpretations and meanings of the law. Such transformations give rise to relations between authors and readers. These transformations, in turn, have given rise to an ethical code governing those relations.

Jewish ethics of communication

Surrounding the connectivity of creativity in Jewish thought is a normative structure to guide the behaviour of creators. Ethics are central to Jewish thought and Jewish law, and the ethics of communication require that respect be shown to and among speakers and authors. These ethical principles ground both rights and duties of respect.⁴⁸ The discussion in this section relates to rights and duties, speech and finally authors.

1. Rights and duties

Jewish thought affirms the freedom and dignity of the individual. One's dignity is owed respect, and from dignity arise both one's right of respect and the other's duty to show her respect.⁴⁹ The two concepts grounding rights and duties—namely, dignity and respect, both referenced with the same term in Hebrew (*kavod*)—have held a central place in Biblical narrative and rabbinic commentary throughout the ages.⁵⁰ The relation between freedom and rights, on the one hand, and duty, on the other, is a complex one.

We are able to take upon ourselves legal obligation only once we are free, according to Jewish teaching. The giving of the law (both the tablets of stone and the legal provisions recorded thereafter in the Bible

⁴² *Bamidbar Rabbah* 13:15; *Pirkei Avot* 5:26. See also *Jerusalem Talmud, Sanhedrin* 4:2 (stating that the *Torah* must be capable of having 49 interpretations affirming an opinion and 49 opposing it); Berkovits, *Not in Heaven* (1983), p.78.

⁴³ Leiber et al. (eds), *Etz Hayim* (2001), p.xx.

⁴⁴ Dershowitz, *The Genesis of Justice* (2000).

⁴⁵ Monroe C. Beardsley, *Aesthetics from Classical Greece to the Present: A Short History* (Tuscaloosa: University of Alabama Press, 1966), pp.338, 364–365.

⁴⁶ Giorgio Vasari, *The Lives of the Painters Sculptors and Architects*, trans. A.B. Hinds (London: J.M. Dent and Sons, 1927).

⁴⁷ Roland Barthes, “Death of the Author” in *Image, Music, Text*, trans. Stephen Heath (London: Fontana Press 1977); Barthes, “From Work to Text” in *Image, Music, Text* (1977), pp.160–161; W.K. Wimsatt Jr. and Monroe C. Beardsley, “The Intentional Fallacy” (1946) 54 *Sewanee Rev.* 468–488. For a similar view taken in the 18th century, see Immanuel Kant, *Critique of Pure Reason*, trans. Paul Guyer and Allen W. Wood (Cambridge: Cambridge University Press, 1998), A3145/B370 (“[I]t is by no means unusual to find that we understand [an author] better than he has understood himself since he may not have determined his concept sufficiently.”); Kim Treiger-Bar-Am, “Kant on Copyright: Rights of Transformative Authorship” (2008) 25 *Cardozo Arts and Ent. L.J.* 1059.

⁴⁸ See e.g. Yehuda Brandes, *Judaism and Human Rights* (Jerusalem: Israel Democracy Institute, 2013) (Hebrew); Haim Cohn, *Human Rights in Jewish Law* (Jerusalem: Ktav Publishing House, 1984).

⁴⁹ On the relation between the Basic Law of Dignity in modern Israeli law and ancient tradition, compare Aharon Barak, *Human Dignity* (Cambridge: Cambridge University Press, 2015), with Elon, *Jewish Law*, Vol.1 (1994).

⁵⁰ Yitzhak Englard, “Human Dignity: From Antiquity to Modern Israel's Constitutional Framework” (2000) 21 *Cardozo L. Rev.* 1903.

narrative) ensued after the Jews' exodus from slavery in Egypt.⁵¹ Indeed, there is no law without freedom, according to the well-known 13th century Biblical commentator Nahmanides (*Ramban*).⁵²

While freedom precedes duty in time, the *Talmud* teaches that freedom is in fact inherent in commandments giving rise to duties. We are instructed to read the Biblical description of the incision of God's writing on the Tablets of Stone (*Exodus* 32:16), not as "incised" or "engraved", but rather as "freedom", a term with the same linguistic root.⁵³ From this, the *Talmud* teaches that duties are at the heart of freedom itself.

Obligations to others give rise to ethical duties of behaviour, including those regarding one's communication with others. The ethics of communication guiding speech between individuals are well-developed in Jewish law and thought.

2. Speech

The ability to communicate is considered profound in Jewish sources. The world was created by God in speech ("Let there be light", *Genesis* 1:1). The ancient Book of Creation (*Sefer Hayezira*) forges a mystical link between the letters of the Hebrew alphabet and the creation of the world. The Decalogue, labelled the Ten Commandments in English, is referred to in the Bible as the Ten Sayings. So too the human ability to speak is wrought with power. God's directive to Moses to speak to the rock in order to bring forth water can be taken as a command to recognise the power and beauty of speech.⁵⁴ In Judaism, principles requiring the ethical use of speech and creation appear in both the Bible and rabbinic commentary.

The Bible (*Leviticus* 25:17) instructs against short-changing one's neighbours, and sages state that speech alone can constitute cheating. The *Mishnaic* discourse *Ethics of the Fathers* (*Pirkei Avot*) includes numerous warnings regarding cheating.⁵⁵ The *Talmud* lists five items for payment in case of injury to a human being independent of criminal liability, including assault through speech.⁵⁶ The famous rabbinical commentator Chofetz Chaim⁵⁷ expanded the Biblical injunction against gossip.⁵⁸

In modern writings, ethics of communication are apparent—for example, in the dialogic theory of Martin Buber⁵⁹ and in the relational theory of Emmanuel Levinas. Levinas wrote that ethics precedes metaphysics and that language is responsibility.⁶⁰ These ethical requirements of communication between speakers are the backdrop to the system of ethical communication guiding authors.

3. Authors' rights and duties

In Judaism, the ethics of communication require that respect be shown between and among authors. The *rights of* authors are also *duties towards* authors. Authorial respect is to be extended to all players: the so-called "primary" author is to be respected by other authors and by the public, and she is also to respect other authors and the public. These duties and rights share principles with those underlying copyright doctrine, as discussed in the next section.

An author's exclusive publication and distribution right resonates in Jewish tradition. The Bible (*Leviticus* 19:13) prohibits stealing, which the rabbis interpret to include stealing one's words and works

⁵¹ *Exodus: Yitro* 20:2–14; *Mishpatim* 21.

⁵² Ramban's commentary on *Mishpatim* 21:2.

⁵³ *Eruvin* 54:1, on *Exodus* 32:15.

⁵⁴ I thank Rabbi Elisha Wolfin for this insight.

⁵⁵ Yeshayahu Leibowitz, *Discussions on Pirkei Avot* (Jerusalem: Schocken, 1979), p.91.

⁵⁶ *Baba Kama* 8:86.

⁵⁷ Rabbi Israel Meir Kagan ("Chofetz Chaim"), *Desirer of Life* (1873) (laws prohibiting gossip and slander).

⁵⁸ See e.g. *Leviticus* 19:16 (against spreading slander); *Jeremiah* 23:30 (false prophets steal words); *Numbers* 12:1, 12:10 (Miriam's punishment for speaking about Moses).

⁵⁹ Martin Buber, *Between Man and Man*, trans. Ronald Gregor Smith (1947, 1965), p.25 ("[A]ll art is from its origin essentially of the nature of dialogue."); Martin Buber, *I-Thou*, trans. Ronald Gregor Smith (1923, 1937).

⁶⁰ Edith Wyschogrod, *Emmanuel Levinas: The Problem of Ethical Metaphysics* (New York: Fordham University Press, 2000), pp.128, 152.

(as in *Jeremiah* 23:30). Moreover, an author's choice of agent to communicate his speech is respected: God chose prophets to relay His words and rejected false prophets (*Deuteronomy* 18:9–23; *Jeremiah* 27:9–15), and an author's choice of agent for his speech was respected insofar as publishers' rights were upheld.⁶¹

Similar to how the moral right of integrity prevents distortive modifications to an author's work, in Judaism an author's words are not to be distorted. In the Garden of Eden, Adam misstated God's words: in his recounting of God's words to Eve, Adam stated that God's prohibition was not to touch the tree, rather than not to eat from it, as God had stated (*Genesis* 3:3). Rabbinic commentary advises that the expulsion from the Garden of Eden may have been prevented had the integrity of God's speech been maintained.⁶² Jewish law warns against the distortion of someone's work in conglomerations of works.⁶³ Moreover, Jewish law requires crediting an author's name when repeating his speech, thus paralleling the moral right of attribution for an author's work.⁶⁴

Alongside authors' rights come defences: Jewish law allows certain uses or modifications of works. *Talmudic* "pilpul"—the copying and changing of earlier works to put forward a change in the interpretation of a point of law—can be called transformative use.⁶⁵ Exceptions are also allowed in Jewish law for the good of others. For instance, the Bible recounts God changing Sarah's words in retelling them to Abraham in order to spare his feelings (omitting Sarah's laughter at the notion of Abraham bearing a son in his old age).⁶⁶ With human speech as well, exceptions are allowed for the public interest.⁶⁷

Jewish tradition thus sets forth an ethic of communication calling for the respect of the transformative author. It is submitted that copyright doctrine may be enhanced by the ethical duties of respect arising between authors and the public.

Copyright doctrine and the transformative use defence

Both Jewish tradition and copyright doctrine affirm authors' rights and duties. In addition to protecting the author's choice of agent for his speech and the integrity and attribution of his work,⁶⁸ defences in the two systems bear resemblance. This section explores the copyright defence of transformative use.

Transformative use is recognised under copyright doctrine, both in US and Israeli law, as part of the fair use defence. In the US, fair use is provided as a defence to copyright and moral rights infringement claims, and transformative use has been adopted as an element of the fair use defence to economic copyright claims. Israeli statutory law provides fair use as a defence to copyright infringement claims, and courts have considered transformative use within the framework of fair use. In moral rights cases, courts have also begun to recognise a transformative use defence despite the absence of an explicit fair use test in the Israeli statute.

In place of the denial of the rights of authors due to the transformative nature of authorship, I, as a post-modern advocate, submit that authorial rights be extended to all authors. Upon recognition of transformative use as a right, authors' rights would be balanced against each other, and the expanses of copyright control may be limited.

⁶¹ Rakover, *Copyright in Jewish Sources* (1991), pp.67–74.

⁶² Moshe Weissman, *The Midrash Says* (New York: Bnei Yakov Publications, 1980), pp.45–46.

⁶³ Rakover, *Copyright in Jewish Sources* (1991), pp.41–42 (*likutim*).

⁶⁴ *Pirkei Avot* 6:6; *Megillah* 15:1. See also Sacha Stern, "Attribution and Authorship in the Babylonian Talmud" (1994) 45 *J. Jewish Stud.* 28.

⁶⁵ Rakover, *Copyright in Jewish Sources* (1991), pp.215–218. See also Soloveitchik, *Halakhic Man* (1984), p.81 (*hiddush*).

⁶⁶ *Genesis* 18:13.

⁶⁷ Ze'ev Falk, *Intellectual Property in Israel* (1947), pp.12–13 (Hebrew).

⁶⁸ Treiger-Bar-Am, "Autonomy of Expression as a Normative Basis for Copyright" in Marcowitz-Bitton and Zemer (eds), *Intellectual Property* (forthcoming).

Copyright's transformative use defence

1. United States

In US law, the fair use defence to copyright claims⁶⁹ has been referred to as similar to a right.⁷⁰ Fair use includes transformative use. In *Campbell v Acuff-Rose Music Inc*, the US Supreme Court recognised that the purpose of copyright—to promote science and the arts—would be fulfilled by protecting authorial works which copy a primary work with a transformative purpose.⁷¹

In *Campbell*, a case involving the parody of Roy Orbison's 1960s song "Pretty Woman" by the rap group 2 Live Crew, the Court wrote that, with regard to the first fair use factor—the "purpose and character of the use"⁷²—an important aspect of the inquiry is whether the new work merely "supersedes" the objects of the original creation or "instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; ... in other words, whether and to what extent the new work is transformative".⁷³

Well-known US cases upholding the transformative use defence have involved thumbnail sketches in *Kelly v Arriba Soft Corp*⁷⁴ and *Perfect 10 Inc v Amazon.com Inc*,⁷⁵ and the use of Grateful Dead photos for historical rather than artistic purposes in *Bill Graham Archives v Dorling Kindersley Ltd*.⁷⁶ Parodies also have been upheld as transformative uses of primary works—for example, in the use of Annie Leibovitz's photo of Demi Moore by Paramount Pictures for a film promotion with Leslie Nielsen,⁷⁷ the use of Barbie images by the artist Thomas Forsythe,⁷⁸ and the use of the story of *Gone with the Wind* in the book *The Wind Done Gone*, which was written from the slaves' perspective.⁷⁹ Appropriation art cases which allow the defence include the ruling in *Blanch v Koons* as well as the Second Circuit decision in *Cariou v Prince*.⁸⁰ The digitisation of copyright works has recently been upheld as transformative use in *Authors Guild Inc v Google Inc*.⁸¹

2. Israel

The fair use defence was recognised in the Israeli Supreme Court's decision in *Geva v Walt Disney Co*⁸² and then in statutory form in s.19 of the Copyright Act 2007. The Court recently indicated that fair use may be considered a right.⁸³ A transformative use defence has been considered by the Court in the copyright case of *The Football Association Premier League Ltd v Ploni*⁸⁴ as well as in a number of lower court rulings.

The nature of authorship as transformative has been recognised in Israeli copyright doctrine in a number of ways. The originality requirement for copyright ownership requires that an author claiming copyright

⁶⁹ US Copyright Act 1976 17 U.S.C. s.107.

⁷⁰ *Suntrust Bank v Houghton Mifflin Co* 268 F.3d 1257, 1260, fn.3 (11th Cir. 2001). See *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 30 C.P.R. 4th 1.

⁷¹ *Campbell v Acuff-Rose Music Inc* 510 U.S. 569, 579 (1994).

⁷² US Copyright Act 1976 17 U.S.C. s.107.

⁷³ *Campbell* 510 U.S. 569, 579 (1994), citing Pierre N. Leval, "Toward a Fair Use Standard" (1990) 103 Harv. L. Rev. 1105, 1111.

⁷⁴ *Kelly v Arriba Soft Corp* 336 F.3d 811 (9th Cir. 2003).

⁷⁵ *Perfect 10 Inc v Amazon.com Inc* 508 F.3d 1146 (9th Cir. 2007).

⁷⁶ *Bill Graham Archives v Dorling Kindersley Ltd* 448 F.3d 605 (2nd Cir. 2006).

⁷⁷ *Leibovitz v Paramount Pictures Corp* 137 F.3d 109 (1998).

⁷⁸ *Mattel Inc v Walking Mountains Productions* 353 F.3d 792 (9th Cir. 2003).

⁷⁹ *Suntrust Bank* 268 F.3d 1257 (11th Cir. 2001).

⁸⁰ *Cariou v Prince* 714 F.3d 694 (2nd Cir. 2013).

⁸¹ *Authors Guild Inc v Google Inc* 954 F. Supp. 2d 282 (S.D.N.Y. 2013) (on appeal).

⁸² *Geva v Walt Disney Co* CA 2687/92 (1993) 48(1) P.D. 251.

⁸³ *Telran Communication (1986) Ltd v Charlton Ltd* CA 5097/11 September 2, 2013 (Zilbertal J).

⁸⁴ *The Football Association Premier League Ltd v Ploni* CA 9183/09 May 13, 2012 at [20].

contribute to her work a sufficient degree of her own effort and creativity.⁸⁵ Hence, originality in authorship may be transformative, upon a sufficient degree of the secondary author's innovation. In *Eisenman v Kimron*, the Israeli Supreme Court saw the deciphering of the 2000-year-old texts of the ancient scrolls—found in the Kumran caves near the Dead Sea—as constituting an original work and hence supporting copyright.⁸⁶ Fragments of the scrolls were pieced together by scholars in modern times, with absent words and letters in the texts defined in a manner that could be termed transformative of the fragmented texts.

Transformative authorship has been considered in *Interlego A/S v Exin Lines Bros SA*,⁸⁷ and in the Charlie Chaplin case of *Mifal Hapayis v The Roy Export Establishment Co*⁸⁸ in which the Israeli Supreme Court wrote that cultural progression rests on the achievements of the past. In *Weinberg v Weishopf*, a case involving the use of a photograph of Yitzhak Rabin for a medallion, the Court underscored the value to the public of transformative use when it wrote that there is no reason to prevent an author from viewing an image, receiving from it inspiration and developing an original composition.⁸⁹

Moral rights under copyright

Moral rights provisions found in art.6bis of the Berne Convention for the Protection of Literary and Artistic Works⁹⁰ include the integrity right, which gives the author the right to prevent a prejudicial modification to her work, and the attribution right, which requires that the author be given credit for her work. Both rights are protected in Israel and, in a limited fashion, in the US. The integrity right may seem to contradict the transformative use defence: if modifications to a work are prevented by the integrity right, how can they be allowed by the transformative use defence? Yet, the defence provides that modifications which are substantial enough to transform the work—essentially creating a new work—are to be defended.⁹¹

Like the transformative use defence, the integrity right also requires respect for authors. While the transformative use defence requires that respect be accorded to defendant-users and modifiers of works, the integrity right requires that respect be afforded to the primary author. The title of the right in France, where the right was first recognised, indeed calls for authorial respect.⁹² A show of respect ought to extend to all transformative authors and readers.

1. United States

The US Visual Artists' Rights Act of 1990 affords narrow protection to authors' moral rights for original visual artworks and provides a defence of fair use to claims of infringement of the moral right.⁹³ The application of the fair use defence to moral rights claims has been criticised by some commentators,⁹⁴ and Congress has expressed scepticism that the defence will be used.⁹⁵ It is submitted that a defence of fair use, including transformative use, should be allowed.

⁸⁵ *Galina Mezin v Artshop Gallery for Printing and Pub Ltd CA (TA) 40284/06* at 10, cited in Eran Liss and Dan Adin, *Intellectual Property Law and Practice in Israel* (Oxford: Oxford University Press, 2012), p.337, fn.38.

⁸⁶ *Eisenman v Kimron CA 2790/93 (2000) 54(3) P.D. 817.*

⁸⁷ *Interlego A/S v Exin Lines Bros SA CA 513/89 (1994) 48(4) P.D. 133.*

⁸⁸ *Mifal Hapayis v The Roy Export Establishment Co CA 8393/96 (2000) 54(1) P.D. 577, 591–597.*

⁸⁹ *Weinberg v Weishopf CA 7774/09 August 28, 2012* at [21]–[22].

⁹⁰ See Sam Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886–1986* (London: Kluwer, 1987), para.8.98.

⁹¹ On UK law, see Treiger-Bar-Am, "Copyright, Creativity, and Transformative Use" in Porsdam (ed.), *Copyrighting Creativity* (forthcoming); Kim Treiger-Bar-Am and Michael Spence, "Private Control/Public Speech" in Katja S. Ziegler (ed.), *Human Rights and Private Law: Privacy as Autonomy* (Oxford: Hart Publishing, 2007).

⁹² French Law No.57-298 on Literary and Artistic Property, March 11, 1957, recodified in Code de la propriété intellectuelle, Law No.92-597 of July 1, 1992.

⁹³ US Copyright Act 1976 17 U.S.C. s.106A(a).

⁹⁴ Dane Ciolino, "Rethinking the Compatibility of Moral Rights and Fair Use" (1997) 54 Wash. & Lee L. Rev. 1.

⁹⁵ Amy Adler, "Against Moral Rights" (2009) 97 Calif. L. Rev. 263; Geri J. Yonover, "The Precarious Balance: Moral Rights, Parody, and Fair Use" (1996) 14 Cardozo Arts & Ent. L.J. 79, 110, fn.177.

2. Israel

Israel adopted moral rights in 1981 with s.4a, an amendment to its Copyright Ordinance 1924. Moral rights are now protected under s.45 of the Copyright Act 2007. While fair use is not a statutory defence to claims of moral rights infringement, s.50 of the 2007 Act provides a defence of reasonableness.⁹⁶ In Israeli case law, a transformative use defence to moral rights is taking shape.

In *Katz v Rotman*, a transformative use defence to integrity right claims was forthrightly recognised. In this case, the defendant's digital modifications to an artwork were executed in the process of a technique designed to produce a new work. The court wrote that the defendant-artist's work amounted to a "fair change", which the court indicated was a "fair use".⁹⁷ Both *Shapiro v Ragen*,⁹⁸ which involved literary works, and *Apfeldorf v Yitzhak*,⁹⁹ which involved the unauthorised use of articles from a blog on the defendants' website, cited *Katz v Rotman* on the transformative use defence. In those cases, the modifications were found to be minimal, and the plaintiffs' works were found not to have undergone transformation.

In practice, courts engage in an analysis that I term here a "minimal-maximal test", a test that can be seen to allow transformative use. Courts evaluate the modification at issue for its gravity—both qualitative and quantitative—and neither a minimal nor a maximal modification will be found infringing. Claims of infringement are upheld only where the modification falls in a middle zone between these two poles.¹⁰⁰ In *Golani v Cohen*, a case involving the copying of parts of a series of books, the use of the prior work was considered to result in an "independent" work,¹⁰¹ and the plaintiff's integrity right was found not to have been infringed. As in *Katz v Rotman*, the court essentially recognised a transformative use defence to a moral rights claim. I submit that this protection should be put forward more expressly.

Transformations in meaning

A change in the meaning of a work is a transformative use. As in Jewish thought, in copyright and moral rights as well, a work's meaning may be expanded by its audience of readers or viewers. It may be thought that transformative use and the integrity right necessarily conflict, as the former allows the meaning of a work to change and the latter restricts that modification. Yet, it is submitted that both the copyright defence and moral rights doctrines perceive readers as expanding the meanings of texts.

Change in the meaning of a work may meet with resistance. Marcel Duchamp's readymades, described by the artist as creating a "new thought for the object",¹⁰² were rejected by many in the art establishment when they were first created in the beginning of the last century. Christo's project "The Gates" was installed in Central Park in New York City in 2005, but had been rejected when proposed 20 years earlier because of the change in meaning it would bring to the Park, itself seen as a work of art.¹⁰³

Yet meanings ascribed by readers must be allowed to change. Meaning is in the eye of the beholder. As discussed above, contemporary hermeneutic and aesthetic theories see readers' evolving interpretations of a work shaping the work's meaning.

⁹⁶ Kim Treiger-Bar-Am, "The Moral Right of Integrity, the Defense of Reasonableness, and the Balance between Them" (2010) 8 *Alei Mishpat* 237 (Hebrew).

⁹⁷ *Katz v Rotman* CC (Cent) 7648-09-08 July 8, 2010 at 14–16 (a telling typographical error altered *fair use* to *fair change*).

⁹⁸ *Shapiro v Ragen* CC (Jer) 9430-07 March 27, 2012, settlement accepted CA 4958/12, November 6, 2013.

⁹⁹ *Apfeldorf v Yitzhak* CF (Petach Tikva) 45536-07-11 January 29, 2013. Additional cases involving changes found to be minimal and non-infringing are *Narkis v Microsoft* CC (Cent) 311-04-08 December 29, 2011; *Peri Arnon v Lahav* CC (TA) 59647/06 December 25, 2008 at [32].

¹⁰⁰ See e.g. *Pugatsch v Kinneret* CC (TA) 1219-09 March 3, 2013; *Blumenthal Music Center v Portugali* CC 153588-09 June 12, 2012 at [8.1.1], where the changes were found minimal on appeal, CA (TA) 23222/09.12 May 20, 2013. On the minimal-maximal test in UK moral rights case law, see Treiger-Bar-Am, "Copyright, Creativity, and Transformative Use" in Porsdam (ed.), *Copyrighting Creativity* (forthcoming).

¹⁰¹ *Golani v Cohen* CC (Cent) 9289-02-09 February 8, 2012 at [61]. See also *Mehula Dance Center Ltd v Hanan Cohen* CC (Jer) 8303/06 August 14, 2008 at [24], [26]; *Mosenson v HaEfrati* CC (TA) 1437/02 (2003) 33(8) P.M. 717.

¹⁰² Arturo Schwarz, *The Complete Works of Marcel Duchamp*, 2nd edn, Vol.1 (London: Thames and Hudson, 1997), p.43.

¹⁰³ Leslie Kim Treiger-Bar-Am, "Christo's Gates and the Meaning of Art: Lessons for the Law" [2005] 27 *Eur. Intell. Prop. Rev.* 389.

This same reasoning used in art theory has been used in copyright doctrine.¹⁰⁴ That copyright does not allow the primary author to control a work's meaning is evidenced by the adoption of the transformative use defence. The *Campbell* test allows a defendant's transformative use to alter the "expression, meaning, or message" of a work.¹⁰⁵ Nor is the defendant-transformer given control over meaning. While the *message* of a communication is presented by the sender, its *meaning* is understood by the reader who receives it.¹⁰⁶ Through transformative use, the subsequent author gives the work new expression and message, which gives the reader an opportunity to establish a new meaning for the work.¹⁰⁷

Indeed, other copyright cases upholding the transformative use defence have allowed authors and artists to continue to develop the meaning of a work. In *Leibovitz v Paramount Pictures Corp*, the Second Circuit put the viewers' perception of the advertisement parodying Leibovitz's photograph in focus:

"[T]he ad is not merely different; it differs in a way that may reasonably be perceived as commenting, through ridicule, on what a viewer might reasonably think is the undue self-importance conveyed by the subject."¹⁰⁸

In *Blanch v Koons*, artist Jeff Koons described the purpose of the transformative use of his appropriation artwork to the satisfaction of the court, including an invitation to readers to provide the copied and transformed elements with new meanings: "I want the viewer to think about his/her personal experience with these objects, products, and images and at the same time gain new insight into how these affect our lives."¹⁰⁹

In the appropriation art copyright decision in *Cariou v Prince*, the Second Circuit also inquired about a reasonable reader's view of meaning, asking how the works "may 'reasonably be perceived'" and holding that "[w]hat is critical is how the work in question appears to the reasonable observer".¹¹⁰ The court neither gave the plaintiff-primary-author control over the work's meaning nor asked the defendant-transforming-author to show a definite meaning that he gave to the work. The court acknowledged that viewers are responsible for the flourishing of a work's meaning.

Israeli copyright law is in accord. The Israeli Supreme Court allowed the expansion of meaning for instance in *Geva v Walt Disney Co*, where the Court declined to determine the meaning or value of the parodic text resembling Donald Duck.¹¹¹ In considering the claim against the parody of the children's book *Hasamba*, the district court in *Mosenson v HaEfrati* referred to the understanding of the parodic work by the reasonable child reader.¹¹²

Moral rights allow the readers of a work to advance the work's meaning. The integrity right protects an author's presentation of a work,¹¹³ rather than its meaning. In some Israeli moral rights cases, courts have explicitly left the ascertainment of meaning to the work's readers. In *De'lal v Ha'aron*,¹¹⁴ where the representation of a peace song as a song of war was in dispute, the court ruled that a test of the reasonable reader's view of the meaning of the song would be taken. In the moral rights (and libel) cases of *Mehula*

¹⁰⁴ Randall P. Bezanson, "Speaking through Others' Voices: Authorship, Originality and Free Speech" (2003) 38 Wake Forest L. Rev. 983; Mark Tushnet, "Art and the First Amendment" (2012) 35 Colum. J.L. & Arts 169.

¹⁰⁵ *Campbell v Acuff-Rose Music Inc* 510 U.S. 569, 579 (1994) (emphasis added). "Expression" reflects the hermeneutic element of text, "message" the intent, and "meaning" the reader. Treiger-Bar-Am, "Copyright, Creativity, and Transformative Use" in Porsdam (ed.), *Copyrighting Creativity* (forthcoming).

¹⁰⁶ *Oxford English Dictionary*; Goodman and Elgin, *Reconceptions in Philosophy and Other Arts and Sciences* (1988), p.55.

¹⁰⁷ Randall P. Bezanson, *Art and Freedom of Speech* (Urbana: University of Illinois Press, 2009), p.211 (on *Campbell*).

¹⁰⁸ *Leibovitz v Paramount Pictures Corp* 137 F.3d 109, 114 (2nd Cir. 1998).

¹⁰⁹ *Blanch v Koons* 467 F.3d 244, 252 (2nd Cir. 2006) (citing Koons' affidavit para.4).

¹¹⁰ *Cariou v Prince* 714 F.3d 694, 707 (2nd Cir. 2013), cert. denied, 186 L. Ed. 2d 946 (2013).

¹¹¹ *Geva v Walt Disney Co* CA 2687/92 (1993) 48(1) P.D. 251 at [40].

¹¹² *Mosenson v HaEfrati* CC (TA) 1437/02 (2003) 33(8) P.M. 717.

¹¹³ Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986* (1987), para.8.93; David Vaver, *Copyright Law* (Toronto: Irwin Law, 2000), p.158.

¹¹⁴ *De'lal v Ha'aron C* (Haifa) 1506/06 June 4, 2008 at [1.4].

*Dance Center Ltd v Hanan Cohen*¹¹⁵ and *David (“Hachi Tov”) Dvash v Adler, Chomsky & Warshavsky*,¹¹⁶ the courts also used an objective reasonable reader test to determine the meaning of the expression.

While US and Israeli copyright and moral rights doctrines at times allow transformative use and the transformation of meanings of works, those allowances may be strengthened where lessons are extracted from Jewish thought.

Ethical principles of Jewish thought extended to copyright

Copyright doctrine recognises the author as bearing rights. As authorship is transformative, the defendant-transformative-author should also be seen as a right bearer. It is submitted that the ethical principles of communication in Jewish tradition may inform copyright doctrine. Jewish thought puts forward that respect must be shown to authors, by other authors as well as the public generally. With copyright doctrine framed to adhere to principles requiring respect for the dignity of authors, authorial rights and fair use take on a substantive hue, and duties come into view. The discussion below presents the conception of rights in current copyright doctrine and then how Jewish thought may enhance authorial rights as well as authorial duties.

Rights in copyright

Copyright is characterised on the Anglo-American model as a statutory incentive for authors, while in Europe authors’ rights are seen as property or personality rights. I would like to put into view the characterisation of copyright as a right of expression. Such rights of expression must be extended to *all* authors, including in the protection of an author’s transformative use of a prior work.

Copyright has been recognised as supporting authorial expression. The historical origin of the Copyright Clause of the US Constitution in tandem with the First Amendment’s guarantee of free speech has been traced.¹¹⁷ In *Harper & Row Publishers Inc v Nation Enterprises*, the US Supreme Court pointed to the function of copyright in promoting expression, calling copyright “the engine of free expression”.¹¹⁸ Yet, on a deontological plane, copyright has also been called a right of expression¹¹⁹ and labelled a protection of the author’s autonomy of expression.¹²⁰ I have characterised the moral right of integrity as safeguarding authorial autonomy of expression.¹²¹

The rise of copyright reflects growing trends in the increased protection of individual rights.¹²² Copyright is said to have stemmed from authors’ rights of self-determination, showing their similarity to the civil law system of authors’ rights (*droit d’auteur*).¹²³ The period which witnessed the rise of copyright evidenced the “idea of the intrinsic value or dignity of the individual”,¹²⁴ and the Assembly of the Berne Union in 1986 declared that “copyright is based on human rights”.¹²⁵

¹¹⁵ *Mehula Dance Center Ltd v Hanan Cohen* CC (Jer) 8303/06 August 14, 2008.

¹¹⁶ *David (“Hachi Tov”) Dvash v Adler, Chomsky & Warshavsky* CF (Jer) 6157/04 November 7, 2006.

¹¹⁷ Pamela Samuelson, “Copyright, Commodification, and Censorship: Past as Prologue—But to What Future?” in Neil Weinstock Netanel and Niva Elkin-Koren (eds), *The Commodification of Information* (The Hague: Kluwer Law International 2002), p.68.

¹¹⁸ *Harper & Row Publishers Inc v Nation Enterprises* 471 U.S. 539, 558 (1985).

¹¹⁹ Paul Goldstein, “Copyright” (Spring 1992) *Law & Contemp. Probs.* 79, 80; David Ladd, “The Harm of the Concept of Harm in Copyright” (1983) 30 *J. Copyright Soc’y U.S.A.* 421, 422.

¹²⁰ Michael Spence, *Intellectual Property* (Oxford: Oxford University Press, Clarendon Series, 2007); Neil Netanel, “Copyright Alienability Restrictions and the Enhancement of Author Autonomy: A Normative Evaluation” (1993) 24 *Rutgers L.J.* 347, 413.

¹²¹ Kim Treiger-Bar-Am, “The Moral Right of Integrity: A Freedom of Expression” in Fiona Macmillan (ed.), *New Directions in Copyright*, Vol.2 (Cheltenham: Edward Elgar Publishing, 2006).

¹²² Paul Edward Geller, “Must Copyright Be Forever Caught between Marketplace and Authorship Norms?” in Sherman and Strowel (eds), *Of Authors and Origins* (1994), p.226.

¹²³ Jane C. Ginsburg, “A Tale of Two Copyrights: Literary Property in Revolutionary France and America” in Sherman and Strowel (eds), *Of Authors and Origins* (1994).

¹²⁴ Brad Sherman and Lionel Bently, *The Making of Modern Intellectual Property Law: The British Experience 1760–1911* (Cambridge: Cambridge University Press, 1999), pp.15, 173.

¹²⁵ Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886–1986* (1987), para.16.4.

Copyright may thus be said to uphold the ethical principle of authorial rights of expression. Enhancing the authorial right may indeed limit copyright's excesses, where the rights of both the so-called primary authors and the defendant-transformative-authors are upheld.¹²⁶ In addition to the duty correlating to this right, a further element of duty may be viewed in copyright: the duty of respect.

Jewish thought and copyright

Copyright may be seen as within an ethical structure.¹²⁷ It is submitted that Jewish thought may illuminate the normative structure of copyright and the ethical direction in which copyright should be taken, drawing attention to the relations between and among authors and the public: the duties of each party to respect the rights of the other.¹²⁸ Both rights and duties may be enhanced.

With respect to rights, the author's right is fortified where she is deemed to be owed respect for her dignity, including in her speech and her work. The Hebrew term for dignity and respect, *kavod*, has a linguistic root indicating heaviness or weight (*kaved*). Viewing dignity in this light recalls Jeremy Waldron's conception of dignity as lending presence.¹²⁹ Indeed, the author's presence cannot be dismissed lightly; she must be recognised and respected. The dignity and right to respect of the author—both the so-called primary author, herself a transformative author, and the so-called transformative user or modifier—must be honoured. The grounding of the transformative use defence as a *right*, rather than a privilege or a defence, takes on an added layer.

With respect to duties, we have seen that duties are central in Jewish thought. So too in principled copyright doctrine, duties may be placed at the centre. The duty of authors and the public to respect other authors, including transformative users, comes to the fore. Duties may be understood not only as correlative to rights in a Hohfeldian scheme, but as arising from the nature of the self in communication with others.

Hohfeld showed the correlativity of rights and duties. X's right entails Y's duty to respect that right. Yet here, duties come into play not only on the basis of the right of another, but on account of the duty bearer. When Author X has a right to be respected and Author Y a duty to respect Author X, Y must fulfil her duty *not only* because of X's right, but on Y's own account. Thus, if X challenges Y, arguing that she was not shown respect, Y must look to her own duty as well as to X's right.

It may be objected that a view to authorial duties will limit authorial rights. Yet, *all* authorship is transformative, and hence duties are assigned to Author X as well as to Author Y. Assume that X is the so-called primary author and Y the transformative user of X's work. Each must respect the other. Thus, in the transformative use of X's work, Y must respect X—for instance, by respecting X's moral rights of integrity and attribution. But X must too respect Y and allow Y to make a transformative use of X's work. X must also allow the meaning of her work to be developed by Y. The opportunities for transformative use thus widen.

The inclusion of a discussion of duties in copyright may appear threatening. Indeed, the discussion of duties in liberal discourse is avoided. Yet, Isaiah Berlin and Ronald Dworkin distinguished liberty from licence and absolute freedom.¹³⁰ The notion of freedom itself includes obligations, as may be seen from

¹²⁶ Treiger-Bar-Am, "Authors' Rights as a Limit to Copyright Control" in Macmillan (ed.), *New Directions in Copyright*, Vol.6 (2007).

¹²⁷ Abraham Drassinower, "Copyright Infringement as Compelled Speech" in Annabelle Lever (ed.), *New Frontiers in the Philosophy of Intellectual Property* (Cambridge: Cambridge University Press, 2012); David Lametti, "Laying Bare an Ethical Thread: From IP to Property to Private Law?" in Shyamkrishna Balganeshe (ed.), *Intellectual Property and the Common Law* (Cambridge: Cambridge University Press, 2013), pp.353–384. For a feminist view, see Carys Craig, *Copyright, Communication and Culture: Towards a Relational Theory of Copyright Law* (Cheltenham: Edward Elgar Publishing, 2011); Caren Irr, *Pink Pirates: Contemporary American Women Writers and Copyright* (Iowa City: University of Iowa Press, 2010).

¹²⁸ Treiger-Bar-Am, "Autonomy of Expression as a Normative Basis for Copyright" in Marcowitz-Bitton and Zemer (eds), *Intellectual Property* (forthcoming) (placing copyright within a normative structure framed by Kantian philosophy and Jewish thought).

¹²⁹ Jeremy Waldron, "Dignity, Rank, and Rights: The 2009 Tanner Lectures at UC Berkeley" (2009) New York University School of Law, Research Paper No.09-50.

¹³⁰ Isaiah Berlin, *Four Essays on Liberty* (Oxford: Oxford University Press, 1969), p.xxxix; Ronald Dworkin *Taking Rights Seriously* (London: Duckworth, 1978), pp.266–273.

the Kantian root of the modern conception, where autonomy is conceived as obligation.¹³¹ Likewise, Jewish thought conceives of freedom enabling duty, and duty bringing forth freedom. Commentators have lamented the missing social dimension of rights. Mary Ann Glendon encourages adding the language of responsibility to rights.¹³² A shift has been urged to see “relationships between obligation bearers and right holders, including institutionally defined relationships, as central”.¹³³

The discussion of duties of respect in conjunction with the discourse on rights in copyright will bolster those rights. The individual bears duties of respect as part of the social fabric supporting the communicative network which includes copyright. Duties reflect the ethical principles surrounding this network.

Conclusion

Creative authorship is transformative, in Western as well as traditional and modern Jewish art. Judaism provides a conceptual backdrop to the concept of transformative authorship, as well as a normative structure for approaching relationships among creative authors. Copyright doctrine in the US and Israel, which conceive of authorship as transformative, may be informed by the ethical principles guiding behaviour in Jewish law and tradition. In this light, transformative use would be defined as a right, and the duty to show respect to all authors would find a central place. Ethical guidelines from Jewish thought may provide direction to copyright and moral rights, as those doctrines are shaped into the future.

¹³¹ Kim Treiger-Bar-Am, “In Defense of Autonomy: An Ethic of Care” (2008) 3 N.Y.U. J.L. & Liberty 548.

¹³² Mary Ann Glendon, *Rights Talk: The Impoverishment of Political Discourse* (New York: Free Press, 1991).

¹³³ Onora O’Neill, *Autonomy and Trust in Bioethics* (Cambridge: Cambridge University Press, 2002), p.82.

India's Tryst with Pharma Patent Settlements: Whether a Turbulent Decade of Litigations Would Give Way to Meaningful Compromises?

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☞ Anti-competitive practices; European Union; Generic medicines; India; Patents; Pharmaceuticals; Public interest; Settlement; United States

The last few decades have witnessed some extremely passionate discussions on the need to find a common ground where the interests of pharmaceutical companies and the general public, who often consume the products made by such companies, can be safeguarded. These discussions on numerous occasions have been clouded by various patent infringement litigations, challenges on patent grants by public health groups, pre-grant oppositions of patent applications, and allegations of coercive and unfair patent licensing practices.

Since India fully implemented the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), it witnessed a flurry of patent-related litigations—mostly between foreign pharmaceutical companies who owned patents in various drugs and groups who oppose such patents (which include domestic drug manufacturers and various non-governmental organisations dealing with public health, such as the Initiative for Medicines, Access & Knowledge and Lawyer's Collective).¹ Many of these litigations have gained significant global attention with scholars closely following the developments regarding pharmaceutical patents in India.² Along with this, the amendments made to the Indian patent law dealing with pharmaceutical products have emerged as a model law for many other countries, which aim to find the perfect balance between enforceable property rights and access to medicines.³

Since many of the patent-related litigations have yet to reach any final conclusion, one slowly evolving practice amongst the litigating parties is to settle the patent dispute through negotiations. At the same time, this practice has triggered some concern about anti-competitive conduct, which has forced India's competition regulator, the Competition Commission of India (CCI), to look into the terms and conditions under which such settlements are being made.⁴

Indian law dealing with anti-competitive practices involving inventions protected by patent law, or any other intellectual property law, is still in its infancy. The focus of this article will be to examine the evolving trend amongst litigating parties to settle the patent dispute and the possible impact of this practice on the

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¹ e.g. *Novartis AG v Union of India* Civil Appeal Nos.2706–2716 of 2013, available at <http://judis.nic.in/supremecourt/imgs1.aspx?filename=40212> [Accessed May 14, 2015] (*Novartis Case*); *F. Hoffman-La-Roche Ltd v Cipla Ltd* MANU/DE/0381/2009.

² Ruth L. Okediji, "Legal Innovation in International Intellectual Property Relations: Revisiting Twenty-One Years of the TRIPS Agreement" (2014) 36 U. Pa. J. Int'l L. 191, 236.

³ Zoe Lynn Turrill, "Finding the Patent Balance: The Novartis Glivec Case and the TRIPS Compliance of India's Section 3(d) Efficacy Standard" (2013) 44 Geo. J. Int'l L. 1555, 1569.

⁴ C.H. Unnikrishnan, "CCI to Scan Drug Patent Settlements", available at <http://www.livemint.com/Companies/RVVDhRh7oTfpqllphkb6jM/CCI-to-scan-drug-patent-settlements.html> [Accessed May 14, 2015].

public interest. Apart from covering the concerned Indian laws dealing with the subject, the article will examine the practices in the European Union and the US that deal with such settlements. It will then evaluate from an Indian context the possibility of the parties to a patent settlement for indulging in any anti-competitive conduct. In order to cover the topic comprehensively, a short description of some important litigations involving pharmaceutical companies during 2005–2014 is also provided.

Evolution of Indian patent law

Even though colonial India under British rule had a patent law since 1856, the first patent statute was only enacted by the Indian Parliament in 1970.⁵ The Patents Act 1970 (IPA) contained an express prohibition dealing with the patentability of pharmaceutical products.⁶ However, it allowed patents on processes for making pharmaceutical compounds, even though the duration of process patents for these compounds was shorter than the term of other types of patents.⁷ Through this enactment, India embarked on a protectionist agenda intended to promote Indian business and establish strong domestic industries.⁸ The enactment of the IPA signified the resolve of the Indian Government to revitalise its struggling economy by providing all support to domestic drug manufacturing. This bold step has eventually helped the country to emerge in the next three decades as a globally recognised manufacturer of low-priced generic drugs.⁹

With India joining the World Trade Organization (WTO), it was compelled to make its patent law in tune with the TRIPS Agreement. Changes to the IPA were done in three phases during 1995–2005. The first amendment made in 1999 introduced a mailbox facility that enabled applicants to file pharmaceutical product patent applications. These applications were to be given exclusive marketing rights subject to certain conditions to market the product for a period of up to five years.¹⁰ The second amendment to the IPA made in 2002¹¹ brought it in conformity with TRIPS Agreement on many issues such as patent duration,¹² reversal of the burden of proof for process patent infringement,¹³ and modifications to compulsory licensing requirements.¹⁴ The third and final amendment made to the IPA in 2005 allowed patent protection to pharmaceutical products. By passing this amendment, the IPA became substantially compliant with the TRIPS Agreement.¹⁵ In fact, India made the final amendments to its patent law just before the WTO deadline of January 1, 2005.¹⁶

The third amendment contained some controversial features which have led to many disputes following its enactment. For example, it has elaborate provisions on inventions considered non-patentable,¹⁷ a new

⁵ Patents Act 1970 (IPA), available at http://ipindia.nic.in/ipr/patent/patent_Act_1970_28012013_book.pdf [Accessed May 14, 2015].

⁶ IPA s.5(a)–(b). As per the said provisions, a patent cannot be granted for “substances intended for use, or capable of being used as food or medicine or drug, or ... relating to substances prepared or produced by chemical processes (including alloys, optical glass, semi-conductors and inter-metallic compounds)”.

⁷ IPA s.53(1)(a) (“In respect of an invention claiming the method or process of manufacture of a substance, where the substance is intended for use, or is capable of being used, as food or as a medicine or drug, [the term of every patent granted under this Act shall] be five years from the date of sealing of the patent, or seven years from the date of the patent whichever period is shorter”). See also Amy Kapczynski, “Harmonization and Its Discontents: A Case Study of TRIPS Implementation in India’s Pharmaceutical Sector” (2009) 97 Calif. L. Rev. 1571, 1577.

⁸ Sudip Chaudhuri, *The WTO and India’s Pharmaceuticals Industry: Patent Protection, TRIPS, and Developing Countries* (New Delhi: Oxford University Press, 2005), p.29; Johana Sheeha, “Indian Patent Law: Walking the Line?” (2009) 29 Nw. J. Int’l L. & Bus. 577, 580.

⁹ Janice Mueller, “The Tiger Awakens: The Tumultuous Transformation of India’s Patent System and the Rise of Indian Pharmaceutical Innovation” (2007) 68 U. Pitt. L. Rev. 491, 514.

¹⁰ Patents (Amendment) Act 1999 s.24B(1)(a)–(b), available at http://ipindia.nic.in/ipr/patent/patact_99.PDF [Accessed October 15, 2014].

¹¹ Patents (Amendment) Act 2002, available at <http://www.ipindia.nic.in/ipr/patent/pateng.pdf> [Accessed May 14, 2015].

¹² Patents (Amendment) Act 2002 s.53(1).

¹³ Patents (Amendment) Act 2002 s.104A.

¹⁴ Patents (Amendment) Act 2002 Ch.XVI ss.84–92.

¹⁵ Patents (Amendment) Act 2005 (Third Amendment), available at http://ipindia.nic.in/ipr/patent/patent_2005.pdf [Accessed May 14, 2015]; Sharnad Bashier, “‘Policy Style’ Reasoning at the Indian Patent Office” (2005) 3 Intell. Prop. Q. 309, 309.

¹⁶ Peter K. Yu, “Access to Medicines, BRICS Alliances, and Collective Action” (2008) 34 Am. J.L. & Med. 345, 352.

¹⁷ Third Amendment (substituting IPA s.3(d) with a new definition). The subsection provides that “the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant” shall not be an invention within the meaning of the IPA and hence not patentable. The explanation further states that “salts,

definition of the “inventive step” criterion of patentability,¹⁸ procedures governing both pre- and post-grant oppositions,¹⁹ and a more liberal framework for compulsory licensing.²⁰

Post-2005 patent-related litigations in the pharmaceutical sector

Since 2005, courts, tribunals and patent offices in India have dealt with many patent-related disputes in the pharmaceutical sector, which could be broadly categorised under the headings of non-patentable inventions, patent linkage, compulsory licensing and infringements. This section will briefly discuss one important case from each category.

Non-patentable inventions: Novartis case

The *Novartis* saga began in January 2006 when a series of pre-grant oppositions were filed by Cancer Patients Aid Association and several Indian generic pharmaceutical companies against Novartis' patent application for the beta-crystalline form of imatinib mesylate, marketed under the name Glivec or Gleevec. By applying s.3(d) of the IPA, the controller rejected that application.²¹ Against the controller's rejection, Novartis filed a petition before the Madras High Court and argued that the controller had erroneously rejected its patent application and further challenged the constitutionality of the said subsection.²² The case was split up between the Madras High Court and the Intellectual Property Appellate Board (IPAB). The challenges on the TRIPS compliance and constitutionality of s.3(d) were heard by the Madras High Court, which ruled against Novartis.²³ The issue dealing with patentability was heard by the IPAB, whose decision also went against Novartis.²⁴

Even though the case finally reached the Indian Supreme Court, Novartis could not get a favourable verdict.²⁵ Since Novartis challenged s.3(d) of the IPA, which was intended to prevent the grant of a patent over new forms of known substances that did not demonstrate increased efficacy, all stakeholders were keenly looking towards the Supreme Court for its interpretation about the words “efficacy” and “known substance”. The Supreme Court held that in the case of a medicine that claimed to cure a disease, the test of efficacy could only be “therapeutic efficacy”.²⁶ Even though Novartis contended that imatinib free base should be identified as the “known substance” instead of imatinib mesylate, the Supreme Court did not accept this contention.²⁷

Patent linkage: Bayer Corp v Cipla Ltd

Bayer Corp (Bayer) held a patent in India for the drug sorafenib, marketed under the name Nexavar. Bayer initially filed a writ petition against the Union of India with a prayer to restrain the Drug Controller General of India (DCGI) from granting approval to launch the generic version of sorafenib developed by Cipla

esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy”.

¹⁸ Third Amendment (substituting s.2(ja) with a new definition).

¹⁹ Third Amendment (substituting ss.25–26 with new provisions).

²⁰ Third Amendment (adding s.92A to IPA).

²¹ *Novartis AG v Natco Pharma* Indian Patent Office Application No.1602/MAS/1998.

²² *Novartis AG v Union of India* MANU/TN/1263/2007.

²³ *Novartis* MANU/TN/1263/2007.

²⁴ *Novartis* MANU/IC/0034/2009.

²⁵ *Novartis* Civil Appeal Nos.2706–2716 of 2013.

²⁶ *Novartis* Civil Appeal Nos.2706–2716 of 2013 at 90.

²⁷ *Novartis* Civil Appeal Nos.2706–2716 of 2013 at 87. If the Supreme Court had agreed with the contention of *Novartis* that imatinib free base was the known substance instead of imatinib mesylate, then it would have been very easy for *Novartis* to prove greater efficacy of beta crystalline form of imatinib mesylate vis-à-vis the imatinib free base. For a detailed analysis of the *Novartis* decision, see Saby Ghoshray, “3(d) View of India's Patent Law: Social Justice Aspiration Meets Property Rights in *Novartis v. Union of India & Others*” (2014) 13 J. Marshall Rev. Intell. Prop. L. 719, 724–730. See also Sarah R. Wasserman Rajec, “Evaluating Flexibility in International Patent Law” (2013) 65 Hastings L.J. 153, 179–181.

Ltd (Cipla).²⁸ Bayer contended that any such approval would violate its patent rights, and thus it was the duty of the DCGI to safeguard Bayer's patent rights by not allowing any generic company to market drugs which contained the patented compound. The court dismissed Bayer's petition and awarded damages amounting to Rs.675,000 in order to prevent vexatious and luxury litigation by branded drug manufacturers.²⁹

Even the appeal filed by Bayer failed to convince the court to pass an order in its favour.³⁰ The court had to decide three crucial questions:

1. Whether the DCGI could grant marketing approvals under the Drugs and Cosmetics Act (DCA) to generic versions of patented drugs?
2. Whether the grant of such marketing approvals to generic versions of a patented drug was in derogation of the Patents Act?
3. Whether generic drugs were spurious drugs in terms of the DCA?³¹

The court made it very clear that the scheme of both the IPA and the DCA were different and any attempt by the appellant to create a linkage could not be sanctioned.³² According to the court, the DCGI was fully empowered to grant marketing approvals with respect to the generic versions of patented drugs, and such approvals would not infringe on any patent or abet any such infringement since it was the principal duty of DCGI to regulate the importation, manufacture, distribution and sale of drugs and cosmetics in India.³³ This case assumes significance as it was the first attempt made by a patent holder to introduce the concept of patent linkage in India.³⁴

Compulsory licensing: Natco Pharma Ltd v Bayer Corp

Natco Pharma Ltd (Natco), an Indian generic drug company, filed a compulsory licence application before the patent controller for a compulsory licence with regard to Bayer's drug sorafenib, which was also involved in the dispute over patent linkage discussed above.³⁵ After Natco's application, the controller held in its favour by holding that all the conditions mentioned under the IPA for the grant of a compulsory licence were satisfied in the instant case.³⁶ The controller also fixed the royalty rate at 6 per cent of the net sales of the drug on a quarterly basis, which shall be paid by the licensee to the patent holder.³⁷ The compulsory licence issued to Natco was further challenged before the IPAB, which upheld the controller's order with certain minor modifications.³⁸ Even though Bayer challenged the IPAB's order in the Bombay High Court through a writ petition, it did not get a favourable decision.³⁹

²⁸ *Bayer Corp v Cipla Ltd* MANU/DE/1756/2009.

²⁹ *Bayer* MANU/DE/1756/2009 at [54]. This is approximately \$13,850 as per the exchange rate on the date of the decision.

³⁰ *Bayer Corp v Union of India* MANU/DE/0316/2010.

³¹ *Bayer* MANU/DE/0316/2010 at [17].

³² *Bayer* MANU/DE/0316/2010 at [22].

³³ *Bayer* MANU/DE/0316/2010 at [22].

³⁴ Patent linkage refers to the practice of linking the marketing or regulatory approval for a generic drug to the status of a patent which might cover that product. According to this practice, the drug controller will not give approval to a drug if the patent for the said drug is held by another company. For a detailed analysis, see Ron A. Bouchard et al., "Empirical Analysis of Drug Approval-Drug Patenting Linkage for High Value Pharmaceuticals" (2010) 8 Nw. J. Tech. & Intell. Prop. 174, 174.

³⁵ *Natco Pharma Ltd v Bayer Corp* (2012) C.I.A. No.1 of 2011, available at http://www.ipindia.nic.in/ipoNew/compulsory_License_12032012.pdf [Accessed May 5, 2015]. For a detailed analysis of the *Natco* decision, see V.K. Unni, "Compulsory Licensing of Pharmaceutical Patents in India: Whether the Natco Decision Will Meet the Global Benchmarks?" (2015) 37 Eur. Intell. Prop. Rev. 296, 302–304.

³⁶ IPA s.84(1)(a)–(c).

³⁷ *Natco* (2012) C.I.A. No.1 of 2011 at 61.

³⁸ *Bayer Corp v Union of India* OA/35/2012/PT/MUM, available at <http://www.ipabindia.in/Pdfs/Order-223-2012-OA-35-2012-PT-MUM.pdf> [Accessed May 22, 2015].

³⁹ *Bayer* W.P. No.1323/2013.

Infringement: F. Hoffman-La-Roche Ltd v Cipla Ltd

In this patent infringement suit, F. Hoffman-La-Roche Ltd (Roche) sought an interim injunction against Cipla to restrain the latter from manufacturing its patented drug erlotinib, marketed under the name Tarceva.⁴⁰ Subsequently, Cipla filed a counterclaim to revoke Roche's patent by arguing that erlotinib lacked inventive step and thus the patent was invalid.⁴¹ To substantiate its arguments, Cipla pointed out that erlotinib was a quinazolin derivative, and there were many quinazolin derivatives available in the market for the treatment of different types of cancer. Thus, Cipla contended that erlotinib would be obvious to a person skilled in the art, and consequently the patent had to be revoked.⁴²

After hearing both sides, the Delhi High Court single bench did not restrain Cipla from producing the drug, although the Court directed it to maintain accounts of the sale of drugs containing erlotinib and to file quarterly accounts, which would be helpful in determining damages in the event of the case being decided in favour of Roche.⁴³ Finally, in 2012, the single bench decided the matter and held that even though Roche's patent was valid, Cipla had not infringed the said patent.⁴⁴ Against this order, Roche filed an appeal with the division bench of the High Court. Thereafter, in June 2014, the division bench referred the case for mediation, and both companies agreed to resolve the issues through mediation.⁴⁵

The changing trend from litigation to settlements

In the early days, Indian generic companies were aggressively fighting patent holders by launching various generic versions and challenging the validity of patents by way of counterclaims in response to infringement cases filed by patent holders. However, this strategy is slowly paving the way for patent settlements, where both parties compromise the case upon terms and conditions which are unknown to the public.

Roche's dispute with Cipla was followed by another proposal by Merck to settle an infringement case, which it had filed against Glenmark with respect to its patented anti-diabetic drug sitagliptin, marketed under the name Januvia.⁴⁶ While mediation in Roche was initiated by the High Court, the proposal to go for mediation in the dispute between Merck and Glenmark was done at the behest of both parties. Very recently, Bristol Myers Squibb and the Indian generic company Natco settled through mediation a patent dispute over the drug entecavir, marketed under the name Baraclude and used for treating Hepatitis B. They informed the IPAB about the settlement.⁴⁷

Patent settlements: Global practices

Although there is nothing illegitimate to employ mediation as a tool to resolve a dispute between litigating parties, experiences from other jurisdictions involving pharmaceutical patents point to several concerns which can impact public health. Most of the discussions on patent settlement have happened in the US. This is primarily due to the Drug Price Competition and Patent Term Restoration Act of 1984, popularly called the Hatch-Waxman Act.⁴⁸

⁴⁰ *F. Hoffman-La-Roche Ltd v Cipla Ltd* MANU/DE/0517/2008.

⁴¹ *Hoffman-La-Roche* MANU/DE/0517/2008 at [9]–[10].

⁴² *Hoffman-La-Roche* MANU/DE/0517/2008 at [10].

⁴³ *Hoffman-La-Roche* MANU/DE/0517/2008 at [87].

⁴⁴ Available at <http://lobis.nic.in/dhc/MAN/judgement/10-09-2012/MAN07092012S892008.pdf> [Accessed May 14, 2015].

⁴⁵ Madhulika Vishwanathan, "Delhi High Court Orders Roche and Cipla to Mediate in Erlotinib (Tarceva) Patent Case", available at <http://spicypic.com/2014/06/delhi-high-court-orders-roche-and-cipla-to-mediate-in-erlotinib-tarceva-patent-case.html> [Accessed May 14, 2015].

⁴⁶ Rupali Mukherjee, "Merck Seeks to Settle Patent Row with Glenmark", *Times of India*, July 12, 2014, available at <http://timesofindia.indiatimes.com/business/international-business/Merck-seeks-to-settle-patent-row-with-Glenmark/articleshow/38232430.cms> [Accessed May 14, 2015].

⁴⁷ Gireesh Babu, "Bristol-Myers Squibb, Natco Pharma Settle Patent Dispute", *Business Standard*, January 12, 2015, available at http://www.business-standard.com/article/companies/bristol-myers-squibb-natco-pharma-settle-patent-dispute-115011200841_1.html [Accessed May 14, 2015].

⁴⁸ Pub. L. No.98–417, 98 Stat. 1585.

The Hatch-Waxman Act helped the generic drug makers to get approval from the Food and Drug Administration (FDA) to market their products more quickly. An abridged version of the FDA application known as an “abbreviated new drug application” (ANDA) permits a generic manufacturer to rely on the FDA’s previous findings with respect to a drug’s safety and efficacy to truncate the time-consuming regulatory process.⁴⁹ The ANDA helps a generic manufacturer to piggyback on the safety and efficacy studies of a patented drug, which eventually has the effect of bringing down the regulatory costs incurred by such manufacturers.

Through the Hatch-Waxman Act, US Congress also provides generic manufacturers with a mechanism to invalidate weak patents that are giving an undue advantage to innovator drug manufacturers because of the monopoly conferred by the patent. Thus, in order to incentivise challenges to the so-called weak pharmaceutical patents, the statute confers a 180-day marketing exclusivity on the first generic manufacturer who emerges victorious in the patent challenge.⁵⁰ Most importantly, the statute enables the generic manufacturer to infringe the patent without actually manufacturing or marketing the drug.⁵¹ This infringement is the result of a certification that a patent is “invalid or will not be infringed”, known by the name of “paragraph IV certification” given in the ANDA.⁵² When the patent holder gets a notice of this paragraph IV certification, it may file a suit against the generic company for infringement on the basis of the certification alone.⁵³ Once the suit is filed, the FDA stays the ANDA until a competent court has ruled on the validity of the patent or the expiry of 30 months from the receipt of the paragraph IV certification notice, whichever is the earlier.⁵⁴

Emergence of reverse payment settlements

In many instances, the patent holder settles the dispute with the ANDA applicant instead of filing a suit. Even though litigation is generally preferred under the law, concerns have been raised over settlements involving some patent infringement cases, as they have the potential of preventing judicial scrutiny regarding the patent’s validity.⁵⁵ Settlements could also take various forms. For example, in certain kinds of settlements, the terms are limited to an understanding that the generic firm can market the drug from a certain date prior to the expiration of the patent.⁵⁶ Under these kinds of settlements, the potential benefits for the generic firm and the patent holder are diametrically opposed, as the generic firm will attempt to gain market entry at the earliest opportunity to achieve bumper sales. Meanwhile, the patent holder will try to delay market entry as much as it can with the aim of safeguarding its monopoly.⁵⁷ Thus, such settlements that exclusively deal with an entry date are not harmful to consumer interests, as the generic firm’s benefits is closely linked to those of consumers who will gain from an earlier launch of the generic version of the patented drug.⁵⁸

In a typical reverse payment settlement (RPS), there is an agreement between a patentee and an alleged patent infringer, where the patentee pays the alleged infringer compensation with the intention of delaying the launch of the drug covered by ANDA for a certain period of time. Scholars have raised concerns about the anti-competitive effects of RPSes.⁵⁹ The term RPS is derived from the mode of payment which is in

⁴⁹ 21 U.S.C. s.355(j).

⁵⁰ 21 U.S.C. s.355(j)(5)(B)(iv).

⁵¹ 21 U.S.C. ss.355(j)(2)(A)(iv), (j)(2)(A)(vii)(III), (j)(5)(C).

⁵² 21 U.S.C. s.355(j)(5)(C).

⁵³ 21 U.S.C. s.355(j)(5)(B)(iii).

⁵⁴ 21 U.S.C. s.355(j)(5)(B)(iii).

⁵⁵ Federal Trade Commission, *Generic Drug Entry Prior to Patent Expiration: An FTC Study* (Washington, D.C.: Federal Trade Commission, 2002).

⁵⁶ Federal Trade Commission, *Generic Drug Entry Prior to Patent Expiration* (2002), p.28.

⁵⁷ Herbert Hovenkamp, Mark Janis and Mark A. Lemley, “Anticompetitive Settlement of Intellectual Property Disputes” (2003) 87 Minn. L. Rev. 1719, 1761.

⁵⁸ Joshua P. Davis, “Applying Litigation Economics to Patent Settlements: Why Reverse Payments Should Be Per Se Illegal” (2009) 41 Rutgers L.J. 255, 261.

⁵⁹ Murat C. Mungan, “Reverse Payments, Perverse Incentives” (2013) 27 Harv. J.L. & Tech. 1, 4.

reverse order as the patent holder makes payment to the alleged infringer, instead of the usual practice of the infringer paying the patent holder.⁶⁰ Interestingly, this leads to two important questions:

1. If the patent holder feels that its patent is legally valid, why would it enter into a settlement with an alleged infringer instead of establishing its validity through patent litigation?
2. If the alleged patent infringer is of the opinion that the patent is invalid, why would it abandon its claim and settle the issue instead of entering the market which can lead to windfall gains?

The lower courts in the US have been inconsistent in their interpretations with regard to the legality of RPSes, resulting in conflicting decisions.⁶¹ While some of these courts have held that such settlements are beneficial in fostering innovation,⁶² at least one court has tried to restrict such settlements.⁶³ The courts which favoured RPSes adopted the *scope-of-the-patent test* to approve any exclusionary agreement where:

“(1) the exclusion does not exceed the patent’s scope i.e., the patent’s products and its term; (2) the patent holder’s claim of infringement was not objectively baseless; and (3) the patent was not procured by fraud on the [Patent and Trademark Office]”.⁶⁴

In effect, this test acts as a *rule of per se legality* that shields all reverse payments from antitrust scrutiny. By applying the scope-of-the-patent test, the courts emphasised the patent law principle that there exists a presumption in favour of the patent being valid and the common law approach of encouraging settlement of lawsuits.⁶⁵

However, the scope-of-patent test has been rejected by at least one lower court which has applied the *rule-of-reason test* wherein “any payment from a patent-holder to a generic patent challenger who agrees to delay entry into the market” is prima facie evidence of an unreasonable restraint of trade.⁶⁶ The court did not agree with the principle that a patent is presumed to be valid; it described the presumption as a mere “procedural device” in patent litigation.⁶⁷ Thus, the court gave primacy to antitrust objectives aimed at fostering the public interest to weed out weak patents over the presumptive validity of patents in general.⁶⁸

The lack of uniformity between the approaches followed by the various circuit courts led the US Supreme Court to grant certiorari in *Federal Trade Commission v Actavis Inc.*⁶⁹ In this case, the Court held that the rule-of-reason test must be applied when considering antitrust challenges to RPSes and when determining their validity. It further stated that there cannot be any “near-automatic antitrust immunity” to RPSes.⁷⁰ Thus, the Court has clearly rejected the per se legality of RPSes based on the scope-of-patent test.

The Court also tried to differentiate between reverse payments that raise antitrust concerns and other types of patent settlements that do not have such concerns. Settlement of patent disputes for an amount less than the demanded sum or settlements involving the withdrawal of a counterclaim by the defendant against the plaintiff are not anti-competitive, as the party with a claim or counterclaim for damages receives a sum equal to or less than the value of its claim. In contrast, RPSes raise antitrust concerns because a

⁶⁰ *In re Tamoxifen Citrate Antitrust Litigation* 466 F.3d 187, 205 (2nd Cir. 2006); C. Scott Hemphill, “Paying for Delay: Pharmaceutical Patent Settlement as a Regulatory Design Problem” (2006) 81 N.Y.U. L. Rev. 1553, 1553.

⁶¹ The district and appellate courts in the various circuits have given conflicting decisions.

⁶² *In re Tamoxifen*, the US Court of Appeals for the Second Circuit reasoned that restricting RPSes would generate “uncertainty surrounding patents and might delay innovation”.

⁶³ *In re K-Dur Antitrust Litigation* 686 F.3d 197, 209–214 (3rd Cir. 2012).

⁶⁴ *In re K-Dur* 686 F.3d at 214.

⁶⁵ Gönenç Gürkaynak, Ayşe Güner and Janelle Filson, “The Global Reach of *FTC v Actavis*—Will Europe Differ from the US approach to Pay-for-Delay Agreements” (2014) 45 Int’l Rev. Intell. Prop. & Competition L. 128, 134.

⁶⁶ *In re K-Dur* 686 F.3d at 218.

⁶⁷ *In re K-Dur* 686 F.3d at 214.

⁶⁸ *In re K-Dur* 686 F.3d at 214.

⁶⁹ *Federal Trade Commission v Actavis Inc* 133 S. Ct. 2223 (2013).

⁷⁰ *Actavis* 133 S. Ct. at 2237.

party with no claim for damages walks away with money just because it has agreed to stay away from the patentee's market.⁷¹

Position in Europe

Even though litigation over RPSes has been there for a long time in the US, the situation in the European Union is different. In fact, regulators began to deal with patent settlements only from 2008. This initially started with a pharmaceutical sector inquiry undertaken by the European Commission, resulting in notices that were sent to several pharmaceutical companies.⁷² After these investigations, some companies were also given heavy fines, including a \$122 million fine against the Danish company Lundbeck and another \$68 million against other generic manufacturers for entering into reverse payment agreements related to the antidepressant Citalopram, whose patent was held by Lundbeck.⁷³

In this case, Lundbeck and several generic competitors entered into contractual arrangements that might have prevented the entry of generic Citalopram into markets in the European Economic Area. The companies had this contractual relationship when generic entry was feasible after the expiry of Citalopram patents owned by Lundbeck. These contracts involved significant consideration made by Lundbeck to other generic competitors. As a result, generic companies abstained from entering the market by not launching the generic versions of Citalopram. Lundbeck's consideration to the generic competitors included direct payments as well as other indirect forms, such as the purchase of generic Citalopram stock for destruction or guaranteed profits in a distribution agreement.⁷⁴ The European Commission found this patent settlement to be anti-competitive on two grounds: first, it caused harm to patients who were deprived of access to cheaper medicines; and secondly, it created an adverse impact on the public health systems which had to artificially bear the costs of an expensive medicine for a longer period.

This decision makes it very clear that the European Commission will oppose any settlement where one party agrees to pay its competitors money or other benefits in order to restrain them from launching the generic versions in the market at the expense of the general public. It is the commission's view that such settlements have nothing to do with the legitimate protection of intellectual property. Scholars point out that the commission often looks to the US for guidance on competition-related issues in the pharmaceutical sector, and the *Actavis* decision may play a crucial role in future litigations involving such anti-competitive conduct.⁷⁵

Apart from the European Commission, the local European authorities, such as the UK Office of Fair Trading, have conducted investigations into RPSes. However, no court decisions can explain yet how the European judiciary will deal with patent settlements and their problematic interface with competition law.

Patent settlement: Situation in India

As already noted, India is witnessing an upward trend in patent settlements.⁷⁶ Since this is a very important matter involving competition and patent laws, it is worthwhile to examine the relevant provisions in India under these laws.

⁷¹ *Actavis* 133 S. Ct. at 2233.

⁷² European Commission, *Pharmaceutical Sector Inquiry—Final Report* (Brussels: European Commission, 2009), available at http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/staff_working_paper_part1.pdf [Accessed May 14, 2015].

⁷³ European Commission, "Antitrust: Commission Fines Lundbeck and Other Pharma Companies for Delaying Market Entry of Generic Medicines", available at http://europa.eu/rapid/press-release_IP-13-563_en.htm?locale=en [Accessed May 14, 2015]. The decision to impose fine was made in June 2013.

⁷⁴ European Commission, "Antitrust: Commission Fines Lundbeck and Other Pharma Companies for Delaying Market Entry of Generic Medicines".

⁷⁵ Allison A. Schmitt, "Competition Ahead? The Legal Landscape for Reverse Payment Settlements after *Federal Trade Commission v. Actavis, Inc.*" (2014) 29 Berkeley Tech. L.J. 493, 537.

⁷⁶ Vishwanathan, "Delhi High Court Orders Roche and Cipla to Mediate in Erlotinib (Tarceva) Patent Case"; Mukherjee, "Merck Seeks to Settle Patent Row with Glenmark".

Indian competition law: The Competition Act 2002

The Indian law dealing with anti-competitive agreements, called the Competition Act 2002, prohibits any person or enterprise from entering into any agreement with respect to production, supply, distribution, storage, acquisition or control of goods or provision of services, which causes or is likely to cause an appreciable adverse effect on competition within India.⁷⁷ The law has not defined the term anti-competitive agreements, but it gives a list of certain practices that will be considered as anti-competitive.⁷⁸ The law also covers certain specific anti-competitive agreements, practices and decisions of those supplying identical or similar goods or services, acting with a common objective, such as agreements amongst manufacturers or suppliers as well as actions within a cartel.⁷⁹

The Competition Act 2002 specially focuses on certain kinds of agreements amongst competitors—such as agreements to fix prices, limit production, allocate markets amongst themselves and rig bids—by presuming that they have an appreciable adverse effect on competition.⁸⁰ The Act also tries to prevent anti-competitive agreements among enterprises at different stages of production or supply, like an agreement between manufacturer and supplier.⁸¹ In addition, the act comes with an important exemption, allowing a patent holder to reach an agreement that has the effect of restraining any infringement of intellectual property rights or imposing reasonable conditions that are necessary for protecting those rights.⁸² Thus, any agreement entered by the patent holder regarding the use of the patent with another person should be based on reasonableness.

Until now, no case involving any of the four anti-competitive practices amongst pharmaceutical manufacturers has been decided by the CCI, even though it has been very active in dealing with such practices from other sectors, such as cement, media, financial services and travel services. The CCI is also involved in regulating combinations in the pharmaceutical industry and has issued decisions in this area.⁸³

IPA

The IPA, which confers on the patent holder certain rights, also enumerates some provisions which will help curb the anti-competitive effect of patents on the market. Thus, the act prohibits the inclusion of covenants which are unfair or discriminatory in patent-related contracts.⁸⁴ It also expressly restrains the incorporation of any contractual provision that covers exclusive grant-backs, prevents challenges by a licensee to the validity of a licensed patent or enables coercive package licensing by the patentee or licensor.⁸⁵

Apart from these provisions, the IPA also contains elaborate provisions on compulsory licenses, which were included as part of the amendment made to the act in 2002.⁸⁶ It provides that any person can make an application for a grant of a compulsory licence for a patent three years after the grant of that patent upon satisfying the following conditions:

- “(a) reasonable requirements of the public with regard to the patented invention have not been satisfied, or

⁷⁷ Competition Act 2002 s.3, available at <http://www.cci.gov.in/images/media/Advocacy/CompetitionAct2012.pdf> [Accessed May 14, 2015].

⁷⁸ However, s.2(b)(i) of the Competition Act 2002 has defined “agreement” to include any arrangement or understanding or action in concert and to cover those that are not even in written form.

⁷⁹ Competition Act 2002 s.3(3). Section 2(c) defines “cartel” to include “an association of producers, sellers, distributors, traders, or service providers who, by agreement amongst themselves, limit, control or attempt to control the production, distribution, sale or price of, or, trade in goods or provision of services”.

⁸⁰ Competition Act 2002 s.3(3)(a)–(d).

⁸¹ Competition Act 2002 s.3(4).

⁸² Competition Act 2002 s.3(5) (covering all types of intellectual property rights, not just patents).

⁸³ CCI has cleared all the combinations referred to it.

⁸⁴ IPA s.140(1)(i)–(iii).

⁸⁵ IPA s.140(1)(a)–(d).

⁸⁶ Patents (Amendment) Act 2002 Ch.XVI.

- (b) the patented invention is not available to the public at a reasonably affordable price, or
- (c) the patented invention is not worked in India's territory.⁸⁷

The IPA has also clarified in an elaborate manner the circumstances under which the reasonable requirements of the public with regard to the patented invention are not satisfied. This covers situations when the patent holder refuses to issue a licence or issues an unreasonable licence which causes prejudice to an existing trade and which also deals with the situations where the patent holder imposes a condition upon the grant of licences under the patent to provide exclusive grant-backs, prevent challenges to the validity of the patent or facilitate coercive package licensing.⁸⁸ However, the IPA has no provision dealing with patent dispute settlements, which may be entered between the patent holder and an alleged infringer. Thus, it remains unclear how courts and tribunals will look upon such settlements in the future.

In the past, it was thought that the monopoly rights accorded to the intellectual property owner were in direct conflict with the objectives of competition law.⁸⁹ However, the relationship between the intellectual property and competition law systems in the present age is marked more by cooperation than confrontation. The real problem that competition law now faces is not with the existence of intellectual property rights, but the manner in which those rights are used.

Anti-Competitive effect of Indian patent settlements: An analysis

As mentioned earlier, in India there are instances of companies trying to settle their patent-related disputes through mediation. Naturally, this practice has raised concerns of anti-competitive practices amongst noted patent law experts.⁹⁰ However, at this stage, it appears that there is no cause for worry because of the reasons mentioned below.

Absence of Hatch-Waxman-like provisions in India

The principal reason behind the practice of RPSes in the US is to take advantage of the 180-day marketing exclusivity conferred on the first generic manufacturer who becomes successful in challenging the patent of the innovator company, along with the 30-month stay on ANDA applications during any patent litigation. This means that the innovator company can prevent the launch of the generic version of the drug if it can settle the case with the successful ANDA applicant. Thus, in most cases, the innovator company does that by agreeing to make payments to the generic company and thereby delays the launch of the drug's generic version, which in turn helps the innovator company to maintain its monopoly on the market.

Contrasting this with the Indian situation, one can see that the Indian scenario is completely different, as the country does not have any provision to challenge the patent of the innovator company as part of the drug approval process. This position of delinking the process of patent grant from the drug approval process had been upheld by the High Court, which also disapproved attempts by patent holders to create a patent linkage.⁹¹ Thus, in India, there is no way that a generic company can challenge a patent and get a marketing exclusivity for a particular period.

Even if a generic company succeeds in revoking a patent held by the innovator company, there is no provision in law to grant any marketing exclusivity to the former. Once the patent is revoked either by the IPAB or the High Court, the invention covered by the patent goes to the public domain, which any

⁸⁷ Patents (Amendment) Act 2002 s.84(1)(a)–(c).

⁸⁸ Patents (Amendment) Act 2002 s.84(7)(c).

⁸⁹ Angie Ng, Liang Ding and Peter Waters, "Intersect between Intellectual Property Law and Competition Law", available at <http://www.chinalawinsight.com/2008/10/articles/corporate/antitrust-competition/intersect-between-intellectual-property-law-and-competition-law> [Accessed May 14, 2015].

⁹⁰ Soma Das, "Roche and Cipla Enter Talks to Settle Erlotinib Patent Row", *Economic Times*, June 13, 2014, available at http://articles.economictimes.indiatimes.com/2014-06-13/news/50564611_1_erlotinib-patent-expert-shamnad-basheer-patent-battle [Accessed May 14, 2015].

⁹¹ *Bayer Corp v Union of India* MANU/DE/0316/2010 at [22].

generic company could exploit.⁹² In India, the patent holder will have to settle with multiple generic pharmaceutical companies to prevent them from launching the drug covered by the patent. Such settlements, undoubtedly, will not be a feasible option for the patent holder because of the exorbitant costs involved in the whole exercise.

No presumption in favour of patent validity under Indian law

Under Indian law, there is no presumption of validity in the case of granted patents.⁹³ This has been reinforced through a series of judgments, which categorically held that no presumption of validity attaches to a patent granted by the controller even though the patent application has been duly examined by competent authorities.⁹⁴ According to Indian law, there are various options available for challenging a patent. First, any interested party can utilise the post-grant opposition mechanism available to the patent office.⁹⁵ Secondly, revocation proceedings can be instituted by any interested party before the IPAB.⁹⁶ Thirdly, revocation proceedings can be raised as a counterclaim in a suit for patent infringement before the High Court.⁹⁷ This means that even if the patent holder settles the dispute with a generic company by entering into any anti-competitive agreement, such a settlement will be useless because of the availability of multiple options to various parties for challenging a patent. The US position on presumption of patent validity is very different, as US law makes it very clear that a patent shall be presumed valid.⁹⁸

Emergence of non-governmental organisations as an effective watchdog

In the last two decades, India has witnessed the emergence of a vibrant ecosystem where non-governmental organisations (NGOs) play a proactive role in shaping intellectual property policy. According to one renowned scholar, NGOs in India have played a lead role in its patent amendments by ensuring that all the available TRIPS flexibilities are fully utilised.⁹⁹ Since then, NGOs and healthcare advocacy groups have been using the flexibilities available under the patent law, like pre-grant opposition, to challenge the grant of patents on pharmaceutical products. It should be recalled that the *Novartis* case discussed earlier started as a pre-grant opposition filed by Cancer Patient Aid Association along with other generic companies.¹⁰⁰

In such a situation, it will be next to impossible for pharmaceutical companies to enter into anti-competitive agreements to settle their patent disputes. All such agreements will be subject to considerable public scrutiny, and this will prevent the pharmaceutical companies from contemplating any such deals.

Emergence of the CCI as an effective regulator

Ever since its establishment, the CCI has been involved in resolving issues pertaining to anti-competitive agreements, abuse of dominant position and approval of combinations.¹⁰¹ It can inquire into any anti-competitive agreement on its own motion, on receipt of any information from any person, or based

⁹² IPA s.64 read with s.104.

⁹³ IPA s.13(4).

⁹⁴ e.g. *Biswanath Prasad Radheyshyam v Hindustan Metal Industries* (1979) 2 SCC 571; *Mariappan v AR Safiullah* (2008) 38 PTC 341 (Madras); *3M Innovative Properties Co v M/S Venus Safety & Health Pvt Ltd* I.A. Nos.20605/2013, 1276/2014 in CS(OS) No.2558/2013.

⁹⁵ IPA s.25(2). This should be done within one year from the date of the patent grant.

⁹⁶ IPA s.64. Under this provision, even the central government can file for revocation.

⁹⁷ IPA s.64 read with s.104.

⁹⁸ 35 U.S.C. s.282. Furthermore, there are very limited options under US law to challenge a patent that has been granted. However, s.6 of the newly enacted Leahy-Smith America Invents Act provides for third-party review and opposition proceedings after the patent grant.

⁹⁹ Amy Kapczynski, "The Access to Knowledge Mobilization and the New Politics of Intellectual Property" (2008) 117 Yale L.J. 804, 875.

¹⁰⁰ Information available at <http://www.cpaaindia.org/activities/advocacy.htm> [Accessed May 14, 2015].

¹⁰¹ Information about the CCI is available at http://www.cci.gov.in/index.php?option=com_content&task=view&id=12 [Accessed May 14, 2015].

on a reference made to it by the government.¹⁰² Over the last few years, the CCI has been called upon to decide some important cases dealing with anti-competitive agreements between companies that are direct competitors.

In one such landmark decision on cartelisation, *Builders Association v Cement Manufactures Association*,¹⁰³ the CCI upheld the findings of the Director General who conducted the investigation and imposed a penalty of 0.5 times of the net profit for 2009–2011 on each cement manufacturer named as opposite parties in this case.¹⁰⁴ The total penalty levied from all the cement companies in this case came close to Rs.6300 crores, which is unprecedented in India.¹⁰⁵

This decision will have a deterrent effect on all companies planning to enter into anti-competitive agreements, such as those having elements of price fixing or controlling supply or production. Thus, any company trying to use a patent dispute settlement to indulge in anti-competitive practices will be cognisant of the regulatory supervision and, if found guilty, will face severe consequences.

Very recently, the CCI dealt with a major combination in pharmaceutical sector when Ranbaxy Laboratories merged with Sun Pharmaceuticals.¹⁰⁶ The CCI approved the deal with certain stringent conditions to make sure that the new combined entity does not have an appreciable adverse effect on competition in India.¹⁰⁷ Those conditions include a direction that the parties to the combination sell seven brands to prevent any such effect on competition.¹⁰⁸ The experience gained in dealing with combinations in the pharmaceutical sector will be very helpful for the CCI to tackle any anti-competitive patent settlements from the pharmaceutical sector as and when they emerge.

All patents settlements need not be anti-competitive

Even though India is witnessing a new trend where attempts are being made by parties to settle their patent disputes through mediation, it cannot be said that all such attempts are anti-competitive. With respect to the dispute between Roche and Cipla, the mediation proceedings were initiated by the High Court.¹⁰⁹ Later on, it was reported that the mediation had failed and the case had been referred back to the High Court.¹¹⁰ This clearly demonstrates that there is no collusion between parties in this particular case. Since the case was going for more than seven years, it was quite natural for the parties to try all options, including out-of-court settlements, especially when the measures were initiated and overseen by the High Court.

In the dispute between Merck and Glenmark, mediation was initiated at the behest of the parties.¹¹¹ However, it was unsuccessful, and parties have gone back to the High Court where Merck was able to obtain an interim injunction against Glenmark.¹¹² Even though the High Court decision has been stayed

¹⁰² Competition Act 2002 s.19(1)(a)–(b).

¹⁰³ *Builders Association v Cement Manufactures Association* available at <http://www.cci.gov.in/May2011/OrderOfCommission/292011.pdf> [Accessed May 14, 2015].

¹⁰⁴ *Builders Association v Cement Manufactures Association* at 257, available at <http://www.cci.gov.in/May2011/OrderOfCommission/292011.pdf> [Accessed May 14, 2015]. Cement Manufacturers Association, which provided the platform to cement companies and facilitated cartelisation, was imposed a penalty of 10 per cent of its total receipts for two years.

¹⁰⁵ K.T. Jagannathan, “Over Rs.6,300 Crore Penalty Slapped on 11 Cement Firms for Cartel Sale”, *The Hindu*, June 22, 2012, available at <http://www.thehindu.com/todays-paper/tp-business/over-rs6300-crore-penalty-slapped-on-11-cement-firms-for-cartel-sale/article3556616.ece> [Accessed May 14, 2015]. Rs.6300 crores is approximately \$1.12 billion as per the exchange rate on the date of the decision.

¹⁰⁶ “CCI Clears Ranbaxy-Sun Pharma Merger with Certain Riders”, available at <http://www.dnaindia.com/money/report-cci-clears-ranbaxy-sun-pharma-merger-with-certain-riders-2042257> [Accessed May 14, 2015].

¹⁰⁷ Combination Registration No.C-2014/05/170. The interim decision is available at <http://www.cci.gov.in/May2011/OrderOfCommission/CombinationOrders/C-2014-05-170.pdf> [Accessed May 22, 2015]. The final decision is available at <http://www.cci.gov.in/May2011/OrderOfCommission/CombinationOrders/C-2014-05-170A.pdf> [Accessed May 22, 2015].

¹⁰⁸ Combination Registration No.C-2014/05/170, Interim Decision, pp.32–33.

¹⁰⁹ Vishwanathan, “Delhi High Court Orders Roche and Cipla to Mediate in Erlotinib (Tarceva) Patent Case”.

¹¹⁰ Rupali Mukherjee, “Roche-Cipla Patent Row Mediation Fails”, *Times of India*, October 31, 2014, available at <http://timesofindia.indiatimes.com/business/india-business/Roche-Cipla-patent-row-mediation-fails/articleshow/44989430.cms> [Accessed May 14, 2015].

¹¹¹ Mukherjee, “Merck Seeks to Settle Patent Row with Glenmark”.

¹¹² *Merck Sharp & Dohme Corp. v Glenmark Pharmaceuticals*, FAO (OS) 190/2013, available at <http://lobis.nic.in/dhc/SRB/judgement/20-03-2015/SRB20032015FAOOS1902013.pdf> [Accessed May 14, 2015].

by the Supreme Court until May 2015, the failure of mediation clearly demonstrates the absence of any anti-competitive conduct between parties involved in the dispute.¹¹³

The only dispute that has been settled to date is the one between Bristol Myers Squibb and Natco.¹¹⁴ It should be appreciated that mediation has been statutorily recognised under the Indian law for dispute resolution. As such, if a dispute is settled between two parties through mediation, it cannot be considered as illegal.¹¹⁵ The Indian Supreme Court has held that, unlike proceedings in open court, mediation proceedings are confidential in nature and the parties do not have to share the details of settlement with any other person.¹¹⁶ Because of the confidential nature of these proceedings, there is a great possibility that more parties may look towards mediation as an effective alternative to resolve patent-related disputes. Another important reason for companies to settle their patent-related disputes through mediation is the inordinate delay they face in courts when they resort to litigation.

Conclusion

The principal issue in assessing patent settlements is the difficulty in balancing competing policy objectives of patent and competition laws. However, landmark decisions like the one delivered by the US Supreme Court in *Actavis* make it clear that patent law policies that strive to promote dynamic efficiency and innovation through a valid patent right cannot overrule the antitrust policy objectives of seeking efficiency through competition, where weak patents have to be opposed and removed from the patent register for promoting competition.

Review of patent settlements involving infringement requires a careful balance between intellectual property and competition policies. Even though there is a genuine concern that the anti-competitive impact of these settlements may exceed the legitimate exclusionary zone of the patent, India's legal and policy framework seems robust enough to meet any such challenges.

Despite the fact that legal provisions dealing with patents and competition in India do not contain any specific provision on patent settlements, there is no cause for worry as there are sufficient safeguards to take care of settlements that are anti-competitive in nature. In the future, if there is a proliferation of settlements involving patent disputes, it would be advisable for the CCI to have a closer look into them to ensure that the parties do not indulge in any anti-competitive conduct. Until that happens, the benefit of the doubt should be given to parties that are entering into a fair settlement through mediation as per the law of the land. Although there is an apprehension that mediation may be used to enter into anti-competitive agreements, it should not be a reason for condemning a very effective practice for quickly settling disputes in an amicable manner.

Since India's accession to the WTO, the country has tried to bring various innovative elements to its patent law, such as anti-evergreening provisions, a higher threshold for inventive step, and pre-grant oppositions. These elements received great appreciation from patent scholars from all over the world. Such appreciation, in turn, places an additional burden on India to make sure that all the flexibilities it employs are compliant with the TRIPS Agreement in letter and spirit. During the past decade, India demonstrated to the entire world that it could do so. The next decade may pose tougher challenges, but India should not have any reason to worry as long as its patent system is viewed by all stakeholders as one with fairness and transparency.

¹¹³ "Supreme Court Extends Stay Order in Glenmark Case", *Financial Express*, April 29, 2015, available at <http://www.financialexpress.com/article/companies/supreme-court-extends-stay-order-in-glenmark-case/67748/> [Accessed May 14, 2015].

¹¹⁴ Babu, "Bristol-Myers Squibb, Natco Pharma Settle Patent Dispute", *Business Standard*, 2015.

¹¹⁵ Arbitration and Conciliation Act 1996 s.30(1); Civil Procedure Code 1908 s.89.

¹¹⁶ *Moti Ram (D) Tr Lrs v Ashok Kumar* Civil Appeal No.1095 of 2008, available at <http://judis.nic.in/supremecourt/imgst.aspx?filename=38210> [Accessed May 14, 2015].

Cumulative Index



This index has been prepared using Sweet & Maxwell's Legal Taxonomy.

Authorship

- Judaism
 - transformative authorship, 149–163

Brand names

- trade marks
 - deception, 109–116

China

- information technology
 - geography of cyberspace, 99–106

Competition agreements

- geographical indications
 - treaties, 68–78
 - United States, 68–78

Consumer protection

- trade marks
 - deception, 109–116
 - functions of trade marks, 109–116

Copyright

- Judaism
 - transformative authorship, 149–163

Critical legal studies

- intellectual property
 - territorial application, 16–25

Databases

- geography
 - geospatial information, 79–88
 - licences, 79–88
- licences
 - geography, 79–88
 - geospatial information, 79–88

Developing countries

- geographic areas
 - indigenous peoples, 1–15
 - intellectual property, 1–15
 - sub-national innovation, 1–15
- geography
 - intellectual property, 16–25

Economics

- intellectual property
 - enforcement, 133–148

Enforcement

- intellectual property
 - economics, 133–148

Ethics

- Israel
 - cultural heritage, 149–163
- Judaism
 - cultural heritage, 149–163

EU law

- geographical indications
 - connection between geography and quality, 50–56
 - terminology, 50–56
 - TRIPs, 50–56
 - United States' protection, 68–78

Geographic areas

- developing countries
 - indigenous peoples, 1–15
 - intellectual property, 1–15
 - sub-national innovation, 1–15
- indigenous peoples
 - cultural issues, 1–15
 - developing countries, 1–15
- intellectual property
 - developing countries, 1–15
 - territorial rights on the internet, 89–98

Geographical indications

- competition agreements
 - treaties, 68–78
 - United States, 68–78
- EU law
 - connection between geography and quality, 50–56
 - terminology, 50–56
 - TRIPs, 50–56

- United States' protection, 68–78
- intellectual property
 - historical development, 50–56
- jurisprudence
 - international law, 26–36
- treaties
 - Inter-American Convention, 68–78
- treaty interpretation
 - definitions, 57–67
 - TRIPs, 57–67
- TRIPs
 - EU law, 50–56
 - treaty interpretation, 57–67
- Geography**
 - databases
 - geospatial information, 79–88
 - licences, 79–88
 - developing countries
 - intellectual property, 16–25
 - innovation
 - economics, 37–49
 - patents, 37–49
 - jurisprudence
 - international law, 26–36
- India**
 - patents
 - settlement, 164–176
 - pharmaceuticals
 - patents, 164–176
- Indigenous peoples**
 - geographic areas
 - cultural issues, 1–15
 - developing countries, 1–15
- Information technology**
 - China
 - geography of cyberspace, 99–106
 - intellectual property
 - geography of cyberspace, 99–106
 - United States
 - geography of cyberspace, 99–106
- Innovation**
 - geography
 - economics, 37–49
 - patents, 37–49
 - patents
 - geography, 37–49
- Intellectual property**
 - critical legal studies
 - territorial application, 16–25
 - economics
 - enforcement, 133–148
 - enforcement
 - economics, 133–148
 - geographic areas
 - developing countries, 1–15
 - territorial rights on the internet, 89–98
 - geographical indications
 - historical development, 50–56
 - information technology
 - geography of cyberspace, 99–106
 - territorial application
 - online services, 89–98
 - territorial rights on the internet, 89–98
- Israel**
 - ethics
 - cultural heritage, 149–163
- Judaism**
 - authorship
 - transformative authorship, 149–163
 - copyright
 - transformative authorship, 149–163
 - ethics
 - cultural heritage, 149–163
 - moral rights
 - cultural heritage, 149–163
- Jurisprudence**
 - geographical indications
 - international law, 26–36
 - geography
 - international law, 26–36
- Law journals**
 - Nigeria
 - access to information, 117–132
 - open access principles, 117–132
 - scholarly publications, 117–132
- Licences**
 - databases
 - geography, 79–88
 - geospatial information, 79–88
- Marketing**
 - trade marks
 - functions of trade marks, 109–116

Moral rights

- Judaism
 - cultural heritage, 149–163

Nigeria

- law journals
 - access to information, 117–132
 - open access principles, 117–132
 - scholarly publications, 117–132
- publications
 - access to information, 117–132
 - open access principles, 117–132
 - scholarly publications, 117–132

Online services

- United States
 - geography of cyberspace, 99–106

Patents

- geography
 - innovation, 37–49
- India
 - settlement, 164–176
- innovation
 - geography, 37–49
- pharmaceuticals
 - India, 164–176
 - settlement, 164–176
- settlement
 - India, 164–176
 - pharmaceuticals, 164–176

Pharmaceuticals

- India
 - patents, 164–176
- patents
 - India, 164–176

Publications

- Nigeria
 - access to information, 117–132

- open access principles, 117–132
- scholarly publications, 117–132

Settlement

- patents
 - India, 164–176
 - pharmaceuticals, 164–176

Territorial application

- intellectual property
 - online services, 89–98
 - territorial rights on the internet, 89–98

Trade marks

- brand names
 - deception, 109–116
- consumer protection
 - deception, 109–116
 - functions of trade marks, 109–116
- marketing
 - functions of trade marks, 109–116

Treaties

- geographical indications
 - Inter-American Convention, 68–78

Treaty interpretation

- geographical indications
 - definitions, 57–67
 - TRIPs, 57–67

TRIPs

- geographical indications
 - EU law, 50–561

United States

- information technology
 - geography of cyberspace, 99–106
- online services
 - geography of cyberspace, 99–106