

International Intellectual Property Institute

Promoting awareness and understanding of the role of intellectual property rights in technology and the arts.



About IIPi

The International Intellectual Property Institute (IIPi) is the foremost organization for providing education and training on intellectual property (IP) rights to leaders and innovators in developing countries. IIPi programs provide training on matters such as the commercialization of publicly funded research, protecting and maximizing the benefits of traditional culture, and state of the art mechanisms for judicial resolution of IP related disputes.

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Vision



With over two decades of experience working with countries and regional groups worldwide, IIPi understands the national and international IP landscape and knows how to build constituencies to achieve results.

Value



As a nonprofit, IIPi strives to provide services by the most cost-effective means.

Voice



In a field dominated by advocacy groups, IIPi is one of the few independent organizations explaining and improving IP systems to foster economic growth in all countries

What We Do

- Educate government leaders about the economic value of IP protection
- Support the ability of creative artists to protect and monetize their works

- Support academic institutions, independent inventors, and small businesses in commercializing their inventions through the IP system.
- Conduct research on the economic impact of intellectual property rights.

How We Help You

- Demystify IP rights for creators, innovators, and policy makers by presenting the facts about their benefits and role in economic development
- Provide guidance on using IP rights efficiently and effectively
- Expand opportunities for all people to harness their creativity and innovations

Our Partners





IMPI

INSTITUTO MEXICANO
DE LA PROPIEDAD
INDUSTRIAL



PUBLIC INTEREST
INTELLECTUAL PROPERTY
ADVISORS



Board of Directors



Honorable Bruce A. Lehman

Chairman and President, IIPI

Bruce A. Lehman is an American attorney with over 40 years of experience in all aspects of intellectual property law and policy. He has served in positions of great responsibility in both the public and the private sector. His public service includes serving as Acting Chair of the National Endowment for the Humanities, Assistant Secretary of Commerce and Commissioner of Patents & Trademarks, and counsel to

the Judiciary Committee of the United States House of Representatives. Currently, he is the board chairman of the International Intellectual Property Institute (IIPi), a nonpartisan, nonprofit organization, based in Washington, D.C. which he founded in December 1998. The Institute is a think tank and development organization that promotes the creation of modern intellectual property systems and the use of intellectual property rights as a mechanism for investment, technology transfer and economic development. IIPi has engaged in capacity building programs in more than 30 countries in all parts of the world.

In 2014 Mr. Lehman was appointed by the Secretary-General of the United Nations to serve on the High-Level Panel on the Feasibility of a Technology Bank for Least Developed Nations. The panel submitted its report to Secretary-General Ban Ki Moon and the U.N. General Assembly in September 2015. Previously, for six years during the tenure of His Excellency Kamil Idris as Director General of the World Intellectual Property Organization, Mr. Lehman served as a member of the WIPO Policy Advisory Commission.

While Mr. Lehman has retired from the full-time practice of law he continues to advise clients on intellectual property related legislation, litigation, and policy, both domestically and internationally. He is outside counsel to both the Artists' Rights Society of the United States and the Association of Medical Illustrators. He also serves on the Legal Advisory Council of LegalZoom, Inc. and is a member of the board of directors of the La Musica Music Festival in Sarasota, Florida.

In his capacity as the United States Assistant Secretary of Commerce and Commissioner of Patents & Trademarks from 1994 to 1998 [1]he was the primary advisor to the President for all domestic and international intellectual property policy matters and supervised over 6000 employees engaged in the examination of patents and the registration of trademarks. He was the principal advisor to the United States Trade Representative in the negotiation of the TRIPS Agreement, the intellectual property provisions of the World Trade Organization Treaty. As the leader of the U.S. delegation to WIPO's December 1996 Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, Mr. Lehman concluded negotiations that resulted in the adoption of two treaties: the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. These treaties form the legal basis for trade in online digital content over the Internet.

In addition to his cabinet responsibilities for intellectual property matters, Mr. Lehman served at the request of President Clinton in 1997 as acting chairman of the National Endowment for the Humanities, which fosters and recognizes the work of America's artistic and creative community.

On February 7, 2006, Mr. Lehman was honored as one of 23 initial inductees to the newly created International IP Hall of fame, a project sponsored by the London-based, Intellectual Property Asset Management Magazine. In 1994 The National Law Journal named Mr. Lehman its "Lawyer of the Year."

In 1997 public-policy magazine National Journal named him as one of the 100 most influential men and women in Washington.

In his early career as counsel to the House Judiciary Committee (1974-1983), he was the Committee's principal legal adviser in the drafting of the 1976 Copyright Act, the 1980 Computer Software Amendments and the 1982 Amendments to the Patent Laws.

Mr. Lehman has authored numerous articles on intellectual property rights, lectured at Universities throughout the world, served as an expert witness advising U.S. Courts hearing cases on intellectual property law, and advised United States appellate courts and the Supreme Court as an author of "friend of the court" briefs.

He holds both Bachelor of Science and Juris Doctor degrees from the University of Wisconsin, Madison.

[1] The post is now known as Undersecretary of Commerce and Director of the Patent and Trademark Office.



Honorable Jorge H. Amigo

Vice Chairman

During 1993 he created the Mexican Institute for Industrial Property (IMPI) and was appointed by the President of Mexico as its Director General in January 1994. He served in that position until April 2011.

During his service, he headed the Mexican delegation for Intellectual Property Chapter in several international agreements; he served as lead intellectual property spokesman and negotiator for many international bodies, including the coordination of the Anticounterfeiting Trade Agreement (ACTA), Free Trade Area of the Americas (FTAA), Chairman of the Intellectual Property Experts Group of the Asia-Pacific Economic Cooperation (APEC), and the Organization for Economic Cooperation and Development (OECD). Amigo also chaired and participated in numerous committees and assemblies of the World Intellectual Property Organization (WIPO).

Amigo received many awards during his career, among others, WIPO's Gold Medal for promoting intellectual property and competitiveness around the world (2008), the City of Venice Intellectual Property Award (2006), the Motion Picture Association's (MPAA) Anti-piracy Government Leadership Award (2009), Gold Record award (2011) by the Recording Industry Association of America (RIAA) and the International Federation of Phonographic Industries (IFPI). He also received a special recognition from then-President Vicente Fox for his contributions to Mexico (2006).

Prior to his appointment as Director General of IMPI, Amigo held several positions within the Ministry of Commerce, including Deputy Director for Project Evaluation (1984-1985), Director of Economic Evaluation (1986), Technical Secretary of the National Foreign Investment Commission (1989), Director General of Foreign Investment (1990-1992), and Director General of Technological Development (1993).

In his capacity as Director General of Foreign Investment, Amigo headed the Mexican delegation for the negotiation of the Investment Chapter of the North American Free Trade Agreement (NAFTA).

Amigo holds a B.A. in Economics from Universidad Anahuac and completed his M.A. in Economics from the University of the Americas in Mexico City. He has taught Economic courses in both institutions.



Honorable Ralph Oman

The former U.S. Register of Copyrights, 1985-1993

Ralph Oman is the Pravel Professorial Lecturer at the George Washington University Law School. Prior to his move to academia, Oman served as counsel for 15 years with Dechert LLP, an international law firm with more than 700 lawyers. He has more than 35 years of international experience in patent, copyright, and trademark law.

Before entering private practice in 1993, Oman served as the Register of Copyrights, the chief government official charged with administering the national copyright law.

During his tenure as Register, he helped move the United States into the Berne Convention for the Protection of Literary and Artistic Works, the oldest and most prestigious international copyright convention, a goal sought by U.S. Registers for 100 years. Before becoming Register, he served in several other government positions, including chief counsel for the Subcommittee on Patents, Copyrights, and Trademarks of the U.S. Senate Committee on the Judiciary, and staff director (and later chief counsel) for the Subcommittee on Criminal Law. Oman continues to participate in the global effort to increase the level of intellectual property protection. In 2002, he received the Jefferson Medal in recognition of his many contributions to intellectual property protection.

A former Foreign Service Officer and Naval Flight Officer, Oman is a graduate of Hamilton College (A.B., 1962) and Georgetown University Law Center (J.D., 1973), where he served as executive editor of the Georgetown International Law Journal.



Lester S. Hyman

Strategic Advisor

Lester S. Hyman is a Washington, D.C. attorney with more than 50 years of experience in law, business, politics, the arts and international affairs.

After serving in the federal government as an attorney with the U.S. Securities and Exchange Commission and later as Senior Consultant to the Secretary of U.S. Housing

and Urban Development, Mr. Hyman returned to his home state of Massachusetts where, as a protege of John F. Kennedy, he was Chief Assistant to the Governor, Secretary of Commerce and Development, and Chairman of the Democratic Party of that State. He also taught at the Kennedy School of Government at Harvard University.

He then returned to Washington where he was a founder of the prominent law firm of Swidler Berlin representing major business clients both in the United States (20th Century Fox, McGraw Hill) and overseas: France (Roussel-Uclaf), Germany (Hoechst), Japan (Matsushita, Mazda), Korea (Hyundai), as well as representing a number of countries (Haiti, Liberia, Bermuda, and the Virgin Islands).

Mr. Hyman has been very active in international peace resolution work in Africa and Central America where he has worked closely with former President Jimmy Carter and the International Negotiating Network (INN). He was President Clinton's representative at the signing of the Guatemala Peace Treaty (as well as Clinton's appointee to the Franklin D. Roosevelt Memorial Commission). He is the author of the 2003 book "U.S. Policy Towards Liberia".

He currently serves on the Boards of the Center for National Policy, the Center for Advanced Defense Studies, the International Intellectual Property Institute, and the BVI College and is Strategic Advisor both for the venture capital company Oxantium LLC and ArtsBacker.

As a devotee of the arts, Mr. Hyman served on the D.C. Arts and Humanities Council, and the Boards of the Norton Simon Museum of Art and the Dana Tai Soon Burgess Dance Company.



John Weinfurter

John Weinfurter provides unparalleled knowledge of Washington, DC and the intricacies of the political process. Following a 20-year career on Capitol Hill as the Chief of Staff to the late U.S. Representative John Joseph Moakley (D-MA), where he served as the principal liaison to House Leadership through five presidential administrations and to the corporate and professional communities of Boston and Washington, he served as the President and CEO of the Congressional Economic Leadership Institute (CELI). CELI is a bipartisan and bicameral educational foundation designed to acquaint Members of Congress, their staffs, and corporate executives with emerging economic issues. During his tenure at CELI, Mr. Weinfurter administered over 200 sessions in the U.S. Senate and House and brought CEOs, foreign heads of state, parliamentary delegations, authors, economists, cabinet secretaries, and regulatory agency leadership together in forums on economic growth and productivity.

Prior to joining Capstone, John was Vice President of the Government Relations Division for Witt O'Brien. Before that, he was president and a principal at the Washington, DC-based lobbying firm of KSCW, Inc.

For over a decade, John has provided government relations, strategic counsel, and monitoring and analysis of policy, legislative, and regulatory issues that affect clients from a broad spectrum of market sectors including healthcare, energy, insurance, accounting and financial services, international development, technology, education, aviation, and defense.

Mr. Weinfurter is also the current President of the House Chiefs of Staff Alumni Association (HCOSAA), an Alumni-driven educational professional organization that brings together former and current House Chiefs of Staff for networking events and presentations on current events. Additionally, HCOSAA administratively assists the House Chiefs of Staff Association, the organization representing current chiefs of staff.



Stetson Sanders

Stetson is a career Foreign Service officer in the U.S. State Department. He is currently assigned to Washington, DC in the [Bureau of South and Central Asian Affairs](#). Prior assignments include Juba, South Sudan as the Director for [International Narcotics and Law Enforcement](#) programs; Political Officer and Alternate Permanent Representative to the [United States Mission to United Nations Agencies in Rome](#); and in Afghanistan as the Task Force Senior Civilian Representative, where he was the State Department's sole representative for Ghazni province, overseeing and coordinating development, governance, and political activities for Coalition Forces. Other diplomatic posts include Tajikistan and India. Prior to joining the Foreign Service, Stetson was the first Executive Director of IIPi during its initial growth and development. Prior to working with IIPi, he was a Peace Corps volunteer in Russia, teaching economics and marketing courses and delivering several English and cultural programs. Following his Peace Corps service, Stetson worked in Saratov with the [Eurasia Foundation](#), a USAID-funded non-profit development organization, to develop and implement rule-of-law and civil society programs.



Rick Reidy

Rick Reidy is a trained economist and a natural entrepreneur, helping to finance a number of innovative companies and non-profit groups over many years. In the late 1990s, he founded a then-rare “green” venture capital fund to support early-stage, environmentally-friendly companies staffed by labor union workers. He currently oversees a number of private business projects.

He served as senior Washington lobbyist and political advisor for New York City cultural organizations, including Guggenheim Museum, American Ballet Theatre, World Monuments Fund. He has appeared as a commentator on Los Angeles television and radio, and he continues to informally assist many national and local political candidates. In the 1990s, Mr. Reidy was president of the Health Policy and Research Foundation of California, a non-profit charity, founded in 1986, with a mandate to promote government policy actions during the expanding public health crisis of HIV/AIDS. During the 1980s, Mr. Reidy worked in Washington DC, managing political programs and raising funds as under two chairmen of the Democratic National Committee. He directed finance projects for political campaigns for U.S. President and for U.S. Senate and House of Representatives, and he advised dozens of candidates at national, state and local levels. Earlier, he worked at a Washington trade group representing employee-owned companies and firms financed by employee leveraged buy-outs.

A graduate in economics from the University of Notre Dame, Mr. Reidy has also studied and worked in Mexico City, Boston, and New York. He worked through his school years in radio broadcasting as an on-air announcer, news writer, and engineer.

He grew up as an all-purpose assistant in his father's retail stores in western New York State.



Thaddeus Burns

Thaddeus brings a strong legal and public policy background to the IPI Board. For twelve years he has served in various legal and public policy roles at General Electric: most recently as Senior Counsel, Intellectual Property, Trade, and Investment. Prior to joining GE in 2005, he served in senior government positions at the U.S. Patent and Trademark Office and The White House Office of the U.S. Trade Representative. In addition to government service, he worked in the appellate litigation practice at Jones Day in Washington, D.C. and in the Brussels European law and policy practice of Akin Gump. He clerked for Judge Karen Williams on the U.S. Court of Appeals for the Fourth Circuit. Thaddeus served as a member of the National Academy of Sciences Committee charged with reviewing and preparing a report on the science and technology capabilities of the U.S. Department of State. Thaddeus has testified as an expert before committees of the U.S. Congress and the French Senate. Thaddeus holds a bachelor's degree from Oberlin College and a law degree from Catholic University of America Law School where he served on law review.



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A row of five incandescent light bulbs on a reflective surface. The fourth bulb from the left is illuminated, casting a bright glow, while the others are unlit. A semi-transparent dark blue rectangle is overlaid on the middle three bulbs, containing the text 'Board of Advisors'.

Board of Advisors

Dr. GAO Lulin

Chairman, East IP

Dr. Gao is an uncommonly qualified expert in the field of intellectual property. He worked for more than 14 years in public office in the field of intellectual property protection in China and, although he has since retired from public duty, he is still active in the area as a consultant, panelist, and professor in a number of private non-governmental organizations and universities. During the course of his career, he has held the positions of Commissioner of the Chinese Patent Office and Commissioner of State Intellectual Property Office (China). He was a senior advisor to the World Intellectual Property Organization (WIPO) for roughly two years and is currently the Honorary Chairman of the China Intellectual Property Society, Vice Chairman of the China Internet Society and a Member of the Steering Committee of the China Internet Network Information Center.

Dr. Gao has headed numerous delegations for the Chinese government at many international forums and diplomatic conferences on intellectual property. He has also held the Chair of the Paris Union Assembly and the WIPO General Assembly. In 1995, he was given the Grand Star Cross by the German government for his remarkable contributions to the field of IP protection and international cooperation and in that same year, the European Patent Office awarded him the International Cooperation

Medal for his contributions to the field. He frequently gives lectures on intellectual property at the Peking University's Law School and has published numerous works on patent prosecution and litigation, licensing, IPR protection, TRIPS Agreement and domain names. His publications include "How Do Foreigners Seek Patent Protection for Their Technology" in China Law; "Patent System and Market Economy" published in Reform and Its Theory, Tentative Ideas for Further Improvement of the Chinese Patent System (Chinese and English); "China and the TRIPS Agreement" (Chinese and English) which was presented at the APEC Industrial Property Symposium of The Development of Industrial Property Systems Towards the 21st Century in August 1996 in Tokyo, Japan; and "China's Accession to the WTO and Protection of Intellectual Property" (Chinese and English), published in China Patents and Trademarks.

Dr. Gao is not only an intellectual property expert but also has strong technology backgrounds. His first degree, a Bachelor's of Science, was in prospecting technology and he earned a Ph.D. in the area from one of the top schools in the former Soviet Union. For many years, he worked in research institutes, ministries, at the State Planning Commission and the State Economic Planning Commission as a technology specialist and although in later years the major thrust of his career shifted to intellectual property issues, he has remained active in the field. He is currently a Fellow of the Russian International Academy of Engineering. Dr. Gao speaks Chinese (native), English and Russian.

Mr. Ian Harvey

Founding Chairman, United Kingdom Intellectual Property Advisory Committee

Ian Harvey has an MA in Mechanical Sciences from Cambridge University and an MBA from Harvard University. He was with Vickers and Laporte Industries for ten years before seven years at the World Bank. He joined BTG in 1985 as Chief Executive Officer. Between 1988 and 1993 he served as a member of the Prime Minister's Advisory Council on Science and Technology. He is a fellow of Nottingham University (1994), has been a member of the Advisory Panel for "SPRU" (Science and Technology Policy Research Unit of Sussex University) from 1989-2003; became a

Director of the Intellectual Property Institute in 1998 and was appointed as Institute Chairman in July 1999. He is a director of Primaxis Technology Ventures Inc. and a member of the Appointments Committee of the Particle Physics and Astronomy Research Council. He is a Companion of the British Institute of Management and sits on the Companions' Board, and is a member of Air Products & Chemicals Inc European Advisory Council. In 2001 he was appointed the founding Chairman of the UK Government's Intellectual Property Advisory Committee.

Susan Mann

Federal Government Affairs Manager, Microsoft

Susan Mann serves as a Federal Government Affairs Manager at Microsoft. Prior to joining Microsoft, Susan worked for 9 years as a principal in the lobbying firm of Griffin, Johnson, Dover, & Stewart, where she represented clients in the music and film industries. Susan has also served as Administrator for the Office of Legislative and International Affairs at the Patent and Trademark Office, U.S. Department of Commerce, and as Attorney-Advisor in the same office. While at the Department, she participated in numerous multilateral and bilateral intellectual property negotiations and also served as an advisor on legislative and policy initiatives affecting the trade aspects of, and the protection of, intellectual property rights. Ms. Mann has focused on legislative and copyright matters as an associate of the law firm Paul, Weiss, Rifkind, Wharton, and Garrison in Washington, DC. She has also served as a legislative/regulatory analyst with a trade association and as a congressional staffer.

Jacques Michel

Former Vice President, European Patent Office

Dr. Jacques Michel, the former Vice President of the European Patent Office (EPO), has contributed greatly to the patent world. He has served as a policy maker, politician, and diplomat. He held various positions in the French Secretariat of State for Research and the Ministry of Industry, related to problems of scientific and

technological information issues. Dr. Michel also served as Assistant and then Senior Assistant at the Science Faculty of Paris-Orsay. Prior to that, he was appointed Science Attaché to the French Embassy to the United States of America where he monitored the fields of chemistry, materials, environment, nuclear technology, and other science and technological information. Dr. Michel has a doctorate in Physical Science.



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Personnel

Below is a list of IIPI's Washington, DC-based staff, and partners. Additionally, the Institute cooperates with experts and partners around the globe to execute its mission. The combination of diverse networks and skill sets from the staff allows IIPI to foster economic growth throughout the world.



Honorable Bruce A. Lehman

Chairman and President, IIPi blehman@iipi.org

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He holds both Bachelor of Science and Juris Doctor degrees from the University of Wisconsin, Madison.

[1] The post is now known as Undersecretary of Commerce and Director of the Patent and Trademark Office.



Susan Nilon

Executive Director / Director General

snilon@iipi.org

Susan Nilon has a demonstrated history of working in the broadcast media industry. Skilled in Nonprofit Organizations, Radio, Media Relations, Journalism, and Corporate Communications. She is a strong business development professional who is currently a candidate for her Juris Doctor (J.D.) with a focus on Intellectual Property Law from Western Michigan University Cooley Law School.

Susan is known as one of Florida's most in-depth and observant current affairs commentator. She brings warmth, knowledge, and intelligence to every interview, speech, public appearance, and column. An unwavering resolve that everyone matters drives all of Susan's endeavors. A former owner of WSRQ AM/FM radio, she is a proven master of adaptive change as illustrated by her leadership in turning the radio station into a sterling example of how to succeed on the air by "going local." Susan has appeared on PBS's Florida This Week, BBC RADIO, and for the past three years is regularly seen as a political commentator on ABC 7's News at 7 with Alan Cohn.

She began her career as a journalist starting out in syndicated radio. Serving as an on-air personality, Susan moved over to management where she became the affiliate coordinator for Pennsylvania Radio Network. After moving to Florida, it was the presidential elections of 2008 that moved Susan back to her roots as a journalist. There, she worked as a political columnist for several Florida publications. In 2010, an offer to go back on the radio was made and Susan began a five-year run as the host of a political talk show on AM/FM radio. For three hours a day, she conducted over three thousand interviews, where guests, such as Madelynn Albright, Michael

Smerconish, James Carville, Rep. Charles Crist, participated in in-depth discussions that allowed her audience to understand what is shaping America.

Susan has a bachelor's degree in Communications from Temple University, PA, a degree in English -Secondary Education from Rowan University, NJ. She is a board member of The Kennedy Center's Any Given Child of Sarasota, ACLU of Florida, ACLU of Sarasota, and on the Executive Committee of the Moot Court board at WMU Thomas J. Cooley Law School. She is also a member of the legal panel of both the ACLU of FL and the ACLU of Sarasota.

Susan is known for bringing thoughtful, informed empathy to panels, forums, and community events. Her goal is to "strengthen knowledge of governance and encourage civic engagement for all."

Past Staff, Fellows, and Interns

Andrew Jaynes

Andrew was IIPi's Executive Director and General Counsel. Prior to joining IIPi, he was a legislative fellow in the office of Congressman Walt Minnick (D-ID). Andrew spent close to a year in the Philippines conducting research on IPR protection and enforcement as a Fulbright scholar from 2007-2008. His research paper, "Why Intellectual Property Rights Infringement Remains Entrenched in the Philippines", appears in Volume 21 Issue 1 of the Pace International Law Review. Andrew graduated from the University of Wisconsin Law School where he was a Managing Editor on the Wisconsin Law Review and member of the Moot Court Board. He received his English degree with high distinction from the University of Michigan and was a member of the Phi Beta Kappa National Honor Society.

Ben Picozzi

Ben was the Program Manager at IIPi. He graduated from Stanford University with a B.A. in philosophy with distinction and completed an honors thesis in international security studies. He was also elected to the Phi Beta Kappa National Honor Society and captained the Stanford policy debate team. Prior to his work at IIPi, Ben worked as a research intern in the areas of international conflict management and medicine. He hopes to attend law school in the near future, possibly beginning a career in international intellectual property issues.

Remington Knight

Remington was the Program and Research Assistant for IIPi. He is in the middle of his undergraduate studies at the University of Wisconsin-Madison. Remington is taking time away from school to work for IIPi and gain a better understanding of intellectual property. He is majoring in legal studies, political science, and economics. Along with his studies, he competes for the division one rowing program at the UW. Prior to Wisconsin, he graduated from Groton School, a small preparatory school in Massachusetts. Remington interned with Senator Tammy Baldwin (D-WI) during the summer of 2013.

Cameron Coffey

Cameron was a Program Attorney at IIPi. A member of the Federal Circuit and Virginia State Bars, Cameron graduated from The George Washington University Law School in 2009, where she received a Presidential Merit Scholarship. Prior to joining IIPi, Cameron served as a legal fellow at the Center for Lobbying in the Public Interest, as a legal intern at the Alliance of Artists and Recording Companies, and as a legal assistant at the University of Georgia's Office of Legal Affairs. Cameron holds a Bachelor of Arts in Journalism from the University of Georgia.

Jason D. Koch

Jason was a Program Attorney at IIPi. A member of the Federal Circuit and Virginia State Bars, Jason studied intellectual property, international law, economics, and public policy at universities in the United States, England, and the Netherlands. Prior to joining IIPi, Jason worked for the Council of the District of Columbia and was a legislative fellow in the office of U.S. Senator Arlen Specter (D-PA). In his spare time, Jason has worked on government contract and anti-trust cases and has drafted

revision for a legal casebook. Jason holds a J.D. from the George Washington University Law School.

Bruce Mihalick

Bruce was IIPi's program assistant and is now at the Social Security Administration. Before IIPi, he worked in the commercial insurance billing department at Johns Hopkins Hospital. Prior to his work at Johns Hopkins, he spent close to a decade in mutual funds sales at Legg Mason. Bruce is a veteran of the U.S. Navy and U.S. Coast Guard.

Lauren Saltiel

Lauren Saltiel was a legal intern at IIPi for the summer of 2012. She is a rising 2L at The University of Pennsylvania Law School and is working as a Center for Technology, Innovation, and Competition Public Interest Fellow. At Penn, she is on the board of the Penn Intellectual Property Group and president of the Public Interest Mentors Initiative. Lauren obtained her BA in Political Science from Barnard College in 2010. After graduation, she worked for a science media company and non-profit organization, where she was first exposed to intellectual property issues. She is particularly interested in IP issues relating to protecting cultural heritage and traditional knowledge and providing access to technologies in the developing world.

Joanna Holguin

Joanna Holguin was a legal fellow at IIPi for the fall of 2011. She is a graduate of the University of North Carolina School of Law where she represented the school at the American Intellectual Property Law Association's moot court competition. Originally from New Jersey, Joanna graduated magna cum laude from The College of New Jersey in 2007 where she studied Journalism and Philosophy. She initially became interested in intellectual property law when she began to perform with local musicians on her college campus and the local community. She hopes to establish a career in intellectual property law and learn the different aspects of the field while a fellow at IIPi. Joanna speaks fluent Spanish and is learning to speak Arabic.

Karen Schuster

Karen Schuster was an intern at IIPi during the summer of 2011. She is currently a rising senior at Dartmouth College, majoring in Classics and Chinese. In 2010, she

worked for a semester abroad as a government relations intern at the American Chamber of Commerce in Beijing, where she developed an interest in intellectual property rights. This interest, in addition to her interest in Asia, interest in music and experience working at a technology startup led her to IIPi.

Sofia Castillo

Sofia Castillo was a legal intern at IIPi during the summer of 2011. Originally from Venezuela, she will start her second year as a law student at American University Washington College of Law in Washington, DC. Sofia obtained her BA in Anthropology and International Development Studies at Trent University in Ontario, Canada and her MA in Latin American Studies at Stanford. Sofia is interested in learning more about intellectual property issues in trade relations between Asia and Latin America.

Krista Celentano

Krista Celentano was a legal intern at IIPi during the fall of 2000. She is a third-year law student at the University of California, Davis, School of Law. Before attending law school Krista obtained a B.S. from the University of California, Los Angeles in Biochemistry. She is a USPTO registered patent agent and has worked in patent prosecution and litigation. Krista's interest in intellectual property law and policy began at UCLA and has continued through her aspiring career. As a research assistant focusing in international intellectual property law and cultural studies, Krista hopes to expand upon her knowledge of global intellectual property development at IIPi.

Carolina Rizzo

Carolina Rizzo was a legal intern at IIPi during the fall of 2000. Originally from Uruguay, she is a second-year law student at American University. She obtained a BA in Latin American Studies and International Relations with High Honors from the University of Michigan in 2009. As an undergraduate student, Carolina interned at the United Nations Information Centre in Washington, DC. In law school, she serves as Co-Editor of the Arbitration Brief and blogger for the Intellectual Property Brief. She is interested in International Commercial Arbitration and Intellectual Property, specifically Copyright protection of Folklore and Traditional Knowledge. Carolina began her internship with IIPi in August.

Eric Robbins

Eric was a legal intern at IIPi during the summer of 2010. He is currently a rising third-year law student at Georgetown University Law Center. He was born in Denver, CO. Before he came to law school, he worked in biomedical research at the University of Colorado, where he conducted research on a wide range of diseases including prostate cancer, tuberculosis, and hypertrophic cardiomyopathy. He came to law school looking for a new challenge that would allow him to continue to be involved with science and found it in intellectual property law. He came to IIPi because of his affinity for intellectual property law coupled with his desire to assist other nations to develop their economies.

Alex Diaz-Ferguson

Alex was a legal intern at IIPi during the summer of 2010. He is currently a J.D. candidate at the American University Washington College of Law in Washington, DC. He received a Bachelor of Business Administration from Florida International University in 2009, where he studied international business and marketing. Before going to law school, Alex worked in various fields, including internet advertising, life insurance, and university prospect management. His interests in international markets, theater and music have led him to explore intellectual property as a potential career path during and after law school. Alex speaks fluent Spanish and French.

Jongseung Ahn

Jongseung Ahn was an intern at IIPi during the spring of 2010. He holds a graduate degree in International Trade and Economic Cooperation from Kyung Hee Graduate School of Pan-Pacific International Studies in South Korea, where he served as student president. Jongseung's studies focused on intellectual property rights and foreign direct investment, and he is a member of the Korean Association of International Development and Cooperation. Jongseung's internship experience includes Stanford Hotel in Australia, Samsung SDS in South Korea, and INDECOPI in Peru. He received B.A. in Business administration in 2008 from Chung Ang University in S. Korea.



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Fellows and Internships

Fellowships & Internships

The International Intellectual Property Institute (IIPi) seeks attorneys, law students, graduate students and undergraduate students to join our team as fellows and interns. Fellows and interns gain experience in all aspects of our organization and have the opportunity to work closely with a variety of experts in intellectual property and international development. Positions are available for the Fall, Spring and Summer semesters. Internships are unpaid but academic credit is a possibility.

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This internship is unpaid, but IIPi offers a flexible schedule and will work with institutions of higher education to provide course credit. Interested persons should send a cover letter including a preferred start date and weekly availability, resume

and short writing sample to snilon@iipi.org. Applications will be considered on a rolling basis.



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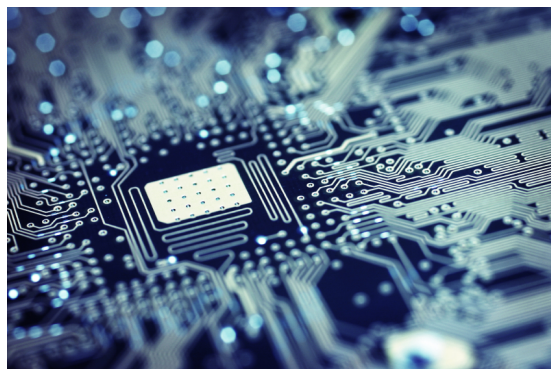
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2014
2013
2012
2011
2010
2008
2007
2006
2005
2004
2003
2002
2001
2000
1999



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**University Technology Transfer and National Innovation Policy:
Success Stories from Brazil, Colombia and South Africa**

**Kevin M. Reichelt
Program Attorney**

I. Knowledge, National Innovation Systems and Economic Development

[It is] important to engage the UN system in the mainstreaming of Science and Technology in the broader developmental agenda. We call upon all the United Nations institutions responsible for Science and Technology, and the Bretton Woods Institutions ... to continue to enhance capacity for countries to develop National Systems of Innovations policies aimed at providing an enabling environment for science to bear economic results of knowledge generation. These systems should produce centers of excellence, networks of knowledge generation and dissemination.¹

Knowledge generation and technology innovation is essential to compete in the new global economy, and developing countries are poised to play an important role in this new economic paradigm. Providing sufficient support for publicly-funded scientific research that leads to the commercialization of technological outputs is critical to advancing the economies of developing countries. Innovations in agricultural production, biotechnology, alternative energy, water conservation and public health have already proved important in emerging economies. Prioritizing research and development, and formulating an appropriate innovation policy in developing countries will benefit regional economies where it is most needed.

Innovation requires highly-skilled scientists and engineers that will remain in the country. Most publicly-funded scientific innovation occurs in a university setting, and universities must provide the structure necessary to aid scientists in the commercialization of innovation. This structure is usually technology transfer offices that include policies guiding intellectual property ownership, licensing and revenue sharing with innovation producers.

This booklet provides examples of university technology transfer offices in developing countries. Each office must work within differing national innovation policies, funding mechanisms and overall systems of innovation. That said, each office endeavors to commercialize university-produced innovations to the benefit of local communities, regional economies and national economic development. By highlighting these successes in innovation, this guide illustrates how such public to private transfer of technology can have a positive effect on the local as well as national economy of developing countries.

Examples of Brazilian, Colombian and South African universities are presented, representing emerging economies that possess a minimum level of scientific and government infrastructure, appropriate laws and the desire to adjust their innovation strategy to best encourage economic growth through innovation. Each country possesses a system of research universities, intellectual property laws and a private industry capable of turning innovation into new and marketable products.

Admittedly, least-developed countries would not benefit significantly from formulating public policy that promotes scientific and technological innovation. The cost of creating such a system simply outweighs the potential benefits. These countries are better off focusing on providing clean water, fundamental health care and basic education.

¹ Opening Statement by H.E. Mosibudi Mangena, Minister of Science and Technology, Republic of South Africa, addressing the Ministerial Meeting of the Group of 77 on Science and Technology, 3 September 2006.

a. Knowledge Generation, Economic Growth and a Culture of Science

The production and exchange of knowledge dominates the global economy. This new economic paradigm, known as the knowledge economy, is grounded in the need to generate well-educated highly-skilled human capital that produces technological innovation.

Universities play a critical role in the knowledge economy while producing highly-skilled scientists, they spur new technological innovations. This is not the entire story; for innovation to have an impact on economic development, it must be commercialized. Only when new technology is employed in an economically useful manner will technology have an impact on economic development and positive growth.

For emerging economies (including low- and medium-income countries), growth and international competitiveness largely depend on utilizing innovation, knowledge and technology. In 2005, the United Nations Millennium Project Task Force on Science, Technology, and Innovation supported this assessment with their publication *Innovation: applying knowledge in development*.² Convened to address how science, technology and innovation can help achieve the Millennium Development Goals,³ the Task Force on Science, Technology, and Innovation concluded that economies, including emerging economies, rely on the generation and use of knowledge to drive economic systems.⁴ Developing countries must enhance science, technology and innovation capacity to realize the following objectives:

1. Make progress on meeting the Millennium Development Goals, realize sustainable poverty reduction, and tackle regional health and nutrition problems;
2. Transform economies from those based on subsistence agriculture and low skilled manufacturing into ones based on the production of higher value, knowledge intensive, goods and services;
3. Raise productivity, wealth and standards of living; and
4. Develop appropriate R&D capacity to support technology-based economic growth to address country specific social, economic, and ecological problems.

Furthermore, scientific innovation has a culturally transformative effect. By shifting traditional social relationships and exposing greater number of people to technology, scientific innovation creates a “culture of science.” Instilling a society with a culture of science involves valuing openness and the sharing of information, encouraging criticism and investigation, and broadening access to education for all people including women.

Converting the R&D system for many countries will entail numerous structural and organization reforms in the way R&D is performed. Modern science tends to function best when (i) research is linked to teaching, (ii) scientists and engineers from different disciplines collaborate in

² Calestous Juma; Lee Yee-Cheong; United Nations Millennium Project Task Force on Science, Technology and Innovation. United Nations Development Programme 2005.

³ Eight goals articulated at the United Nations Millennium Summit that guide UN development policy, September 2000.

⁴ *Id at 44.*

problem-solving teams, rather than working alone, (iii) there are no distinctions made between basic and applied research; and (iv) there are close linkages between research scientists and business enterprises.

b. National Innovation Systems

What is innovation? Innovation is the creation, diffusion and use of new ideas and technological advances in an economy, and can take the form of new products, new production processes, new markets and new organizations. Because innovation is so important to progressing national economies, governments have created agencies and enacted laws designed to directly influence the level of domestic innovation. Such agencies, laws and policies are referred collectively as a "national innovation system" (NIS).⁵

Innovation systems set out to establish how resources are organized for the discovery, creation, development and economically productive application of new technologies. Components of an NIS include a country's government policy-making infrastructure, university and government laboratory system, tax laws, and intellectual property laws, among others.⁶ This framework creates an environment where innovation can thrive.

The level of innovation within a country is influenced by many factors thereby creating an extremely dynamic system. Countries have devised a plethora of strategies to encourage innovation, and no two systems are identical. Ultimately, the goal of an innovation system is to spur technological innovation and ensure that the innovation makes its way into economic production being adopted and used by private firms.

Innovation is the result of research and development (R&D), and investment in R&D must occur in both the public as well as private realms. Sound innovation systems strike a balance between encouraging public innovation and private R&D by not relying too heavily on one over the other. For the system to optimally function, both sides must be allowed the flexibility to structure licensing and research agreements, and to freely share technology and knowledge. Such public to private transfers of technology and knowledge are critical for taking an innovation or new technology and turning it into a marketable product.

Crucial for innovation is the interaction among various organizations and firms, often sharing knowledge, technology, facilities, and even researchers. Firms often cannot innovate alone; firms innovate in an interaction with customers, suppliers, other knowledge-oriented enterprises, universities, and sometimes even with competitors. This interaction between research organizations and private firms is important to the health of the overall "system" of innovation.

The NIS approach is based on finding research solutions to particular societal and market needs. These needs are better identified when there are stronger local connections between the

⁵ See, Richard R. Nelson, Editor, *National Innovation Systems: A Comparative Analysis*, Oxford University Press, 1993

⁶ Björn Johnson and Bengt-Åke Lundvall, "National Systems of Innovation and Economic Development," in Mammo Muchie, Perter Gammeltoft and Bengt-Åke Lundvall, *Putting Africa First, the Making of African Innovation Systems*. Aalborg University Press, Aalborg Denmark, 2003

innovating researchers and those who identify needs and stand to benefit in the market. Therefore, an essential and often overlooked component of the NIS is the local linkages between innovators and between innovators and industry. Whether these linkages are between private entities or are public-private interactions, such linkages must be rigorously encouraged to create a healthy and strong NIS. Of particular importance is activating public-private linkage, and transferring technological advances for commercialization.

c. Role of the Research Universities in the National Innovation System

For a country to successfully build a knowledge economy there must be a critical mass of human capital with advanced education and skills. Today, the majority of technological innovations are made by those with substantial education in science or technology. A framework to build capacity in science, technology and innovation should not overlook the necessity of investing in science and technology education. Furthermore, the reduction of inventions to commercial applications also requires skilled entrepreneurs. Developing countries need to devote resources to help young people receive this level of education.

Furthermore, universities are hotbeds of creative talent that can be tapped for entrepreneurial activities. Interactions with the surrounding community allow the university to gain direct knowledge regarding unmet social needs, some of which could be addressed through research and development activities. Universities also partner with industry to conduct collaborative R&D; create spin-off firms, participate in capital formation projects such as technology parks and business incubator facilities; introduce into their curricula entrepreneurial training and internships; and encourage students to take research from the university to firms.

Higher education is more important than ever for training and retaining talented and creative young people in developing countries. This change reflects today's international climate of access to education and a global economy that rewards technological expertise. Universities must shift their curricula and adjust their pedagogy to train and keep their best scientific talent, and provide this talent with opportunities to participate in collaborative research and engage in entrepreneurial endeavors. National development plans need to promote increasing links between universities, industry and the government. These adjustments then will impact the entire national innovation system, including private firms, R&D institutes, and government entities.

Encouraging public-private technology transfer is an important component of all innovation policies and can be especially crucial for developing countries. Universities do not often possess the expertise, resources or incentives to convert technological innovations to market-ready products. Private industry is best suited for this risky endeavor.

The greater involvement of the university in its external environment should be seen as an addition to its traditional task of knowledge and training high-level workers. Interacting with the external environment means that universities have begun to have a more entrepreneurial orientation, and connections with the external environment will drive research. Market-driven university research ensures that local needs are addressed through technology, thus having a greater impact on regional development.

Forming cooperative research agreements between universities and private industry will further ensure that research is relevant to the greater community. It is important to understand that industry and the university exist for different purposes – companies exist to make a profit, universities exist to generate and transfer knowledge and conduct research. However, a symbiotic growth of the two bodies can be complimentary – namely in conducting research. Such external interactions between university researchers and private industry are essential components of any national innovation system.

II. Technology Transfer and Intellectual Property Rights

Technology transfer is the process of transferring scientific findings from one organization to another for the purpose of further development and commercialization...The process typically includes identifying new technologies, protecting technologies through patents and copyrights, forming development and commercialization strategies such as marketing and licensing to existing private sector companies or creating new start-up companies based on the technology.⁷

Technology Transfer is important for publicly-funded research institutions. Not only is the transfer of technology good for generating money by licensing inventions made by university scientists but also to demonstrate the relevance of the research projects to local and national development. Technology transfer helps to create new jobs through spin-off companies, contribute to the modernizing industries and facilitates cooperative projects.

In order to use emerging technologies as a tool for economic development, developing countries must provide strong legal protection for new innovations, and encourage the sharing of new technology for the purpose of commercialization. Strong intellectual property laws provide scientists and researchers with the incentive to engage in important developmental activities while ensuring the creativity that goes into innovation is not a wasted activity. Scientists and researchers can gain economic benefits by licensing their protected inventions and innovations or by developing and marketing their patented products on their own.

In short, the role of the technology transfer system is to facilitate cooperation between technology developers. This cooperation is mediated through formal business partnerships between government, non-profit, and private sector actors. Such partnerships greatly depend on clear and enforceable property rights. Technology transfer is an essential component of any national innovation strategy, but what defines an effective transfer system? The hallmarks of a successful technology transfer system are scientific cooperation, business partnerships, and unambiguous property rights.

a. Cooperation, Partnership and Intellectual Property Rights

Firm competition may be the dominant force behind market efficiency when dealing in mature commodities, but the highest-technology industries demand a different paradigm. In these

⁷ The Association of University Technology Managers (AUTM), definition of technology transfer at <http://www.autm.net/aboutTT/index.cfm>, last accessed 05 February 2007.

markets, overwhelming uncertainty and volatility associated with product development make it advantageous to spread out risk. In many cases, this means breaking up the technology development process into stages, where different actors develop discoveries at different steps along the way to commercialization according to their industry niche.

Before an innovation makes it to market, R&D must occur at several levels including illuminating the mechanism of action, scope, and safety of a technology. Firm specialization at different stages of product development is an effective way to spread out individual risk without diminishing the overall returns of investment. Thus, building strong horizontal linkages between developers is an integral part of constructing effective technology transfer infrastructure. The earliest stage of technology development is basic research, and at this stage it is usually unclear whether a discovery can become a viable commercial product or not. Further investment is required to answer that question.

To use the US system as an example, large public research institutions often perform basic research (the most risky stage of product development), then share technology with private companies who complete R&D associated with downstream development. The mechanism of sharing is usually through formally negotiated licensing agreements. In such a case, public research institutions and private industry are horizontally associated in product development as business partners in a sense. However, the exact configuration of the partnerships takes different forms; downstream developers can be large established firms or venture-financed start-ups.

These partnerships are founded on economic trust built on strong laws, and clearly defined property rights. Upstream innovators are comfortable releasing investments to multiple parties when they can be sure that the commercial benefit of their contribution will be accordingly appropriated. All partnerships benefit from the same intellectual property infrastructure for technology transfer as the archetypal university-private industry partnership, namely an effective and transparent intellectual property rights system. They can ensure this commercial benefit through the acquisition of intellectual property tools, particularly patents.

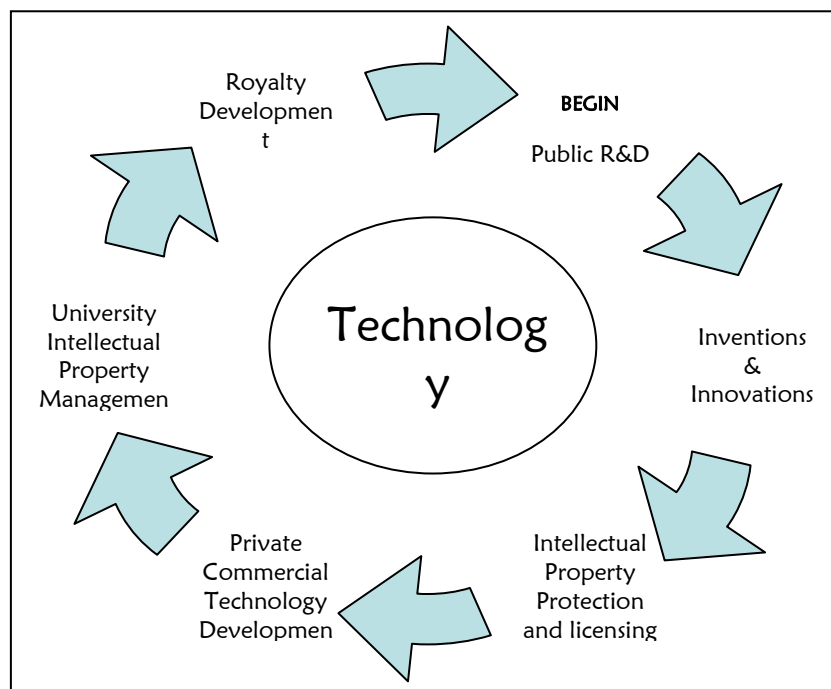
No firm can afford to pay the costs of performing research and development if the benefits of the research accrue as much in its competitors as to itself. Firms that have a proprietary position that enables them to recover the investment of R&D funds then can engage in more research. This proprietary position is generally achieved through the granting of a patent, a government granted limited monopoly on inventions that meet a legally defined set of parameters.

Developing countries aspiring to compete in the global marketplace must ensure adequate intellectual property protection for their scientists' creative output. Of concern is becoming fully compliant with the World Trade Organization's agreement on Trade Related Aspects of Intellectual Property (TRIPS) as early as possible to encourage inflows of investment from other countries. Many developing countries have become TRIPS compliant and have experienced economic benefits because of it. Between 1988 and 1995, nearly \$425 billion worth of new factories, supplies, and equipment were invested in developing countries.⁸ Intellectual property is a catalyst social, cultural, and techno-economic development.

⁸ Imam, Ali M., *How Patent Protection Helps Developing Countries*, 33 American Intellectual Property Law Association Quarterly Journal 377 (2005).

Patents are the most powerful instruments of intellectual property with regard to technology transfer. Awarded in return for public disclosure, patents are temporary exclusivity rights granted to innovators. To qualify for a patent an invention must be novel, must make some claim of defined utility, and must involve an inventive step rendering the discovery “non-obvious”. The patent instrument provides inventors with a means of exploiting their inventions for economic return for a period of 20 years.

Providing exclusivity rights to the inventor cures what economists call “the appropriation dilemma” of innovation—a market failure that results in underinvestment in technology development. Without strong intellectual property rights, investors lack private incentives to innovate since they cannot prevent market mimicry; once an idea is hatched, the marginal costs of diffusing the idea are extremely low and thus society benefits tremendously but the innovator cannot capture rewards. The profit incentive for investment is the *ex ante* (pre-invention) rationale for awarding IPR to innovators. Failing to provide this incentive results in an aggregate failure to reach the maximum efficiency or Pareto Optimum volume of investment, and society loses valuable innovative power.



Furthermore, lacking strong IPR introduces inefficiency in the *ex post* (post invention) stage as well. Well-established and defined property rights are necessary to reduce unnecessary transaction costs associated with litigation and enforcement uncertainty. These costs divert resources away from critical R&D activities, and reduce the value of patents. The more efficient the IPR regime in delineating grant and ownership rules, the lower the likelihood spurious litigation and piracy.

Figure 1 Technology Lifecycle –technology transfer and commercialization

b. University Technology Transfer

Universities are institutions of learning and scientific progress. The main function of the University will always be education and primary research and inquiry; however, technology transfer and technology commercialization can support the university’s mission. Technology transfer in universities is not a new concept; universities have always transferred technology through methods such as publications, student education and professor consulting. Technology

transfer through intellectual property and know-how licensing adds a new dimension to student education and research opportunities for both professors and students.

Public research institutes, including government laboratories and public research universities, use technology transfer offices (TTO), to provide access to technology to outside entities. The role of a TTO is to facilitate university interrelation with the other two agents of the innovation systems: industries and government. Many countries undertake policy initiatives in an attempt to stimulate research partnerships between industry and publicly-funded research universities. Such initiatives intend to increase the rate of utilization and transfer of knowledge to the private sector. A number of mechanisms promote such partnerships including the creation of science parks, encouraging joint research and joint ventures, and new business incubators.

In order for publicly funded university research to be a formal part of the technology transfer system, universities must have the ability to acquire formal property rights on their discoveries from that research. In the US, the statute providing for university ownership of intellectual property is the Bayh-Dole Act of 1980 (discussed further infra).⁹ Bayh-Dole fundamentally changed the relationship between public and private research, creating an environment where the two work together synergistically for the production of new technology.

The Bayh-Dole Act specified that universities retained ownership rights of the intellectual property rights (IPRs) on research results obtained using public funds. This Act of Congress is widely believed to have spurred a sharp rise in patenting activity in United States academic institutions. In an attempt to replicate this result, many countries, developed and developing, have begun to design innovation legislation that encourages more university-industry linkages.

Greater contact between public research and private industry is advantageous. Industries have an interest in gaining first – occasionally exclusive – access to new basic research, and also in sponsoring research on targeted issues and recruiting key scientific personnel. For universities, the main incentive is financial, with applied commercial research being a way to attract business research funding and, if successful, licensing income. However, for universities new organizational burdens came along with Bayh-Dole. The number of TTOs at US universities has increased considerably in the last 25 years, and the structures have changed significantly as well.

c. Promoting Stronger University – Industry Linkages

The association between university, industry and government constitutes one of the best ways to establish a link between technology and economic development. The system established by creating these public university/industry linkages exploits the complementarities between the agents: universities, as producers of the scientific and technological knowledge; industries, as promoters of the development and innovation of new technologies; and the government, acting as regulator and promoter of such relationships. Healthy complementary interaction creates a balance between these agents providing stability to the system.

The transfer of technology is fundamentally a matter of the flow of human knowledge from one person to another. At the legal level, this transfer is often accomplished through licenses dealing

⁹ The Bayh-Dole Act is codified in United States Code: 35 U.S.C.

with the legal rights to use a particular technology in a particular context. However, at the human level, the expertise that went into the research is an essential element that is often overlooked or overly simplified. To best develop a technology, it is essential that the one who conducted the initial research be involved or available in the further development. Encouraging greater collaboration and greater linkages between the basic researchers and private industry contributes to competitiveness.

A starting point for enhancing the participation between university and industry is the TTO. TTOs were created with the objective to stimulate and to facilitate the interrelation with the two agents of the innovation systems: industries and government. Those universities that have a TTO generally assign them the duty of administrating all the services related to the management of intellectual property and licensing.

d. Innovation Policy Success: The United States Bayh-Dole Act of 1980

The United States, arguably the world leader in innovation, has a largely decentralized innovation system. There exists no explicit or overall innovation policy or a single bureaucracy charged with overseeing and managing the innovation system. Instead, there are several federal and state agencies possessing their own jurisdictions and agendas sponsoring their own innovation activities. The strength of the U.S. innovation system is widely regarded to be how quickly innovations are produced and then commercialized. This is due to the ability of the United States to publicly fund university and federal laboratory research; attract and train science and technology researchers; foster linkages between universities, federal laboratories and the private sector; grant intellectual property rights that provide incentives for the commercialization of innovations; and have a strong investment in research and development in the private sector.

Although no over-arching innovation policy exists for the United States, several pieces of legislation were passed that encourages innovative activity. One such piece of legislation is the Bayh-Dole Act.¹⁰ The Bayh-Dole Act of 1980 set the groundwork for public-private partnerships in science and technology by allowing universities and businesses operating with federal contracts to have exclusive control in most cases over the intellectual property that is developed. Since then other legislation has further encouraged such partnerships. For instance, the Technology Transfer Commercialization Act of 2000 improved the ability of federal agencies to license federally owned inventions to the private sector.¹¹

The Bayh-Dole Act has proven to be the catalyst for a major transformation within the United States Innovation System. While it has long been realized that basic research in the United States universities and federal laboratories has supported technological innovation in the private sector by expanding our knowledge base, it was also eventually realized that their research could contribute more directly to economic growth. It was reasoned this could be done by making more effective use of the inventions universities and federal laboratories were producing. To do this, policy makers eventually passed the Bayh-Dole Act which gave public research organizations like universities the option to claim the intellectual property rights in the inventions their researchers came up with while conducting federally sponsored research.

¹⁰ See note 9 supra

¹¹ The Stevenson-Wydler Technology Innovation Act, 15 U.S.C. 3710 (1980)

Since the 1950's, research conducted in United States universities and federal laboratories has been well funded by the government. Prior to 1980, intellectual property stemming from federally sponsored research remained the property of the United States federal government and was managed by the funding department or agency (i.e., Department of Energy, National Institute of Health, etc.). At the time, the federal government employed a liberal policy pertaining to the licensing of these inventions – that is, all patents owned by the federal government were considered a public resource and thus were freely available to any company who wanted to license the invention. This proved to have a dismal impact on the economic usefulness of these patents. As noted above, there is often a need to develop an invention to a point of commercial practicality – which requires time and money. And, also mentioned above, private companies are generally not willing to make such necessary investments if their competitors could easily free-ride on their efforts and license the same technology. Because of this policy, prior to 1980 less than 1% of all patents owned by the federal government were ever successfully licensed.

The Bayh-Dole Act effectively changed the rules pertaining to federally funded research. Under Bayh-Dole, universities and federal laboratories are given the option to seek patent protection and own the subsequent rights to the patent for any inventions made by university researchers, created in the course of federally funded research. There were only two major conditions imposed upon public research organizations for the right to claim patent ownership over such inventions: 1) they could not transfer ownership of the patents to other entities (but they could license use of the patents) and 2) in the event of successful commercialization of the new technology, researchers involved in creating the invention would have to be compensated.

The effect of Bayh-Dole was to transform universities into a much more economic productive part of the United States innovation system. As an indication of the success of Bayh-Dole in actually transferring new technologies into the private sector, we can look to licensing data. According to the yearly survey conducted by the Association of University Technology Managers (AUTM), the total number of cumulative active licenses between universities and private companies has risen from about 7,200 in 1992, to 27,322 in 2004.¹² During this period, the average number of licenses executed per university rose from 13.4 to 21.3 licenses.¹³ Additionally, we can also look to start-up companies begun as a result of technology transfer of an academic discovery. In 1992, 156 start-up companies were formed, based around university technologies, in 2003 that number was 374; while in 2004, the number of new start-up companies based on an academic discover rose to 462. Further, university start-up companies enjoy a favorable success rate, as 70% of all university start-up companies formed since 1992 are still in existence today.¹⁴

Inventions developed at these public research organizations have greatly supported the emergence of biotechnologies and information & communications technologies, and are poised to support emerging technologies such as nanotechnology. The economic impact of the licensing

¹² AUTM U.S. Licensing Survey: FY2004, available at <http://www.autm.net/events/File/04AUTMSurveySum-USpublic.pdf>. Last visited 26 March 2007.

¹³ *Id*

¹⁴ *Id.*

and commercialization of these university developed technologies, though difficult to measure, has been huge particularly for those regions with a concentration of public research organizations. Early attempts to estimate the economic impact of technology transfer placed the direct contribution of technology transfer at 428 billion in 1998.

The Bayh-Dole Act was clearly successful in increasing the economic usefulness of inventions developed in public research organizations by changing a specific characteristic of the United States' innovation system; The Act altered ownership of intellectual property rights in federally funded research. However, of even greater value to the innovation system were the indirect changes to the United States innovation system spurred by Bayh-Dole.

As a result of Bayh-Dole, entrepreneurialism has taken on a larger role in the public research community. Prior to Bayh-Dole, there was almost consensus among researchers and academics that the results of publicly funded research should be made freely available to the public and its application not hindered by intellectual property rights. Further, many researchers felt that any commercial application of their work would somehow "taint" their work and force academics to become beholden to the will of the private sector. In the post-Bayh-Dole world, this notion has steadily declined among researchers in public research organizations, and especially among university student researchers. This cultural change among researchers has opened the door to technology entrepreneurialism, evidenced by the increased numbers of technology start-up companies in the United States over the last 15-20 years. Further, many of today's leading research universities and business schools have incorporated courses and even degree programs on technology commercialization and entrepreneurialism.

Another important way Bayh-Dole encouraged far reaching change in the United States innovation system was by facilitating greater and fuller linkages between different segments of the innovation system, specifically between public research organizations and private firms. The process of technology transfer necessarily calls for greater ties between public research organizations and the private sector – sometimes these ties are initiated by technology transfer offices in the attempt to license technologies, and other times they are initiated by the private firm interested in licensing a new technology developed by a public research organization. In either case, when private firms do license technologies from universities, they often not only license a patent but they also contract for further development support of the technology from researchers involved with the invention. This has led to both stronger research partnerships and closer alignment of goals between the public and private sector.

Over the last several decades due to the perceived strength of the United States NIS model, national innovation policies of many countries are trending toward more decentralized structures. Developed countries are following the U.S. model and starting to focus on local and regional research and development interconnections; a trend being imitated by many developing nations. Generally, countries set up laws and policies designed to encourage scientific research and commercial development of innovations. Through a country's NIS, the government hopes to provide incentives that will spur socially- and economically-important innovations. One key component of any NIS is the encouragement of unencumbered technology transfer and licensing.

Major provisions of the Bayh – Dole Act (1980)

1. Non-profits, universities, and small businesses may retain title to innovations developed under federally-funded research programs.
2. Universities are encouraged to collaborate with commercial firms to promote the utilization of inventions arising from federal funding
3. Universities are expected to file patents on inventions they elect to own
4. Universities are expected to give licensing preference to small businesses
5. The government retains a non-exclusive license to practice the patent throughout the world
6. The government retains march-in rights.
7. The Bayh-Dole Act encourages universities to participate in technology transfer activities.

Box 1 United States Bayh-Dole Act

e. Model Technology Transfer Office

The technology transfer office (TTO) is an institutional mechanism created with the purpose of encouraging interaction between the university and private sector institutions, companies, and the government. The creation of a TTO derives from the necessity to improve the effectiveness of university performance in order to more efficiently commercialize innovations, promote local economic development, and possibly respond to socially significant needs such as battling local disease. Through research results, transfer and licensing of proprietary technologies and knowledge, universities in emerging economies can contribute significantly to the social well-being.

The Organization of Economic Co-operation and Development (OECD) expresses the concept of a TTO:

Technology transfer or technology licensing offices are those organizations or parts of an organization which help the staff at public research organizations to identify and manage the organization's intellectual assets, including protecting intellectual property and transferring or licensing rights to other parties to enhance prospects for further development. A public research organization may have a single centralized TTO, it may have several TTOs associated with it (e.g. for different school or departments), or it may outsource to an external TTO which has several clients organizations”¹⁵

Most TTOs are young, having an average of 12 years in the United States, and less than 10 in European countries.¹⁶ The OECD definition of a TTO points out that the main activity of the

¹⁵ OECD, *Turning Science into Business: Patenting and Licensing at Public Research Organizations*, OECD Publishing 29 May 2003.

¹⁶ *Id.*

TTO is intellectual property and activities related to its disclosure, protection and licensing. This definition however, could be more focused and defined. TTOs deal with every stage of technology transfer from invention disclosure to patent licensing, and then take on business decisions. It can take several years, after a technology is legally protected, until the university receives royalties (income obtained by the sale of products) originated by the licensed technology, if ever (revenue is never guaranteed).

There are a number of purposes that university TTOs serve, and no two offices are identical. Considering technology transfer as a process, Friedman and Silberman (2003), define it as a “process whereby invention or intellectual property from academic research is licensed or conveyed through use rights to a for-profit entity and eventually commercialized.”¹⁷ Seigel argues, “the primary motive of the TTO is to protect and market the university’s intellectual property. Secondary motives include promoting technological diffusion and securing additional research funding for the university, via royalties, licensing fees, and sponsored research agreements.”¹⁸ This is probably the most common prioritization of goals, but by no means monolithic. Some TTOs have explicit missions of income generation while others focus on economic development. In all cases, the setting up of a TTO requires a close plan examining the needs of the university, the needs of the community, and what resources are available.

TTOs range in form with some being internal to a university or department, while others have been set-up as external separate agencies working on behalf of the university. In either way, it is wise to remember that it is rare for a TTO to be self-funded through royalties. As was mentioned above, the technology commercialization process can take years, and a license may never generate substantial royalties. However, the potential benefits from a few successes can have an enormous impact on local and national economies, and therefore university technology transfer infrastructure must be set. Without a TTO to promote and actively pursue licensing opportunities, important and potentially valuable innovations will languish on the shelf.

Regardless of the structure chosen for the TTO, several essential things must be considered. One of the first things to consider is how large of an office is needed and what mix of professionals will be needed. Taking into account various skills and expertise required, there should be a mixture of business and researcher related knowledge on hand. This could take the form of having university researchers participate as TTO board members or in some capacity as committee members, while bringing in full-time business managers for administration.

A second consideration is hiring General Counsel—will it be in-house or contracted through a local firm specializing in intellectual property matters? There should at least be one person with experience in intellectual property, licensing and contracts that can ensure the university complies with all national and local laws and regulations. In-house General Counsel is not absolutely necessary, but having counsel in-house allows this person to have greater access and knowledge of the overall TTO strategy, opportunities and goals.

¹⁷ Friedman, J., Silberman, J., 2003. University Technology Transfer: Do Incentives, Management and Location Matter? *Journal of Technology Transfer*, 28, 17-30.

¹⁸ Siegel, Donald et al., 2003. Assessing the Impact of Organizational Practices on the Relative Productivity of University Technology Transfer Offices: an Exploratory Study. *Research Policy*, Volume 32, Issue 1, 27-48.

A third consideration is how to measure success. As is mentioned above, TTOs rarely become self-sufficient. With planning, reasonable and manageable expectations can be formulated, and appropriate benchmarks and metrics can be implemented. When first implementing a TTO, the budget and success metrics are considered and how to measure success is discussed. Knowing the TTO strategy is essential, and measuring success at the very beginning is different than measuring success later once the TTO has been established for some time.

III. Brazil

Innovation is our lifeblood, and Brazil's decision to pass an Innovation Law that incentivizes and facilitates scientific and technological research and partnerships sent an important message to companies like mine who already invest in Brazil and see enormous potential. Brazil can and should capitalize on the law, both by encouraging the sorts of partnerships and technology transfers that the law envisions, while simultaneously strengthening the basic enabling conditions for innovation: rule of law, respect for intellectual property rights, free and open markets, and efficient and effective regulatory systems.¹⁹

Brazil is developing its innovation system to become Latin America's leading research center for new technology and innovation. By subtly shifting its NIS from a centrally controlled hierarchical structure to an increasingly decentralized system, Brazil is encouraging local connections to be made for research, but there is still a ways to go to design a system as interconnected as are more developed systems. Brazilian reforms of recent years are creating an innovation system modeled on the American paradigm: subsidize research; provide intellectual property incentives; encourage public-private cooperation toward technology commercialization.

Historically, direct federal government support to certain industries was how major innovation was funded. Direct support issued through "sectoral funds," were directed to specific internationally competitive industries such as aviation. Because of these funds, the private sector R&D efforts relied predominantly on large firms within a handful of industry sectors. This paradigm is currently shifting, but it will take time.

Brazil's NIS is complex and split between federal, state and municipal players. Funding for public research comes from both Federal and State sources. More coordination between the federal and state science and technology agencies is being fostered, but states are largely able to determine their own funding strategies for state public universities. Greater resources and control over research funding decisions are being devolved to the state or regional governments rather than being controlled centrally.

One of the most important factors affecting an innovation system is the level of funding invested in the system itself. In Brazil, overall research funding has only risen from 0.7% of GDP to a disappointingly 1.0% in 2005.²⁰ Furthermore, nearly 60% of R&D activity is carried out and financed by the government, with nearly 70% of that going to universities and research institutions.²¹ Brazil should make an effort to encourage more private R&D; however, with such a share of research funding going to universities, fostering public-private technology transfer is imperative.

¹⁹ Grey Warner, Senior Vice President for Latin America at Merck & Co., Inc. Quoted in press release for Movimento Brasil Competitivo, Mechanisms of Innovation and Competitiveness, 6 July 2006. Located at <http://www.compete.org/gi/pdf/MBCPressRelease.pdf> [last accessed 20 February 2007].

²⁰ Organization for Economic Cooperation and Development Economic Survey Brazil, 2006. OECD 2006.

²¹ *Id.*

More private industry investment in R&D must be encouraged in order for Brazil to strike a balance between private and public investment in R&D. While there are a growing number of technologically savvy small and medium sized businesses in Brazil, many do not invest heavily in innovation and few export their goods to the global market. Overall, industry investments represent around 30% of the total Brazilian R&D investment.²² While Brazil is a leader in South America in R&D investment, nearly all of the scientific innovations occur in the public sector. Furthermore, Brazil's public innovation funding is concentrated geographically. São Paulo, probably the most innovative region in Brazil, receives a significant share of the public funding where large research universities are based.

There are a number of government organizations that directly promote and fund research and development, such as the National Council for Scientific and Technological Development (CNPq)²³ and the Financing Agency for Studies and Projects (FINEP).²⁴ Both CNPq and FINEP are part of the Ministry of Science and Technology (MCT). The objectives of the CNPq include the stimulation of science and technology and innovation, and in contributing to the formulation of national science and technology policy. CNPq has the objective of doubling the funding for R&D to 2% of GDP in the next few years.²⁵

The mission of FINEP is to encourage scientific and technological research in public and private institutions. Though, in theory, FINEP is a good program, the level of funding provided by FINEP is closely associated with the country's economic performance. In the economic downturns of the early 2000s, the level of funding provided by FINEP decreased, making long-term innovation resource planning extremely difficult for firms and universities that rely on the program.

Funding in Brazil does not entirely come from the federal government as states also play a critical role in funding R&D. Nearly all states have founded their own agencies for support of R&D, following the pioneering and highly successful example of São Paulo state. São Paulo has its own innovation institutions and funding system, such as the Fundação de Apoio à Pesquisa do Estado de São Paulo (FAPESP).²⁶ State-run universities had a distinct advantage over the federal universities because state-funding for scientific research did not carry as many restrictions regarding licensing as federal funding did. Therefore, state universities such as the University of Campinas in the state of São Paulo were able to create an environment where innovation has thrived.

Until recently, Brazil was economically fairly closed, relying on import substitution with little international competition in many industry sectors. Domestic competition between firms was contained to local competition and therefore did not face pressure to innovate. Both of the situations described above contributed to a poor environment for encouraging innovation. But what had been most devastating to the promotion of innovation were the restrictions imposed on technology transfer on research conducted under federal grants and the limited enforcement of

²² *Id.*

²³ <http://www.cnpq.br/>

²⁴ <http://www.finep.gov.br/>

²⁵ CITATION

²⁶ <http://www.fapesp.br/>

intellectual property rights. The restrictions on technology transfer included licensing to the government, which helped some industries like aerospace, but which have been harmful like the domestic information technology and computer industry which developed under import substitution and now faces heavy international competition from global competitors. Without an environment that promoted greater flexibility in licensing and technology transfer, the computer industry innovated at a much slower pace than global competitors.

Beginning in the latter half of the 1990s, Brazil began to implement schemes designed to foster greater public innovation and public-private technology transfer. However, universities and their scientists typically considered the university to be mainly a teaching institution shunning the greater contacts with private industry the government was trying to foster. This perception is changing, but is changing slowly. In July 2004, the Brazilian House of Congress passed the Innovation Law designed to reduce many of the barriers encountered regarding technology transfer and issues of IPR ownership.²⁷ Implementing legislation was recently enacted and it is too early to assess the law's impact.

a. Public Policy for Innovation – Brazil's Innovation Law

A recent development for the Brazilian innovation system is the passage of the Innovation Law. The aim of the Innovation Law is to create the legal framework needed to improve Brazil's capacity to generate and commercialize technology. The objective of the law was to address some of the issues that had led to poor commercialization of the R&D generated by Brazil's public institutions and universities. The Innovation Law has provisions regarding incentives for innovation and scientific research, and encourages public-private R&D cooperation by stating explicitly the following:

- Public researchers are allowed to take temporary leave from their public position in order to work for a private enterprise;
- Public research institutes may agree to share their laboratory facilities with private-sector enterprises;
- Public and private partners may specify by contract intellectual property rights ownership;
- The public research institute and its employees are obligated to protect trade secrets associated with their research;
- The public research institute is allowed to license a technology to a private enterprise;
- Public research institutes and private sector enterprises may enter into capital relationships for the purpose of R&D partnerships;
- Individual researchers are allowed to share in the economic returns associated with successful commercialization;
- Development agencies are strongly encouraged provide financial and human resource assistance in support of private sector R&D.

²⁷ Brazilian Law No. 10,973

This new law confronts some of the major institutional problems that have weakened technology commercialization in Brazil. Prior to this law, public research institutions, including public universities, had to undertake a public bidding process for technology licensing. Now they only need to public a “request for licensees” in order to transfer or license their technologies.²⁸ This will accelerate the process of licensing by these institutions and should improve the commercialization of innovations.

For Brazilian researchers employed by public institutions, the new Innovation Law strengthens the innovative environment by providing incentives to establish research and development partnerships. Researchers will have the option to work in other institutions for the time necessary to conclude joint-projects while continuing to receive their regular salaries. Furthermore, researchers will be allowed to request special leave without pay if they decide to become involved with a “start-up” company in order to develop and commercialize their new technologies. Benefits from the commercialization of intellectual property are expected to be shared among researchers, the public institutions and private firms. This is expected to stimulate collaboration between academic institutions and industry.

The Innovation Law also requires universities to create “Offices of Technology Innovation” designed to handle the management of the technology generated by researchers particularly with regard to decisions about intellectual property licensing.²⁹

b. Intellectual Property Laws

Like many aspects of its NIS and innovation policy, Brazil’s intellectual property rights regime is above average as compared to Latin America and far behind the industrial countries. The Brazilian IPR institutions are slow to process patent applications and even slower to enforce IP laws. Additionally, for international corporations possessing foreign patents, importers were required to pay a licensing fee if there is no local production involved with the product. This has encouraged of increased foreign direct investment in local production facilities, but has limited foreign patent holders.

Brazil has made several key moves in bringing their intellectual property laws up to international standards. As part of this overhaul, Brazil implemented a grace period for inventors to file patents; the inventor has a 12-month period to file for patent protection after the invention was made, during which time the inventor may seek financial partners to pursue commercialization of the technology.

Further, Brazil has adopted a number of measures clarifying the rights and obligations attached to intellectual property developed by university researchers in the courts of research.³⁰ As a general principle, researchers are treated as employees of universities and their research products as property of the universities. Researchers are entitled to a bonus for inventions that are

²⁸ *Id.*

²⁹ *Id.*

³⁰ Claudia Ines Chamas, *Management of Intangible assets at Brazilian University*, presented at the DRUID Summer Conference on Industrial Dynamics of the New and Old Economy – Who is Embracing Who?, Copenhagen, Sweden (June 6-8, 2002).

successfully commercialized but which does not exceed one-third of the total value of the commercialized product. The Ministry of Science and Technology (MCT) has published a number of guidelines for universities and other bodies concerning distribution of funds arising from commercialization, patenting expenses, confidentiality clauses, and other topics. Further, the MCT provides research funding to universities that is contingent on the adoption of the institutional rules that follow the MCT guidelines.

Despite these efforts, IP policies at public-universities are not well defined, and the MCT has not enforced its funding conditions in universities. Out of nearly 150 universities, only a handful provides any kind of support to researchers interested in patenting their inventions. From 1990-1999, Brazil's universities submitted only 307 patent applications to the National Institute of Industrial Property, with over 60% of these coming from just two universities. Universities are plagued with a lack of financial resources to patent and engage in licensing, a lack of qualified personnel to facilitate technology transfer, and a lack of technical knowledge, both in licensing strategies and international patenting.

Despite some of the weaknesses in the system outlined above, there are a number of successes in university technology transfer where offices are forging industry connections. One such success is at the University of Campinas in the State of Sao Paulo, and its technology transfer office known as INOVA.

c. Technology Transfer at the University of Campinas – INOVA

To fortify the partnerships with companies, government agencies and other organizations of the society, creating opportunities so that activities of teaching and research can benefit from these interactions, contributing for the economic and social development of the Country³¹

Established in July 2003, the Innovation Agency of the State University of Campinas (INOVA) controls the technology transfer and technology development activities of the University of



Campinas. Since its 2003 inception, INOVA has signed 9 license agreements with private companies. The agreements provide for the commercialization of 22 technologies for a period between 10 and 15 years. By the fifth year of existence, UNICAMP projects to be managing 100 license agreements. In addition to these licenses, in 2005 alone, INNOVA submitted 66 patent requests to the National Institute of Industrial Property (INPI – Instituto Nacional da Propriedade Industrial).³²

Source: Inova website

³¹ Mission Statement of INOVA

³² All information from interviews and <http://www.inova.unicamp.br/site/06/index.php>

INDICATOR	2004	2005
Contracts / Agreements Negotiated	N/A	56
Contracts / Agreements Signed	46	41
Total Revenue from Contracts / Agreements Negotiated	N/D	R\$11,396,830 US\$5,180,377
Total Value of Contracts / Agreements Signed	R\$6,616,289 US\$3,007,404	R\$9,009,284 US\$4,095,129
Patents Filed	50	66
Software Protection Filed	12	9
Technology Start-ups Incubated	10	12
Technology Start-ups Successfully Graduated from Incubation Period	0	8
Partnership Workshops with Industry / Business Corporations	24	12
Staff of Inova Unicamp	33	49
Total Value of Inova Unicamp New Projects Financed	N/A	R\$3,900,000 US\$1,772,727

Table 1 – Selected Performance Indicators for INOVA

Such a performance by UNICAMP, in its short existence, emphasizes the importance of having such institutions. INOVA was created specifically to strengthen links between the university and the market, and has exceeded expectations. Now other universities in Brazil and elsewhere are looking to UNICAMP as a model. Furthermore, there is an initiative studying the possibility of creating an infrastructure at UNICAMP to support other universities as well as small and medium-sized companies, in areas relating to the management of intellectual property.

The office structure of INOVA includes 30 employees, including a director, part-time technology transfer agents, and students responsible for patent analysis and marketing analysis. INOVA does not have a lawyer dealing exclusively with IP issues, but the lawyer is mainly used in partnership development and at the incubator and technology park.

An illustrative list of the companies to which licenses have been granted include:

- **Cristália** – pharmaceutical industry. The 2 licensed patent applications cover anesthetics with controlled liberation.
- **Scitech** – surgery instruments industry. The 6 licensed patent applications present new formulations for stent coating for heart patients.
- **Usina São Francisco** – agribusiness industry. The licensed patent application describes a method for sugar cane processing and extraction of its sub products.
- **Diagnósticos Laboratoriais Especializados** – genetic analysis. The licensed patent application describes a method for genetic death detection.

- **Feldmann** – kits production. 1 licensed patent application was about kit formulation for genetic analysis.
- **TechFilter** – environmental treatment industry. The 8 patent applications licensed are concerned with environmental treatment.
- **Steviafarma** – food and drug industry. The licensed patent application describes a process for soy isoflavones extraction.

Negotiating a licensing agreement is a complex task. The model used by UNICAMP includes the development of the patented invention into a marketable product and the license to use the invention within the same agreement. Such terms are important to negotiate at the very beginning as it is difficult to negotiate these terms once a product with a commercial market and revenue expectations has been developed. UNICAMP generally negotiates royalties that vary between 2% and 7% based on the gross income or the net income. Each case and technology is unique. All contracts include royalty auditing in order to confirm if the sale results presented by the licensee are reflected accurately. Additionally, one-third of the royalties received by UNICAMP are distributed among the inventors, in order to promote new inventions and innovations.

In the short existence of INOVA, there have been several successful and potentially lucrative licenses. One such license is for an innovation in paint technology using nano-technology to improve white pigment (see box 2). Additionally, INOVA oversaw the licensing of a process for the extraction of isoflavones aglycones from soybeans – a chemical used for hormone replacement therapy and has indicated use for the treatment or prevention of osteoporosis, menopause symptoms, hypertension and blood clots associated with high cholesterol. A plan to enter the market with a product produced from the isoflavones is planned for March 2007.

INOVA Success Story: BIPHOR™ white pigment for paint

BIPHOR™ is a white pigment constituted of aluminum phosphate nano-particles. The patented product and process, jointly developed by Unicamp and Bunge, a multi-billion-dollar global company has the potential to substitute for the highly toxic Titanium Dioxide (TiO₂) presently the only white pigment used by water paints manufactures worldwide. The licensed patents were the result of a research group led by Unicamp's Prof. Fernando Galenbeck of the Chemistry Institute. The new pigment involves three Unicamp's patents and one patent shared by Bunge and Unicamp.

BIPHOR™ shows several advantages as compared to TiO₂: it is whiter, less costly, and is considered a green chemical that can be discarded with no harm to the environment, at the same time gives more quality and endurance to the paint coating.

Bunge estimates a total world market of US\$ 5 billion yearly for the white pigment. The company invested US\$ 1 million the 9 years in the joint product development with Unicamp and is the exclusive fully licensed user of the patents for 10 years. Bunge expects to conquer a market share of 10% in the next 5 years. Unicamp estimates its income from the 1.5% participation in the net sales of the product at US\$ 4,5 million/year. This income will be shared equally by Unicamp's central administration, its Chemistry Institute and the researchers/inventors.

Presently Bunge is producing samples in pilot plants of 1,000 tons/year, aiming to the commercial development of the new product. The company plan to build a new plant in Brazil that will reach a production between 100.000 and 200.000 tons/year.

Box 2 – INOVA Success

IV. Colombia

a. National Innovation System and Policies

The government agency responsible for scientific funding was created in 1968; the Instituto Colombiano para el Desarrollo de la Ciencia y la Tecnología (Colombian Institute for Scientific and Technological Development - COLCIENCIAS)³³ finances projects in basic and applied research.

Congress enacted Law 29 (1990) creating the National Science and Technology System and The National Science and Technology Council (SNCT). SNCT is the government agency responsible for establishing policies and coordinating science and technology activities. Law 29 also provided guidelines to promote scientific and technological knowledge and specified the entities and persons dedicated to these activities. Furthermore, Law 29 conditions the granting of the exemptions, tax deductions and other tax benefits to the technological and scientific activities that are recognized by law, with previous approval from COLCIENCIAS. In 1995, as a result of SNCT activities, the government created the “Sistema Nacional de Innovación” (National Innovation System), to integrate institutions, formulate and implement R&D as well of science and technology policies.

Under this institutional scheme, SNCT is responsible for coordinating and preparing policies and programs in scientific and technological development. SNCT seeks to modernize the economy, increase private sector investment in S&T and facilitate interaction among Colombia's research institutes, universities and companies. SNCT is composed of twelve programs or areas of work. Each program for its sector coordinates S&T planning, formulates policy, promotes funding and integrates the views of various advisory committees. Programs include areas such as agriculture, electronics, telecommunications and computer science, energy and mining, aquaculture, biotechnology and social sciences.

In addition, eleven Science and Technology Regional Commissions were created (now twenty-eight), classified by productive sector or area of science, serving as the pipeline for an increasing percentage of public funding for research. In the changes introduced since 1990, COLCIENCIAS was attached to the National Planning Department, *Departamento Nacional de Planeación*] (DNP)³⁴ and became the technical secretariat of the National Science and Technology Council.

Further policy changes occurred in 2000 when Congress enacted law 633 creating tax incentives for scientific and technological development. In 2001, Law 643 created the National Research Fund on Health and in 2003 COLCIENCIAS becomes part of CONPES Consejo de Política Económica y Social (Economic and Social Policy Council) which leads to the CONPES 3038, a national policy framework involving among others the following areas: (i) development and strengthening of the national capacity in science and technology; (ii) innovation, competitiveness and technological development; (iii) enhancement of the capacity to improve social services and

³³ www.colciencias.gov.co

³⁴ http://www.dnp.gov.co/paginas_detalle.aspx?idp=708

generate information about the situation of the country; (iv) generation of knowledge for sustainable development; and (v) economic integration.

Investment in Colombia's scientific and technological development, the size of the scientific community and its technological infrastructure are clearly inadequate for a country of its size and level of relative development. Public investment in this field is currently around 0.64% of GDP³⁵, an increase compare to 2001 which was 0.2% of GDP.³⁶ Colombia GDP in 2005 was 122.3 Billion USD³⁷. This is quite low when compared with the investment figures in industrialized countries (where investment levels range between 2% and 3.6% of GDP); it is even low in comparison with investment in some Latin American countries such as Chile (0.7% of GDP) where it approaches 1% of GDP. Spurred by the prospect of Free Trade Agreement with the United States and the strategic public policy named “Colombia 2019” (commemorating independence from Spain); political will is building to elevate investment up to 1.5 % of GDP. COLCIENCIAS investment budget in 2005 was approximately 37.4 million USD which was 16% higher compared to 2004.³⁸

While in Latin America and the Caribbean, the share of R&D performed by higher education institutions declined (1995 and 2003) Colombia was an exception.³⁹ Among the reasons behind this are an increase of the number of universities performing R&D from 15 in 1992 to 50 in 2006, increase on the number of research groups in universities from 400 to 2,000, and an increase on the number of individuals dedicate to R&D from 4,000 to more than 20,000 all in the same period of time. However, in the same period of time, the participation of the business sector in R&D actually fell by half.⁴⁰

In addition, despite significant improvement during the period of 1995 – 2003, the proportion of researchers in the total labour force of Colombia (0.2%) is significantly lower compared to the rest of Latin America and the Caribbean (0.6%).⁴¹ Above Colombia we found Argentina (1.6%), Chile (1.2%) and Uruguay (1.0%). The US and Finland, the proportion of researchers in the total labour force was 0.8% and 1.6% respectively per 1000 in 2003 (In Finland were 16 per 1000). Furthermore, in contrast to the regional pattern, the share of researchers employed in the business sector, which increased in countries such as Mexico and Brazil, in Colombia fell by almost 50 percent in Colombia.⁴²

Finally, Colombia High-technology exports, meaning products with high R&D intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery, were only 6% of total exports compared to 7% in 2001 and 2003.⁴³

³⁵ COLCIENCIAS

³⁶ UNESCO – Country profile http://www.uis.unesco.org/profiles/EN/GEN/countryProfile_en.aspx?code=1700

³⁷ World Development Indicators, April 2006, World Bank

³⁸ In average 1USD equal to 2,331 pesos in 2005

³⁹ Education, science and technology in Latin America and the Caribbean: a statistical compendium of indicators, Inter American Development Bank, 2006

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ World Bank

b. Colombia Intellectual Property Laws

Colombia protects IPR by a combination of international conventions, Andean Community (Ancom) decisions and national laws. The next are some the international and regional conventions:

- WIPO Convention, since May 1980
- Berne Convention (Literary and Artistic Works), since March 1988
- PCT (Patents), since February 2001
- Rome Convention (Performers, Producers of Phonograms and Broadcasting Organisations), since September 1976
- Geneva Convention (Unauthorized Duplication of Phonograms), since May 1994
- WCT (WIPO Copyright Treaty), since March 2002
- WPPT (WIPO Performances and Phonograms Treaty), since May 2
- TRIPS Agreement, since April 1995
- Andean Community since January 1993
- G-3 since January 1995
- UCC since March 1976
- UPOV since September 1996⁴⁴
- Inter-American Convention on Trademark and Commercial Protection, 1929
- International Convention for the Protection of New Plant Varieties, 1978
- Paris Convention on Protection of Industrial Property, 1995
- Pan-American Convention (Buenos Aires), 1910
- Inter-American Convention on the Rights of Authors, 1946
- International Treaty on the Registry of Audio-visual Works, 1989

Colombia, as a member State of the Andean Community⁴⁵ shares a common industrial property system with specific regulations on IP as well as institutions, for example the Andean Court of Justice.⁴⁶ The legal regime governing industrial property is contained in Andean Community Decision 486, regulated in Colombia by Decree 2591, of December 13, 2000 and the Single Circular Letter dated July 19, 2001 issued by the Superintendence of Industry and Trade (SIC).⁴⁷ Decision 486 maintains the previous term for patents at 20 years, with no extensions permitted. Anyone may apply for a compulsory licence if a patent is not worked within four years of application or three years after granting (whichever is later); if working is suspended for a year or does not satisfy local demands as to quality, quantity or price; or if the patentee is unwilling to enter into a licensing agreement on reasonable terms. The government may use

⁴⁴ WIPO

⁴⁵ Four-country free trade areas formerly know as the Andean Group; originally formed in 1969.

<http://www.comunidadandina.org/>

⁴⁶ This is the judicial body of the Andean Community, which is comprised of four Judges, each representing one of the Member Countries (Colombia, Ecuador, Bolivia and Peru), and has territorial jurisdiction in the four countries. The Court ensures the legality of Community provisions through nullity actions, interprets Andean Community laws to ensure that they are applied uniformly in the territories of the Member Countries, and settles disputes

⁴⁷ <http://www.sic.gov.co/propiedad/propiedad.php>

compulsory licensing in matters relating to public health, economic development or national security. Compulsory licences are never exclusive.

Industrial designs are now registered for ten years instead of eight, and identical terms are provided for utility models and integrated circuits. Trademarks are registered for ten years, with an indefinite number of ten-year renewals available if the trademark remains in use and maintains its distinctiveness. Trademarks must be registered with the Distinctive Signs division of the SIC. By registering a trademark or a slogan, the Superintendency grants the trademark or slogan holder the right to use it on an exclusive basis. Registration is subject to cancellation if not used within three years. Marks ineligible for protection include those confusingly similar to previously registered marks or involving generic indications and commonly used words. Decision 486 allows the holder of a well-known trademark to go directly to the SIC to request that the registration of a similar trademark in Colombia be cancelled without going through the courts, which expedites decisions.

In addition to invention patents, Decision 486 also addresses aspects of industrial designs, trademarks, appellations of origin, and unfair competition connected with industrial property. Other industrial property regulations are the Industrial Property Act of 1925, amended 1931; Commercial Code, 1972; Decree Law 1234, 1972; Law 170, 1994; Andean Community Decision 345 of 1993 and Andean Community Decision 391 of 1996. The SIC in January 2001 extended protection for industrial secrets and patents to ten years. On other matters, persons in the Andean Sub-region who have created or obtained a new variety of plant by applying scientific knowledge enjoy the exclusive right to produce and market that plant for a period of from fifteen to twenty-five years.⁴⁸

The protection of copyrights is regulated by Law 23 of 1982, Law 44 of 1993 and Decision 351 of the Cartagena Agreement and its regulatory decrees. Decision 351 establishes adequate and effective protection for authors and other holders of rights to works of intelligence in the literary, artistic, or scientific fields, whatever their type or form of expression and irrespective of their literary or artistic merit or purpose. Other Copyright laws are the Civil Code (Article 671), Law 23 of 1982 and Law 44 of 1993. Finally, Colombian and Andean Community legislation protects business secrets, with stringent penalties for violations

The Civil Courts are competent in litigation concerning intellectual property rights. The Council of State is in charge of the legal control of administrative acts concerning issues related to intellectual property, such as grants, refusals and cancellations.

Furthermore, as part of the IP chapter negotiated in the Free Trade Agreement with the United States (FTA), which is signed but yet to be ratified by each national Congress, Colombia shall ratify or accede to the following agreements by the date of entry into force of the FTA:

- The Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (1974);
- The Budapest Treaty on the International Recognition of the Deposit of Micro organisms for the Purposes of Patent Procedure (1977), as amended in 1980)
- The Trademark Law Treaty (1994);

⁴⁸ <http://www.comunidadandina.org/>

Finally, the Report of the Industry Trade Advisory Committee on Intellectual Property Rights (ITAC-15)⁴⁹ infers the FTA will encourage adopting tougher enforcement strategies and expanding IPR best practices protection. Among the best practices include the following provisions: provides for the restoration of patent terms to compensate for delays in granting the original patent; applies principle of “first-in-time, first-in-right” to trademarks and geographical indications, so that the first person who acquires a right to a trademark or geographical indication is the person who has the right to use it; provides rules for the liability of Internet Service Providers (ISPs) for copyright infringement, reflecting the balance struck in the U.S. Millennium Copyright Act between legitimate ISP activity and the infringement of copyrights.⁵⁰

c. Key Figures

	INVENTION PATENTED IN COLOMBIA							
	FILE				GRANTED			
	Residents	Non Residents	PCT	Total	Residents	Non Residents	PCT	Total
2004	71	132	1238	1441	11	283	0	295
2005	91	169	1501	1761	7	249	0	256
2006	141	133	1729	2003	10	206	7	223
	572	2878	5811	9261	79	2308	7	2395

	UTILITY MODEL					
	FILED			GRANTED		
	Residents	Non Residents	Total	Residents	Non Residents	Total
2004	144	9	153	40	7	53
2005	136	25	161	27	6	33
2006	220	11	231	35	19	54
	1090	101	1191	195	51	339

	INDUSTRIAL DESIGN					
	FILED			GRANTED		
	Residents	Non Residents	Total	Residents	Non Residents	Total
2004	157	210	367	57	129	186
2005	131	243	374	98	183	281
2006	137	319	456	65	177	242
	761	1530	2291	401	1541	1942

Source: Colombia Patent Office (Superintendencia de Industria y Comercio)

⁴⁹ http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Colombia_FTA/Reports/asset_upload_file605_9835.pdf

⁵⁰ Ibidem

d. Universidad de Antioquia – Leader on Innovation

Different organizations in Colombia have made great efforts and investments on research and development accomplishing good results. As was previously mentioned, in Colombia an increase of the number of universities performing R%D from 15 in 1992 to 50 in 2006, offers an interesting niche to study. Among them, Universidad de Antioquia (AU) has been identified as a leading organization because it has developed original policies and strategies to bring together Academia, Industry and the Government.

i. Brief History

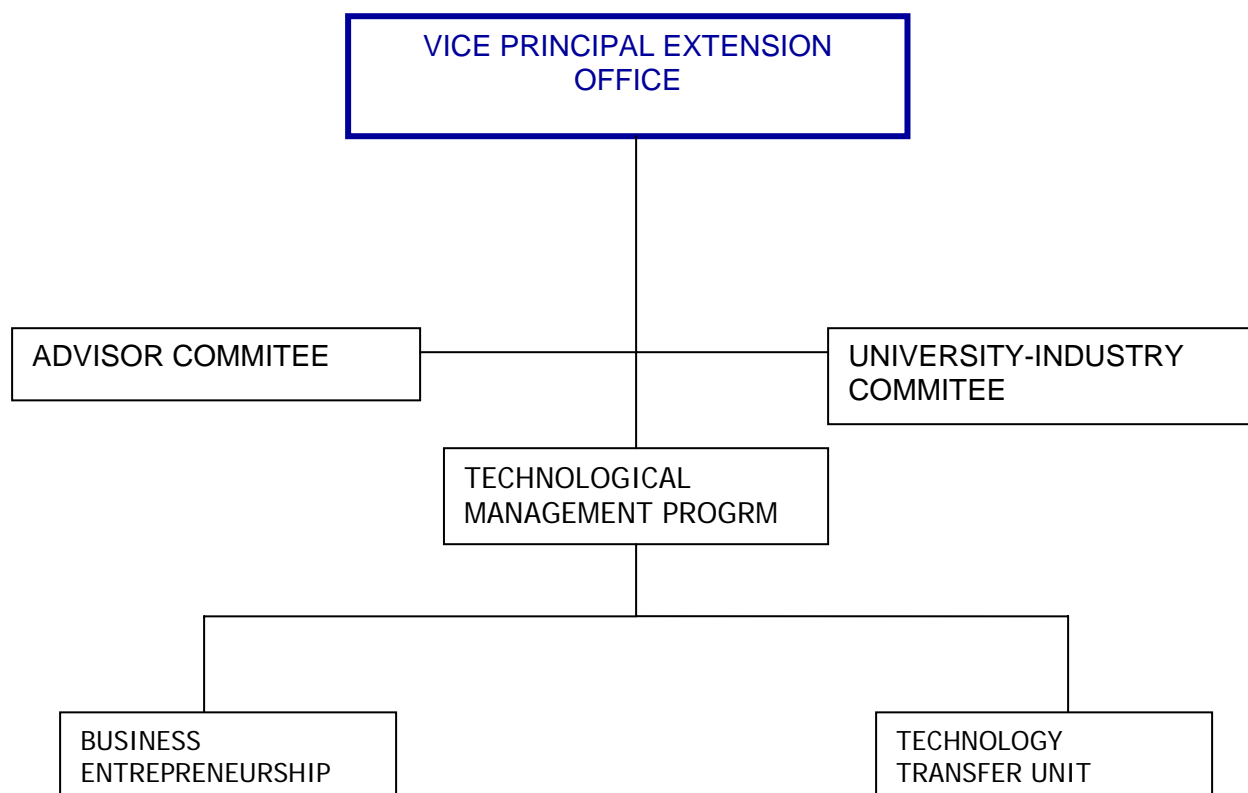
AU is the largest public university in the Department of Antioquia, Colombia. Funded in 1803, AU has 33,100 students, 68 undergraduate programs and 148 graduate programs. The University has 1,674 permanent professors and 3,172 visiting and adjunct professors. With its 164 research centers, all recognize by COLCIENCIAS, AU it's the number one university with "Category A" (93) research centers in Colombia.⁵¹

In 2000, AU realized the need of appointing a person solely in charge of supervising all R&D activities. By April of 2002, AU decided to create the "Programa de Gestion Tecnologica" or PGT (Technological Management Program assigned to the Virrectoria de Extension (Vice Principal Extension Office – see the flowchart below), with the responsibility of developing guidelines and managing policies on R&D activities. One of the PGT crucial functions is to act as a link between the University, Industry and Government in the region in order to identify and develop business partnerships. In other words, a new organization and strategy was created to change the traditional prevention between the public and private sector on R&D.



Sede de Investigaciones Universitarias – SIU (University R&D Headquarters)

⁵¹ COLCIENCIAS has classified three types of research centers. Category A, B, C. Category A is the highest ranked for research centers



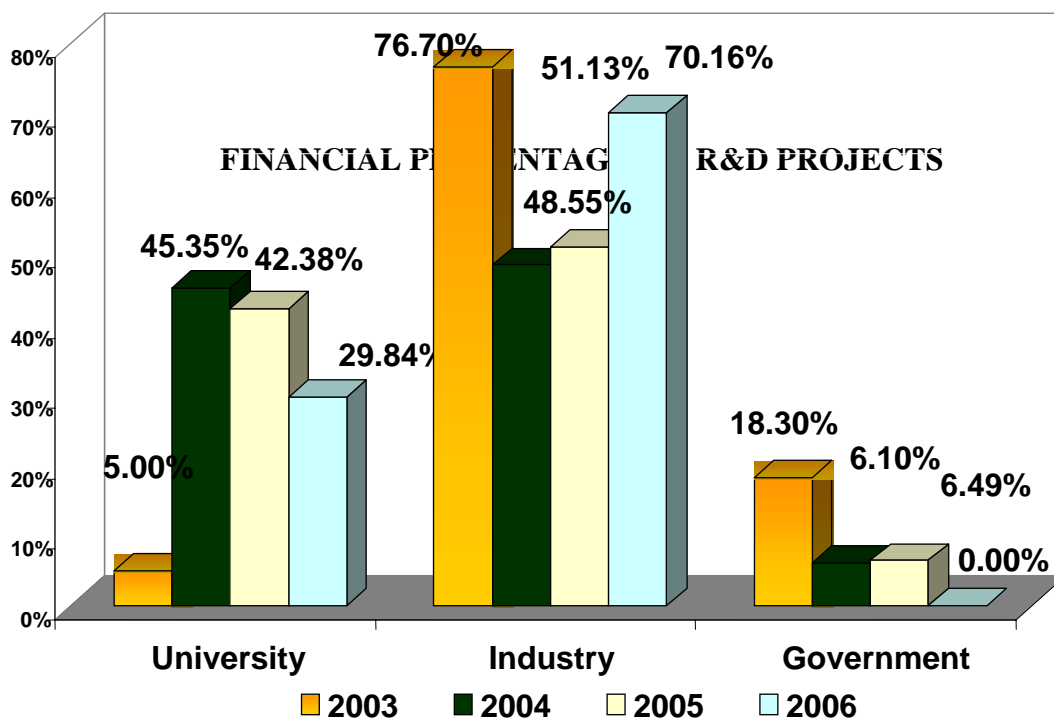
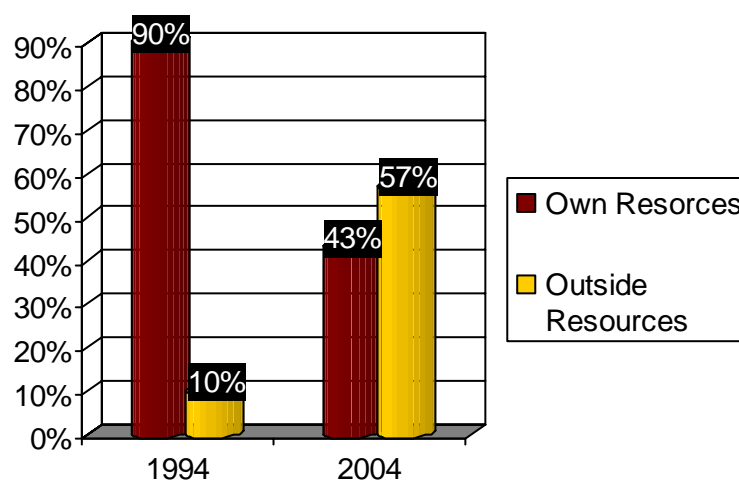
Parallel to this, AU created two working units with specific missions: (1) the Unidad de Emprendimiento Empresarial (Business Entrepreneurship Unit and Unidad de Transferencia Tecnologica (2) the Technology Transfer Unit. By 2004 AU had formulated a strategic policy to strengthen the Technological Management Program. Evidence of the difference made by the program comes from the Technical Cooperation Agreements between AU and some of the largest companies' based in the region for a 5 year period.⁵² Through these agreements, Antioquia University works with companies together with the center of technology development to apply research and development to innovate production and services. In addition, the financial percentage on R&D projects (see graphic below) shows a dramatic improvement of Industry support in 2004 and 2005.

In 1994, AU financed 90% of its R&D with its own resources and only 10% came from outside the university. In 2004, in part thanks to the law 633 mentioned before and to the PGT, AU started to implement a different approach to reach out to sponsors and develop strategic alliance between the university, industry and the government. By 2004, the balance had risen to 57% of the projects being financed by outside sponsors (for example COLCIENCIAS or the private sector). AU's own resources totaled 12.5 million USD, while outside resources totaled 16.6 million USD.⁵³

⁵² Among them, Grupo Empresarial Antioqueño (one of the largest Business Group in Colombia), Metro Medellin (Subway Metro System), Orbitel S.A (telecommunications company), Tenoquimicas (Pharmaceutical Company),

⁵³ In 2004 USD average equal to 2,613 Colombian pesos.

ii. Financing of Research and Development (R & D) projects⁵⁴



Source: Adapted from presentation made by Universidad Antioquia,

⁵⁴ Source: Adapt from presentation made by Universidad Antioquia, "Universidad de Antioquia en Dialogo con el Sector Productivo" Third International Congress LES CAN "Winning in Licensing: Value through Technology, Cartagena, Colombia, September 15, 2005

iii. Pragmatic Strategies

One of the key factors in obtaining an increase in outside resources has been the strong channels of communication build between the University, Government and the Industry. For this purpose PGT created five specific strategies:

- Effective linkage of the University with the entities and organizations of the National System of Innovation
- Culture in Technological Management
- Sharing Information on Research Results
- Productive and competitiveness of firms
- Industrial and Business Entrepreneurship

In 2001, AU launched the “Encuentro Universidad-Empresa-Estado” or *Encounter of University-Industry-Government*, as a national annual event to evaluate and discuss innovation, science and technology policies and their impact on economic development. Thanks to strategic partnerships with other public universities, the private sector and the government the Fifth Encounter⁵⁵ held November of 2006 offered the opportunity to exchange international initiatives and best practices and compare them with national and local efforts in Colombia.⁵⁶



Source: Universidad Nacional

In 2003, AU moved forward by developing a permanent and stronger linkage among the actors in innovation. AU launched what is called “Comite Universidad – Empresa para el apoyo a la Investigacion Aplicada y la Gestion Tecnologica” or “University and Industry Committee on Research and Technology”. The original Committee was composed of University board members and successful private business of the region. The positive reaction and interest by the private sector to the idea led to the creation on new and different committees focusing on specific economic sectors, today know as “Comite de Empresarios” (Industrial committee). At the end of 2003, AU invited six other universities (today 10), public and private and based in the region, to enrich the capacity on R&D and share opportunities on new projects.

⁵⁵ For complete information and agenda of the event please visit www.unal.edu.co/extension_nal/vencuentro.html and http://www.unal.edu.co/extension_nal/vencuentro_prog.html



Source: Universidad Antioquia, a committee meeting of research and development specialists

The goal behind these committees is to build trust between the business world and academia to increase productivity and competitiveness in the region, apply research on what the private sector needs and engage the government with its public policies on science and technology. The regional government of Antioquia is represented by the Productivity and Competitiveness Secretary and the local government of Medellin by the City Planning Office.

Each committee is led by a CEO of a successful private company. The committees meet the first Friday of every month at SIU (University R&D Headquarters) representing 18 strategically chosen economic sectors in the region, among them: food, financial services, car manufacturer, energy, textiles, chemistry, health, wood, and agricultural.

The committees have seven strategic objectives:

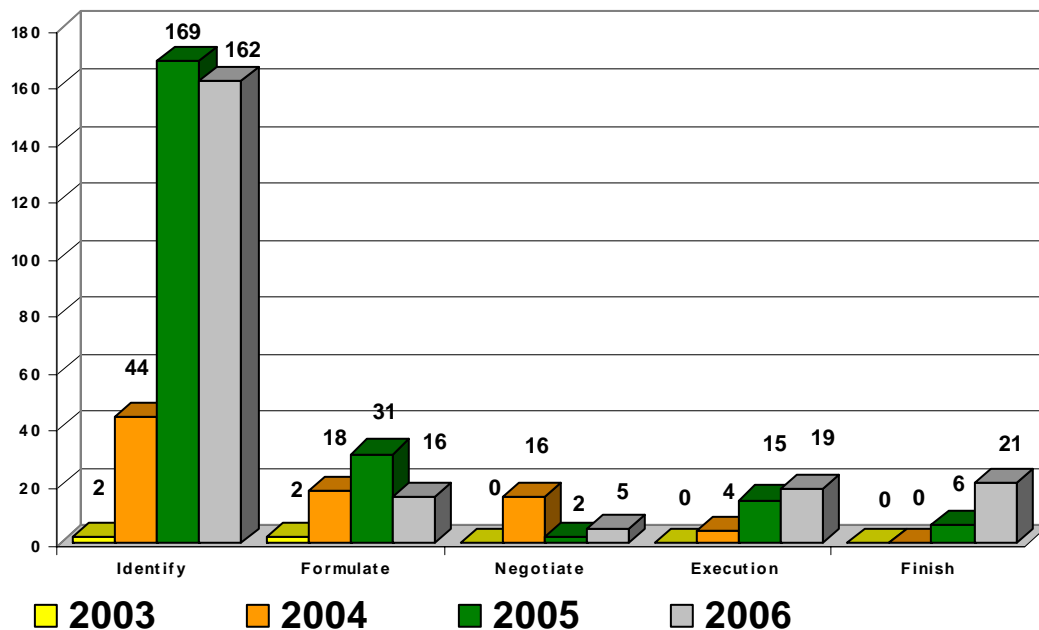
1. Advocacy and Awareness of the relation University-Industry-Government
2. Identification of R&D needs of the private sector
3. Identification of R&D capacities of Universities
4. Interaction between and integrate university and industrial research groups
5. Strength technological advocacy and TTO within universities and industries)
6. Promotion of a risk capital fund for R&D projects and new enterprises
7. Promotion and information the private sector on incentives to invest on R&D

Centers of Technology Development

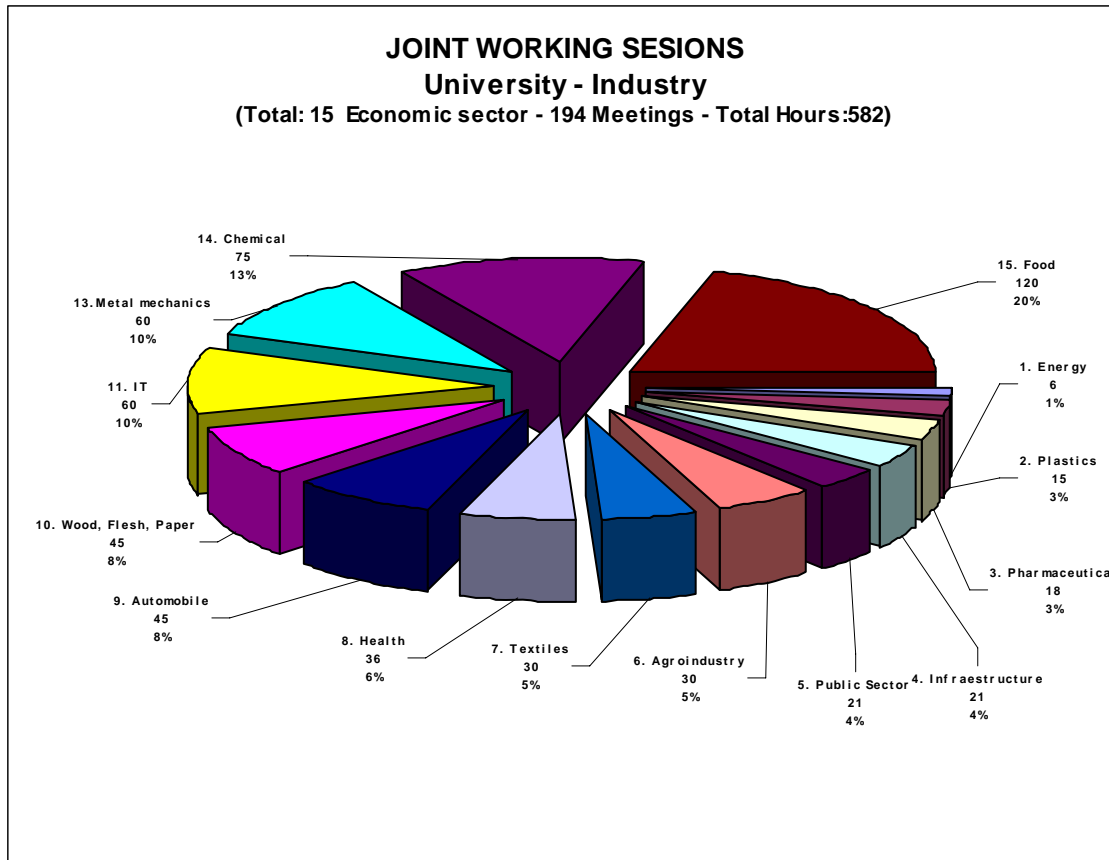
1. CIAL	Centro de Desarrollo Tecnológico de la Industria Alimentaria
2. CORPO ECO	Centro de Desarrollo Tecnológico de la Industria Eco - Eficiente
3. CIDET	Centro de Investigaciones y Desarrollo del sector Eléctrico
4. CNPML	Centro Nacional de Producción Más Limpia
5. CTA	Centro de Ciencia y Tecnología de Antioquia
6. CECIF	Centro de Investigaciones de la Industria Farmacéutica
7. CIDICO	Centro de Investigación y Desarrollo para la Industria de la Construcción

Source: Adapted from a presentation made by Universidad Antioquia, “Universidad de Antioquia en Dialogo con el Sector Productivo” Third International Congress LES CAN “Winning in Licensing: Value through Technology, Cartagena, Colombia, September 15, 2005.

R+D+I Partnership Projects University - Industry 2003 - 2004 - 2005 - 2006



Source: Adapted from presentation made by Universidad Antioquia, Medellin. 2007.



Source: Adapted from presentation made by Universidad Antioquia, Medellin. 2007.

Of the new projects in the pipeline, the private sector gives 70% of the financial support, 15% comes from AU and another 15% from the government.

iv. Success Stories:

1. Technology to innovate car manufacture

In 2004, RENAULT, decide to develop a new economy car to increase its sales in the emerging markets. To achieve this, RENAULT requested its three assembly partners in Latin America (Colombia, Mexico and Brazil) for business and technical proposals to produce and assemble the new LOGAN. SOFASA, the Colombian manufacture was chosen to produce the car to be sold in Venezuela, Ecuador and Colombia thanks to the mechanical design made by the School of Engineering of AU.

Among its international standards RENAULT requires that all vehicles have six year anticorrosive paint. The foreign technology available for this cost between US\$8 and 10 million and requires 18 months to implement. Clearly, this demanded cost and time beyond the original budget and period of production for SOFASA. The Chairman of the Project at SOFASA contacted the "Comite de Empresarios" or (industrial committees) and presented the problem. Ricardo Moreno, researcher at Universidad de Antioquia with

two recent graduates took the challenge and offered a local solution at half of the cost and in only six months.

- The solution the professor and the mechanical engineers came up was the design of Surface Treatment Tunnel by which the outer casing of the car is submerged in a tunnel where anticorrosive paint is spread over every part of the car structure. The innovative Colombian engineering design was approved by RENAULT, and the investment was approximately 3.9 million Euros. The mechanical design is so effective and economic that it is now being used by SOFASA in the production and assembly of other brands, for example TOYOTA in Colombia. The total investments was \$3.8 million USD, of which \$300,000 USD were tax exempt through the support of COLCIENCIAS, AU received approximately \$200,000 USD and around 13 local small companies benefited by \$3.4 million USD.

SOFASA S.A.



Source: Adapted from presentation made by Universidad Antioquia, Medellin. 2007.

2. United States Patent # 7,041,647 - Ionophore and Antimicrobial Activity of Peptide Derived from a Natural Protein

Inventors: **Lemeshko; Viktor** (Medellin, CO), **Guzman; Fanny** (Bogotá, CO), **Patarroyo; Manuel E.** (Bogotá, CO), **Segura; Cesar** (Medellin, CO), **Orduz; Sergio** (Medellin, CO)

Assignee: **Corporacion Para Investigaciones Biológicas** (Medellín, CO)
Universidad de Antioquia (Medellín, CO)
Fundación Instituto de Inmunológica de Colombia (Bogota, CO)
Universidad Nacional de Colombia (Bogota, CO)

Appl. No.: **10/751,984**

Filed: **January 7, 2004**

AU in partnership with two health research centers, Fundacion Instituto de Inmunologia de Colombia and Corporacion Para Investigaciones Biologicas, and with the largest public University of Colombia, Univerisidad Nacional, filed and obtained the above US patent (2006).

The invention is related to the field of antimicrobial and ionophoric peptides, a synthetic peptide, which inhibits microbial growth. This peptide also shows ionophoric activity in rat liver mitochondria. Furthermore, pharmaceutical compositions and compositions for agricultural use containing the peptide of the invention are also foreseen.⁵⁷

3. Further AU patents include disclosures for the telecommunication, agriculture industry and food industries:

- Gasifying Combustión - System for gassifying coal for brick making
- Humus Fortifier - Restorer of low organic material soils.
- Remote maintenance and verification of telephone plants
- Microencapsulation Technology
- Process applicable in the food sector a for your pocket

V. South Africa

⁵⁷ Abstract - USPTO

The South African economy is generally regarded as strong when compared with the Southern African region. In an effort to maintain this relative strength, South Africa is another example of a country adjusting its system of innovation to allow greater flexibility for publicly-funded research institutions to transfer technological innovations to the private sector. South Africa has an extensive higher education system possessing a strong research orientation. Because of this research orientation, South Africa means to create greater university-industry linkages in a measured attempt to spur innovation and boost the economy.

a. Research Funding: The Innovation Fund and THRIPS

The success of a country's NIS is directly related to the amount of funding provided for research activities. South Africa, for being one of the most developed countries in Africa, must invest more in R&D. Numbers for 2006 indicate that South Africa spent about R12 billion, or 0.87% of GDP. This is a decline from numbers posted in 1990 that showed R&D spending at 1.1% of GDP. Compared to countries that South Africa competes with, this percentage is far too low. A decent indication of the strength of a country's economy is what percentage of GDP is spent on R&D, with most developed nations spending around 2.7% on R&D. The 2006 OECD average is 2.15% and Finland, with an economy about the same size as South Africa, spends 3.5%.⁵⁸

Despite needing more funding support for research and development, some universities have anticipated the importance of technology licensing and invested in technology transfer offices and intellectual property policies. These universities are increasing industry linkages in an attempt to commercialize a greater total of university innovative output.

Many universities, however, have had to convince researchers that commercialization of research outputs were in their best interest and in the best of interest of the local and national economy. According to an article by Glenda Kruss, South African university researchers see partnerships with industry as contrary to their traditional role of generating new, widely available knowledge.⁵⁹ Government policy must fund university-industry partnerships as to promote innovation, enhance global competitiveness and improve South Africans' quality of life.⁶⁰ Universities promoting industry connections can harness the innovation potential of their researchers while still maintaining academic integrity. Balance and strategy is vital to healthy university – industry partnerships. Once these connections are in place, universities can help meet industrial needs for technological progress and contribute to national development.

Universities in South Africa are poised to play an important and vital role in the battle against poverty, HIV/AIDS and neglected diseases, and other important issues that are of regional significance to Southern Africa. To create the partnerships that will lead to beneficial breakthroughs in medicine, telecommunications and other innovations that will help battle

⁵⁸ David Walwyn, Editor, National Advisory Council on Innovation, *The South African National System of Innovation: Background report to the OECD Country Review of South Africa's National System of Innovation*, 21 July 2006

⁵⁹ Glenda Kruss, SciDev.Net, *University-Industry links: lessons from South Africa*, <http://www.scidev.net/Opinions/index.cfm?fuseaction=readOpinions&itemid=542&language=1> (29 November 2006).

⁶⁰ *Id.*

poverty; the institutions must understand the competitive dynamics of their target industry, and what individual firms in their region could use. To accomplish this objective, a new channel of communication must be opened between universities and private industries must be encouraged and fostered.

Unlocking the knowledge and innovation potential of South African universities and public research institutions is vital. South Africa understands the potential of university innovation and promotes greater university-industry linkages through support and funding for research and training cooperation between firms and universities primarily through the Technology and Human Resource for Industry Program (THRIP) and the Innovation Fund.⁶¹ Both avenues support South Africa's Research & Development and innovation strategy by encouraging greater collaboration and technology transfer from between public and private institutions.

The Innovation Fund is one of the main agencies responsible for the implementation of South Africa's R&D and innovation strategy. Initially set up as a funding agency, today the Innovation Fund has taken a more proactive role in assisting eligible South African institutions and its researchers in their technology transfer activities.

The Innovation Fund is structured to house the Intellectual Property Management Office (IPMO) and the Innovation Fund Commercialization Office (IFCO) which specifically provides support to funded projects for intellectual property management and technology commercialization.⁶² Both offices provide technical assistance and capacity building for the exploitation of intellectual property. The IFCO offers assistance with deal structuring, devising a path to market, and performing due diligence, thereby accelerating the commercialization of technologies developed with Innovation Fund support. Two funding mechanisms make up the IPMO designed to finance and secure intellectual property rights resulting from publicly financed research and development - the Patent Support Fund and the Patent Incentive Fund. The Patent Support Fund provides financial support for patent portfolios of inventions from publicly funded research institutions. The Patent Incentive Fund provides incentives for researchers and post graduate students at publicly funded research institutions to get patents granted for their inventions at the South African Patent Office.

THRIP is another avenue for funding South African university research and aid commercialization. THRIP, managed by the National Research Foundation on behalf of the Department of Trade and Industry, partners companies with universities and challenges companies to match government funding. THRIP promotes scientific research, technology development and technology diffusion by sharing the cost with industry, and by removing the risk of developing commercial technology from the research institution.

Firms and THRIP invest jointly in research projects lead by South African universities in science, engineering and technological institutions to train researchers and students and promote technology innovation by allowing researchers to be mobile. Researchers are allowed to move

⁶¹ <http://www.nrf.ac.za/thrip/> and http://www.dacst.gov.za/science_technology/innovation/innov_home.htm

⁶² Department of Science & Technology, Intellectual Property Rights (IPRs) From Publicly Financed Research Framework. August 2004. Available, http://www.naci.org.za/OECD/IPR_from_PRF_Policy_Framework.pdf

between the university labs into private industry for a limited duration, along the following schemes:

- The exchange of researchers and technology managers between South African Higher Education Institutions (HEIs), Science, Engineering and Technology Institutions (SETIs) and industry.
- The placement of SET graduates in firms, while they are working towards a higher degree on a joint research project.
- The placement of SET graduates in small, medium and micro enterprises (SMMEs).
- The placement of SET skilled company employees within HEIs or SETIs.⁶³

THRIP's website explains how funding takes place [see Box 3]:

THRIP aims:

1. To provide South African industry with the means to obtain specific responses to its technology needs.
2. To produce a flow of highly-skilled researchers and technology managers who understand research, technology development and the diffusion of technology from the viewpoints of both industry and academia.
3. To provide a new and enhanced educational experience within the context of technology development and/or diffusion, through participation by students in collaborative projects

THRIP objectives:

1. To increase the number and quality of people with appropriate skills in the development and management of technology for industry.
2. To promote increased interaction among researchers and technology managers in industry, higher education and SETIs, with the aim of developing skills for the commercial exploitation of science and technology.
3. This should involve, in particular, promoting the mobility of trained people among these sectors.
4. To stimulate industry and government to increase their investment in research and technology development, technology diffusion and the promotion of innovation.

THRIP priorities:

The dti's financial support for a project may be doubled, if it supports any of the following THRIP priorities:

1. To support an increase in the number of black and female students who intend to pursue technological and engineering careers;
2. To promote technological know-how within the Small, Medium and Micro Enterprise (SMME) sector, through the deployment of skills vested in HEIs and SETIs;
3. To facilitate and support multi-firm projects in which firms (including at least one BEE) collaborate and share in the project outcomes;
4. To facilitate and support the enhancement of the competitiveness of black owned enterprises through technology and human resource development.

Box 3 – Overview of THRIPS Funding, from <http://www.nrf.ac.za/thrip/about.html> last visited 08 March 2007.

⁶³ <http://www.nrf.ac.za/thrip/>

b. Technology Transfer and Innovation Policy in South Africa

Science and technology policy makers in South Africa are aware of the economic potential possessed by their university system and are attempting to strengthen their technology transfer system. In 1996, the Department of Science and Technology (DST) embarked on a study of South Africa's innovation system culminating in a White Paper on Science and Technology. This White Paper called for changes in South Africa's science and technology policy and announced a number of new initiatives to aid national science and technology efforts. Among the more important of these initiatives were the creation of the National Science Foundation (NSF) to manage funded grants for science and technology research; the Innovation Fund to help sustain long-term research projects; and the National Advisory Council on Innovation (NACI) to inform further science and technology policy.⁶⁴

The DST followed the White Paper by outlining a national strategy to boost innovation and research and development. According to the 2002 government document *South Africa's National Research and Development Strategy*, a new R&D strategy was introduced consisting of three "pillars:" 1) Innovation, 2) Science, engineering and technology (SET) human resources and transformation, and 3) Creating an effective government S&T system.⁶⁵ With regards to the innovation pillar, a range of technology missions would be established and funded including a focus on biotechnology, information technology, natural resource utilization, and "technology for poverty reduction."

The R&D strategy set out clear policy goals regarding where South Africa wanted research and development to be in the future and how to address "key weaknesses" in its overall NIS. Articulated among the weaknesses were 1) inadequate funding of the national system of innovation, 2) the declining research and development in the private sector, and 3) challenges faced by intellectual property in new and emerging technologies. By addressing these weaknesses in the national system of innovation, South Africa hopes to meet national goals of economic development and improvement of quality of life for all citizens.

Though progress has been made since 2002, more work is required to modernize South Africa's innovation system. In an address announcing the launch of The Cooperative Framework on Innovation Systems between Finland and South Africa on 28 September 2006, Mr. Mosibudi Mangena, Minister of Science and Technology, stated that

There is substantial scope for further improvement of our national system of innovation, and a number of key challenges still need to be addressed. These include, in particular, 1) ensuring the provision of appropriate science and technology human capital; 2) improving the coordination of the governance framework within the National System of

⁶⁴ Department of Arts, Culture, Science and Technology, *White Paper on Science and Technology*, 1996

⁶⁵ Department of Science and Technology, *South Africa's National Research and Development Strategy*, August 2002.

Innovation; and 3) bridging the innovation chasm or translating our research outputs into effective new products and services.⁶⁶

Since the release of the R&D Strategy, various other initiatives have emerged, including the National Biotechnology Strategy (2001)⁶⁷ and a Nanotechnology Strategy (2006)⁶⁸, designed to build on existing strengths in these critical sectors, at the same time as developing human resources and generating research outputs. The objectives of these strategies were to help South Africa to become more globally competitive and address some of the socioeconomic problems faced by the country. The issue of technology transfer was brought to the fore by a proposal contained in the R&D Strategy to introduce measures to encourage better protection and exploitation of intellectual property arising out of publicly funded research projects. This has recently been expanded upon with the release in 2006 of a Framework for Intellectual Property Rights from Publicly Financed Research.⁶⁹

This Framework was created in an attempt to bridge the “innovation chasm”, a concept used to describe the gap which exists between knowledge generators (universities and research institutions) and the market. By bridging this gap, local innovations are more likely to impact economic growth. The Framework calls for the introduction of a consistent approach for the protection of intellectual property developed with public financing, based on good practices globally, while remaining responsive to the local context. Institutions will be required to put in place IP policies consistent with the legislation, thereby ensuring a level of harmonization across institutions, something that has always been lacking in South Africa. These policies would obligate employees and students to disclose all intellectual property they develop.

The Framework is modeled on the United States Bayh-Dole Act, and proposes the adoption of similar provisions:

- Conferring on institutions the responsibility to seek protection for their intellectual property in exchange for the right to own and exploit it;
- A reporting duty to a designated government agency on intellectual property management activity;
- The obligation to share revenue earned from intellectual property exploitation with the individual inventors or creators of the intellectual property concerned;
- A right for government to a “free license” to intellectual property should this be in the national interest; and
- A preference for licensing to local companies and small business.

Technology transfer in South Africa is still evolving, but things seem to be on the right track. A handful of technology transfer offices have now been operating for several years and have

⁶⁶ Address by the Minister of Science and Technology, of the Republic of South Africa, Mr. Mosibudi Mangena, at the Launch of the Cooperation Framework on Innovation Systems Between Finland and South Africa (Cofisa) in Pretoria on 28 September 2006. Last accessed 1/11/2007 at <http://www.dst.gov.za/media/speeches.php?id=220>

⁶⁷ Department of Science and Technology, *A National Biotechnology Strategy for South Africa*, 2001

⁶⁸ Department of Science and Technology, *The National Nanotechnology Strategy*, (2006)

⁶⁹ Department of Science and Technology, *Framework for Intellectual Property Rights from Publicly Financed Research*. (2006)

become fairly established entities. These offices are gradually building up a track record of licensing deals and spin-off companies. Of great importance is that a core of professional, experienced technology transfer practitioners is in place. And of greater importance, university technology transfer is supported by the government.

c. South African Intellectual Property Laws

By international standards, intellectual property protection is fairly robust. South Africa is a member of the Paris Convention, the Patent Co-operation Treaty and the World Trade Organization's Agreement on Trade Related Aspects of Intellectual Property (TRIPs). South African inventors with priority registration in the South African Patent Office secure around 100 United States patents per year, representing nearly 2.5 patents per million of population. Compared to the rest of the developed world, this is low. Since patents are one of the strongest forms of intangible value, this is evidence of a major weakness in South Africa's ability to become a knowledge economy.

Patents and preliminary patents, the most important IP for technology transfer, are issued by the Registrar of Patents in Pretoria and are granted in terms of Section 25 of the Patent Act for new and non-obvious inventions that can be applied in trade, industry, or agriculture. An invention may be a new product, process, appliance or composition, or an improvement to any existing product, process, application or composition. A patent provides ownership rights for a period of 20 years from the date of submission of the patent application. A shorter term of 12 months is provided for preliminary patents.

Of much importance to South Africa is conforming to TRIPs. In addition, the Convention on Biodiversity (CBD), linking indigenous knowledge and benefit sharing to the notion of intellectual property, is also of great significance. Policy debates surrounding intellectual property have taken on a new importance due to the desire to balance IP with requirements under the CBD and TRIPs while at the same time formulate a solid policy framework that encourages greater publicly-funded research and use of the IP system.

South Africa is keenly aware of the importance of the Bayh-Dole Act in the United States and has clearly indicated that it wants similar changes in the way publicly financed research is utilized by institutions to create economic value and to stimulate high-tech business development. At present, South Africa does not have a formal policy framework for intellectual property protection of publicly financed research; however, as mentioned above, a framework has been created. One of the consequences of this is considerable uncertainty (among institutions and individuals) about intellectual property rights and their management, particularly when the research is publicly financed. Benefit sharing, the cost of patenting, the sale of intellectual property rights outside of South Africa, the quality of licensing agreements, and the professional management of intellectual property protection in universities and research councils are important issues.

Since there is no overarching national framework for ownership of publicly-financed intellectual property, universities have been left to formulate their own policies. However, not all

universities have explicit intellectual property policies and, where policies exist, these are not uniform across institutions.

There is growing appreciation for the value of intellectual property as an instrument of wealth creation in South Africa. A number of firms have good intellectual property offices but universities and Science Councils have not created a strong intellectual property ownership framework outside of a handful of institutions. The rights of government, financing institutions, performing institutions and their staff are not defined legally. There is a need for the creation of a proper framework and enabling legislation for the management of intellectual property arising from publicly funded research. This being said there are several universities that are striving to change the system and provide frameworks for the management of their intellectual property. The University of Stellenbosch is one such university that has established a technology commercialization framework, and the North-West University has developed a framework for commercialization including explicit intellectual property policies, though NWU's office is small. Both institutions are outlined below.

d. Technology Transfer at North-West University, Potchesfstrom

[To] produce high-quality, relevant and focused research, basic as well as applied, supplying innovative solutions to challenges faced by the scholarly community, the country, the continent and the world. Implement research results and expertise, both commercially and community directed, for the benefit of the country, the continent and the World.⁷⁰

The mission statement above represents the role North-West University envisions for itself in the wider community. The sentiment articulated above is echoed in the introductory section of their formal policy regarding the commercialization of intellectual property rights which reads, "North-West University has the avowed intention of applying its expertise for purposes of service delivery and development in the interests of the broad South African community, and wishes, apart from doing basic research, also to do applied research and research in application of high quality."⁷¹ Overall, North-West University has set out to create a framework in which university innovation is protected, licensed and commercialized while providing incentives for researchers to create innovations.

In addition to the above mission statement, the Department of Research Support also lists objectives and goals to be achieved in the years 2006 to 2008. Among the objectives are the worthy aim to "maximize the number of publications ... and the registration of patents, ..., optimize the number and quality of licensing fees," and to "market the expertise of the University in a pro-active way, so as to ensure more research contracts and work from the private and public sectors."⁷² Further, one specific goal listed by the Department is to "co-operate with

⁷⁰ Research and Innovation Mission Statement, North-West University, Strategic Plan for Research and Innovation 2006 – 2008. Available at <http://www.nwu.ac.za/opencms/export/NWU/html/research/StrategicPlanforResearchandInnovation21April2006.doc>, last accessed 16 January 2007.

⁷¹ North-West University, *Modus Operandi of the Section Legal Services North-West University: Policy about commercialization of intellectual property rights*, accessible at [last accessed

⁷² *Id.*

the Marketing and Communication department in order to create and implement a strategy for the *marketing* of the University's research."⁷³

Additionally, the Innovation Office also sets out a list of general goals. The Innovation Office (IO) is the focal point through which innovation at the university is stimulated and offers a specialized function to advance innovative research, leading to patents, innovative products and processes which culminate in an Intellectual Property portfolio, which it manages to obtain optimal returns. The innovation office explicitly describes their purpose by stating, "the return on innovation activities include financial benefits, the creation of spin-off companies, networks with industry and new research opportunities."⁷⁴ The IO further lists how the office enhances innovation on the campus:

- Support researchers with the negotiation process
- Negotiate licenses and other agreements
- Manage existing innovation and commercialization agreements
- Develop performance benchmarks for the university
- Identify new innovation and commercialization opportunities
- Protection of Intellectual Property
- Market new technologies and research output
- Develop human resources in the field of innovation and commercialization
- Develop and maintain external networks and relationships
- Develop relevant policies and guidelines for innovation and commercialization
- Establish and develop spin-off companies (incubation)

North-West University in South Africa is pioneering university research and industry linkages. Recently announced partnerships include an agreement worth R15 million between North-West University and BioPAD for setting up a unique metabolic platform. Two-thirds of the money will be used by the School of Biochemistry to install the technology in laboratories, while the rest will be used to operate these laboratories over a period of three years.

As well as the Innovation Office of NWU, there are other formal structures within the university designed to promote technology transfer and spin-offs. One of these is the Incubation Fund. The Incubation Fund, under the control of the Innovation Office, provides funding for the furthering of innovation, commercialization and the creation of small businesses.

i. NWU Intellectual Property Commercialization Policy

Technology transfer offices must clearly articulate policies regarding ownership of intellectual property and North-West University has clearly established IP policies freely available on the Internet. These policies explicitly state how researchers are to progress in developing and disclosing their inventions, how revenue from licensing activities will be split, and how licenses should be constructed and improved.

⁷³ *Id.* [emphasis original]

⁷⁴ *Id.*

Though the technology transfer office at NWU is quite small with an equally small staff, the fact that clear intellectual property policies have been put into place demonstrates the dedication the university feels for technology transfer and commercialization. For example, the *policy for the division of funds from commercialization of intellectual property* sets out and defines the procedure of how licensing funds from patents, software and model registrations are to be divided: Twenty-five percent of funds go to the inventors as incentives; 20% to the focus area or school to which the project is linked (pro rata if more than one focus area is involved); 15% to the faculty concerned; 20% to the Incubation Fund of the University; and 20% to the strategic fund of the NWU (contribution to the University). Furthermore, over and above the 25% incentive to the researcher, an additional incentive may be paid at the discretion of the Institutional Director according to a disclosed formula. Therefore, the researcher, as incentive, could receive up to 35% of Net Income resulting from the invention within a designated time frame.

North-West University also provides their researchers with explicit step-by-step instructions in the *Guidelines for the Patenting and Commercialization of Research Outputs*. Once a university-derived innovation is ready to be commercialized, several expectations are leveled on the inventor/s. These steps include, among other things, requiring that one or more models based on the research outputs be built and the patent claims be quantified; a provisional business plan of at least three pages should be compiled and submitted prior to seeking a patent; and, once market analysis is undertaken, the legal advisors, Department of Research Development, and the Vice-Rector of Academic should be in on the process.

Rounding out NWU's policy regarding commercialization of research outputs, the university provides a *Guide for the External Cooperation in the Field of Research and the Commercialization of Research Outputs*. As the name implies, this extensive document covers the case where cooperative research is undertaken with entities outside of NWU. This policy covers everything from drafting formal cooperation agreements, intellectual property rights, and overall management of the research project. Understanding the importance of cooperative research, NWU actively pursues such partnerships which can lead to useful inventions and important innovation. However, along with these partnerships comes the risk of misappropriation, and premature disclosure thereby jeopardizing patentability. Part of the overall commercialization strategy of NWU is to reward staff by allowing personnel to benefit where commercialization of intellectual property rights arise during the course of official university activities. Therefore, it is recommended that universities construct an explicit policy regarding these kinds of collaborative research.

2006 NWU Innovation Performance	
Domestic Patents	6 provisional patents, 2 patents
Foreign Patents	5 PCT, 2 other
Licenses Overseen	12 active licenses

e. Technology Transfer at Stellenbosch University - InnovUS

Where North-West University represents the small technology transfer office, Stellenbosch University is the example of the large well-developed technology transfer office. Stellenbosch University regards the commercialization of its knowledge base and technology transfer as part of its responsibility in the area of community interaction. This is in contrast to some universities that regard technology commercialization efforts to be a stream of revenue for the university. The institution has developed administrative structures to support its commercialization and technology transfer activities and has also created an enabling environment for researchers in terms of intellectual property rights. The success of the institution in the area of innovation and technology transfer is confirmed by its performance in THRIP as well as in the fact that in May 2005, SU won the Department of Science and Technology award as the Most Technologically Innovative Higher Education Institution in South Africa.

The University of Stellenbosch has a well-established technology commercialization procedure and office that operates within Stellenbosch University called InnovUS. InnovUS is responsible for technology transfer and new business development of university derived innovation and inventions. InnovUS is comprised of, as one would expect, an Executive Director of Innovation and Commercialization; a Director of Intellectual Property and a Managing Director among other partners within and outside Stellenbosch University. Furthermore, the university has established a wholly-owned private company called Unistel Group Holding Ltd. that functions along with InnovUS in commercialization activities by creating start-up companies.

i. SU Intellectual Property Commercialization Policy

As iterated above, successful university technology transfer offices must have clear policies regarding the protection and exploitation of intellectual property developed by staff, students and other parties. Stellenbosch University has always been a pioneer in university technology transfer and indeed has in place a detailed policy regarding the exploitation of intellectual property that was last updated in 2005. The policy includes in a single document available for download detailed steps regarding the allocation of income derived from the licensing of intellectual property; IP ownership issues including staff, students, visiting lecturers, outside organizations, and funders; how IP should be licensed; and how the university forms spin-off companies.

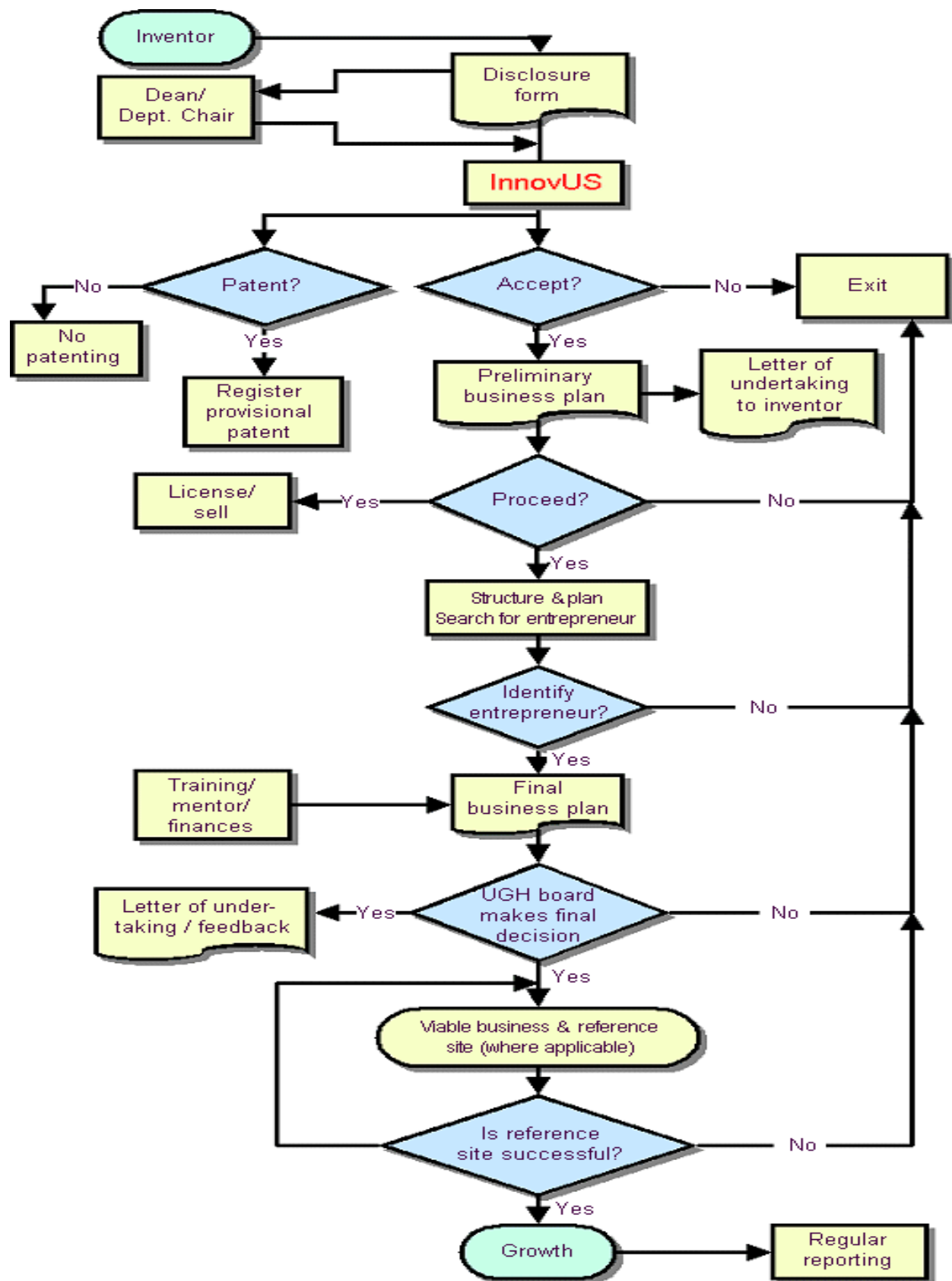
Stellenbosch University has been a pioneer in South Africa in terms of intellectual property protection and exploitation. Continuing in this tradition, SU has even formulated university policy regarding the protection of biodiversity and indigenous knowledge which has become increasingly pertinent in the world of intellectual property. Whenever university intellectual property is deemed to have an impact on South African biodiversity, SU negotiates in consideration of the preservation of South Africa's indigenous biodiversity.

The division of income derived from the commercialization of intellectual property is different than seen at NWU. The formula followed by InnovUS provides for 12% of the gross income to be allocated to the University and for all direct costs incurred by the parties in terms of the registration and commercialization process to be recovered from the gross income before any allocation of the balance of the income can take place. The balance constitutes the net income, of which 50% is allocated to the inventor/creator in their personal capacity, 25% is allocated to

the environment where the inventor/creator resides (to be applied in the interest of research), and 25% is allocated to the central account of the University.

Stellenbosch University has achieved great success in spinning-off companies. Where the University decides, usually in consultation with the inventor or entrepreneur, to exploit intellectual property through a spin-off company, a separate enterprise is established that is normally a subsidiary or associate company of Unistel Group Holdings Ltd. The University, inventor/entrepreneur and other possible partners own shares or other interests in accordance to an agreement made beforehand. Depending on the activities of the spin-off company, and where the University's public image will be involved, the University reserves the right to insist on a 26% special vote as a shareholder or member. Wholly owned subsidiary enterprises may be established where the University for strategic reasons owns full control and shareholding through Unistel Group Holdings Ltd. Currently, Unistel Group Holding Ltd. manages six companies representing a range of innovative technologies including a company specializing in space satellites and another in feeds for aquamarine environment.

The following page has a flow-diagram for the commercialization process of inventions at Stellenbosch University.



1. The Stellenbosch University Satellite - SUNSAT

An example of strategic industry-university partnership exists at Stellenbosch University. Spun out of research conducted by graduate students at Stellenbosch University and funded by the government of South Africa for 26 Million Rand, Sun Space and Information Systems (Pty) Ltd. (SunSpace for short) produces technology for use in micro-satellites that can supply affordable high-resolution imagery to African governments. The Stellenbosch University SATellite (Sunsat) is a miniaturized satellite designed and manufactured in Africa for the purposes of providing images that can help monitor, regulate and manage resources, for example, water distribution, crop management and settlement infrastructure.

SunSpace was formed to expand and commercialize the Sunsat technology. Through close links with Stellenbosch University and Unistel, SunSpace occupies office and lab space inside the general building of the Faculty of Engineering. Recently, a technology transfer and satellite contract was recently signed and started with an overseas client.⁷⁵

VI. Conclusion

Transfer of technological innovations along with the transfer of specialty knowledge contained in skilled human capital is essential for commercialization of technological outputs. Adequate funding for research and development activities along with appropriate IP laws, tax incentives and innovation policies will lead to economic development through technological innovation. Prioritizing research and development, and formulating an appropriate innovation policy in developing countries will benefit regional economies where it is most needed.

Producing innovation requires highly-skilled scientists and engineers that will remain in the country. Most publicly-funded scientific innovation occurs in a university setting, and universities must provide the structure necessary to aid scientists in the commercialization of innovation. This structure is usually technology transfer offices that include policies guiding intellectual property ownership, licensing and revenue sharing with innovation producers.

We presented examples of university technology transfer offices in developing countries, each office working within varied national innovation policies, funding mechanisms and overall systems of innovation. That said, each office endeavors to commercialize university-produced innovations to the benefit of local communities, regional economies and national economic development. Hopefully, through the highlighting of successes in innovation, we illustrated how such public to private transfer of technology can have a positive effect on the local as well as national economy of developing countries.

Emerging economies possessing minimum level of scientific and government infrastructure, appropriate laws and the desire to adjust their innovation strategy to best encourage economic growth through innovation are poised to reap the benefit of technology innovation. Having the appropriate national and institutional innovation framework greatly contributes to the success of technology transfer.

⁷⁵ <http://www.sunspace.co.za/>



IIPi, The Kenan Institute and Chulalongkom University Release a Study of Patent Offices in Southeast Asia



Washington, DC and Bangkok, Thailand. IIPi teamed with its Advisory Board member Jacques Michel, the Kenan Institute, Asia and Chulalongkom University to produce a comprehensive report of the patent offices, their technological capacity and administration efficiency in the Association of Southeast Asian Nations (ASEAN). While most ASEAN members have intellectual property (IP) laws, the degree to which those laws are used and implemented is often seen as insufficient. An efficient patent administration is imperative in order to ensure that a patent right is valid and that patent rights have the capacity to instigate investment. The goal of this report is to investigate the current capacity of ASEAN countries' patent offices to achieve these goals and to provide recommendations on how to improve their systems.

The ASEAN countries are by no means homogenous in their IP capacity; the least-developed countries have no IP laws to speak of while Singapore has a fairly sophisticated patent system, using outside examination capacities from other patent offices. The report recommends some short-term interventions (including patent office work-flow, policy issues and IP training) and long-term solutions (including inter-ASEAN cooperation, adoption of a certification process and creation of a

regional patent office). With stronger IP systems in place, ASEAN will benefit from the stronger economies of its member states.

For more information on this report, please contact Molly Torsen via email at mtorsen@iipi.org.

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**The UDRP: A Guide for SMEs and Consumers on
Domain Names and Domain Name Disputes**



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Disclaimer

This guide is not meant to substitute advice from a suitably qualified legal professional licensed to practice in your jurisdiction. This guide does not establish an attorney-client relationship.

<u>INTRODUCTION TO THIS GUIDE</u>	<u>6</u>
<u>1.0 DOMAIN NAMES, THE INTERNET, AND TRADEMARKS</u>	<u>7</u>
1.1 THE INTERNET – A SHORT EXPLANATION	7
1.2 DISSECTING A DOMAIN NAME	8
1.3 THE DOMAIN NAME SYSTEM	9
1.4 TRADEMARKS	11
1.5 TRADEMARKS AND DOMAIN NAMES	13
<u>2.0 HISTORY OF DISPUTES AND THE DOMAIN NAME SYSTEM</u>	<u>13</u>
2.1 THE EVOLUTION OF DISPUTE RESOLUTION	13
2.2 THE BIRTH OF ICANN	14
2.3 APPROVAL OF THE UDRP	14
<u>3.0 THE UDRP</u>	<u>15</u>
3.1 INTRODUCTION	15
3.2 WHAT RULES APPLY	16
3.3 WHO USES THE UDRP	16
3.4 WHO DECIDES THE DISPUTES?	17
3.5 POWERS AND OBLIGATIONS OF THE PANEL	19
3.6 REMEDIES OF THE UDRP	19
3.7 LANGUAGE OF THE PROCEEDING	20
3.8 TIMELINE OF A UDRP DISPUTE	23
<u>4.0 SUBSTANTIVE LAW OF THE UDRP</u>	<u>23</u>
4.1 WHAT LAW DO THEY USE?	23
4.2 WHAT THE COMPLAINANT MUST PROVE	24
4.2.1 ELEMENT 1: THE DOMAIN NAME IS IDENTICAL OR CONFUSINGLY SIMILAR TO A TRADEMARK OR SERVICE MARK IN WHICH THE COMPLAINANT HAS RIGHTS;	25
4.2.2 ELEMENT 2: THE RESPONDENT HAS NO RIGHTS OR LEGITIMATE INTERESTS IN RESPECT OF THE DOMAIN NAME	26
4.2.3 ELEMENT 3: THE DOMAIN NAME HAS BEEN REGISTERED AND IS BEING USED IN BAD FAITH	27
4.3 RESPONSE TO THE COMPLAINT	28
4.4 REVERSE DOMAIN NAME HIJACKING	29
4.5 ENFORCEMENT	30
<u>5.0 WHOIS</u>	<u>31</u>

5.1	WHAT IS WHOIS	31
5.2	WHOIS AND PRIVACY	32
6.0	<u>RELATIONSHIP TO NATIONAL LAW</u>	33
6.1	THE UDRP AND NATIONAL COURTS	33
6.2	THE ACPA	34
6.3	BRINGING THE DISPUTE TO A NATIONAL COURT	34
7.0	<u>CRITICISMS OF THE UDRP</u>	35
7.1	PRIVACY, WHOIS, AND NOTIFYING THE RESPONDENT	35
7.2	THE PANEL DECISION IS NOT FINAL	35
7.3	TRADEMARK OWNER BIAS	36
7.4	NO SANCTIONS FOR REVERSE DOMAIN NAME HIJACKING	36
7.5	HARMFUL TO FREE SPEECH	36
8.0	<u>APPENDIX</u>	38
8.1	GLOSSARY OF TERMS	38
8.2	LINKS	38
8.3	LAW REVIEW, BOOKS, AND TREATISES	40
 <u>ILLUSTRATIONS AND EXAMPLES USED IN THIS GUIDE</u>		
FIGURE 1. AN EXAMPLE DOMAIN NAME		8
FIGURE 2. THE DOMAIN NAME SYSTEM		10
FIGURE 3. USE OF UDRP BY CCTLDS		17
FIGURE 4. UDRP TIMELINE		22
FIGURE 5. ENFORCEMENT		31

Introduction to this guide

This guide has been produced in order to give consumers and small and medium-sized enterprises, particularly those in developing countries, an introduction to disputes over domain names on the Internet. Domain names are the exclusive addresses used on the Internet to host services such as email and websites such as *example.com*. As businesses and consumers move online in greater numbers, they have a need to be informed of their rights and responsibilities in this new space in plain language.

The Uniform Dispute Resolution Policy, or UDRP, is a policy that has been developed with input from governments, international institutions, businesses, and consumers to address the conflict between one kind of intellectual property right – trademarks – and domain names (*example.com*). The UDRP is a unique answer to a unique problem: While the UDRP shares many similarities with traditional legal disputes, it also has many novel features that are important to fully grasp if you are moving your business online or creating your own website.

This guide starts by introducing the technical issues involved in domain names and explaining the purposes of trademark law as well as the history of the UDRP. This guide then dissects the UDRP and explains in a user-friendly way what the policy is, how disputes get decided, and how decisions are enforced. Next, the guide discusses WHOIS, which is a listing of the contact details of people and organizations who register domain names and is one of the methods for contacting domain name registrants for disputes under the policy. The following section evaluates the relationship between the UDRP and disputes in national court systems. Finally, in order to give a full picture of this policy, we conclude by listing some of its criticisms. A resource appendix follows at the end of this guide to assist you in finding out more about the UDRP and its role.

This guide is meant to be useful in primarily three ways:

- To help you evaluate the capabilities of a legal professional should you need to hire one in relation to a domain name dispute;
- So that you can better understand advice from a suitably-qualified legal professional in relation to disputes over domain names; and
- To provide a comprehensive guide and set of resources for independent study into domain name disputes and the UDRP.

Becoming informed about the UDRP is increasingly important for a number of reasons. It is often the first step in any dispute over a domain name. Use of the UDRP has been expanding through requirements in free trade agreements that use the UDRP as a model for individual countries' domain names, such as “.gt” for Guatemala. Internet access, particularly broadband access, continues to increase throughout the world and brings with it more and more businesses and users online every day. This guide is meant to be a first step in gaining some understanding about the policy and its implications for your activities on the Internet, and it is with this purpose that we hope you find it useful.

1.0 Domain names, the Internet, and trademarks

This section gives an overview of how the Internet works and the role of domain names in the process. These concepts may be familiar to some readers, and this guide is designed so that readers may skip ahead if desired. However, the information in this section helps explain the origins of the UDRP and the enforcement process, and so it may be useful to review the concepts discussed here. After the discussion of the technical aspects, this section introduces trademarks and reviews the goals of protecting these intellectual property rights on the Internet. Finally, we will discuss the relationship between trademarks and domain names and why this caused so many problems during the first years of the Internet.

1.1 *The Internet – a short explanation*

The Internet is more than just a home computer connected to another far-away computer with some files to browse or pictures to download. At its roots, the Internet is a collection of globally connected networks joined by common protocols and policies. Communication over the Internet works by breaking down large chunks of information into very small “packets” of information. These packets are then delivered individually from one point on the network to another until they reach their final destination. Once the complete series of packets arrive at the destination computer, this computer reassembles them into a file, photograph, or other useful bit of information. During this process, each packet carries an Internet Protocol (IP) address identifying a specific destination on the Internet so that it can arrive at the correct location. The process is known as TCP/IP.

An example IP address: 208.77.188.166¹

Because these IP addresses look like long phone numbers, they have also been given a user-friendly version called a domain name, which can be written with letters, numbers, and symbols in order to have greater meaning: the familiar “google.com” or “myspace.com”. Domain names must however be translated from the written address into the numerical IP addresses so that they can work – the computers that make up the Internet use the IP address to know where to retrieve the information from and deliver it to.

An example domain name: example.com

We could enter IP addresses directly into our browser windows (such as Internet Explorer or Firefox) instead of domain names, but it is more useful to have names that we can remember rather than long strings of numbers. The example IP address above could lead you to the same webpage as entering <http://www.example.com> directly into your web browser.

208.77.188.166 = <http://www.example.com>²

As Mueller, author of *Ruling the Root* explains:

¹ This is an IPv4 address: a new version of IP addresses known as IPv6 is in the process of being implemented.

² For simplicity and convenience, this Guide will often refer to full URLs rather than solely the second and top level domains.

We tend to speak of the Internet as if it were a *thing*, but in reality the Internet is entirely virtual; it consists of nothing but a software protocol suite known as TCP/IP. The software enables any computer in the world to exchange information with any other computer, regardless of the particular physical networks to which they are attached or the hardware they use. It does this largely by giving computers addresses and names, and providing instructions about how to use them.³

The location of a destination on the Internet, whether it is an IP address or the more readable domain name, must be unique to work within this framework. The control over the rights to manage these unique identifiers is understandably a critical issue in the way that the Internet is governed. This control, along with other issues of administration is discussed further in Section 2, *History of disputes and the domain name system*.

There are several legal and policy issues that arise when discussing the administration of these unique identifiers, but because this guide focuses on domain names, it concentrates on trademarks and their relationship to domain names.

1.2 Dissecting a domain name

Let us look at some domain names, including the domain name we encountered earlier:

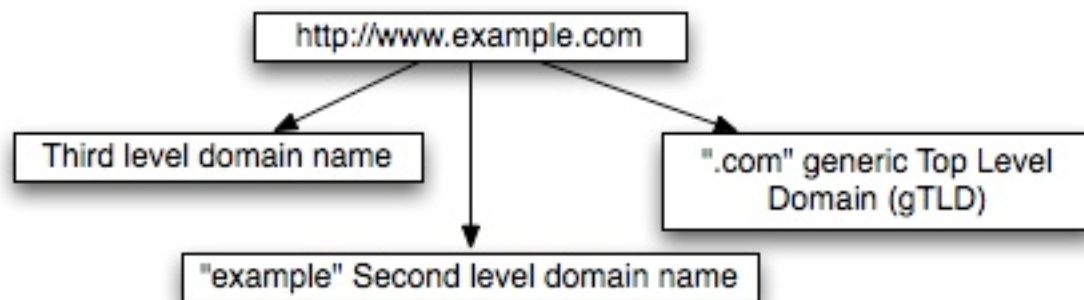


Figure 1. An example domain name

The rightmost portion is called the Top Level Domain (TLD) or First level domain – domain names are read by computers from right to left. This is the familiar “.com”, “.net,” or “.uk”. The part immediately to the left of the TLD is known as the second level domain; the part immediately after that is the third level domain, and so on.

Broadly speaking, there are two kinds of TLDs: generic TLDs (gTLDs) and country-code TLDs (ccTLDs). The gTLDs are a specific set of domain names, including: “.com”, “.net”, and “.org” as well as others such as “.museum”, “.info” and “.gov”.⁴ The second grouping, ccTLDs, are top level

³ Milton L. Mueller, *Ruling the Root: Internet Governance and the Taming of Cyberspace*, p6 (MIT Press 2002) [hereinafter Mueller, *Ruling the Root*].

⁴ See Internet Assigned Numbers Authority [hereinafter IANA], *Generic Top Level Domains*, <http://www.iana.org/gtld/gtld.htm> (a full list of generic TLDs). Note all web references were last visited on 26 July 2007.

domain names divided up by country, using a standard list.⁵ The domain name for the University of Edinburgh, <http://www.ed.ac.uk>, is in the ccTLD “.uk” for the United Kingdom. There are currently 20 gTLDs and 244 ccTLDs.⁶

Some TLDs, like “.com” allow anyone to register a name within that domain, and others restrict Registrants to those of a certain group. The gTLD “.gov” for example, is for the exclusive use of the government of the United States. “Credentialed professionals” such as doctors, accountants, and lawyers can obtain registrations in “.pro”. Some ccTLDs restrict their Registrants to those with some association to their country, and others operate on varying degrees of openness.

As mentioned, at each step in reading the domain name, from the TLD to the second level domain, to the third (and so on from right to left) must be unique. This means that there can be a google.com and a google.net, as well as a google.org and google.de (.de is the ccTLD for Germany), but there can only be one of each.

1.3 The Domain Name System

As mentioned, domain names need to correspond to IP addresses in order to function. At the beginning of the Internet, a small central authority simply accepted applications for domain names (of any type) and verified that they were unique and then put out a simple text file, *hosts.txt*, with the names and their corresponding IP addresses. With the growth of the Internet, this system reached its limits (it grew too large too fast) and the modern Domain Name System (DNS) was created, with the structure of separating names out with TLDs and so on that has already been discussed. It is important to understand the modern workings of this structure in order to grasp how the UDRP came into existence and how it is enforced.

It might help to think of each level of the DNS as a tree. To the right of every TLD is what is known as the *root* – you could think of every address as being the equivalent of google.com.root. Like a living tree, out of this root spreads all of the different TLDs. Out of these TLDs spreads all of the second level domain names, and then the third level names, and so on and so forth. Here is an example:

⁵ IANA, *Root-Zone Whois Index by TLD Code*, <http://www.iana.org/root-whois/index.html> (a full list of ccTLDs and their administrators).

⁶ 244 ccTLDs are in use, though more have been assigned but not used, such as .bv for Bouvet Island.

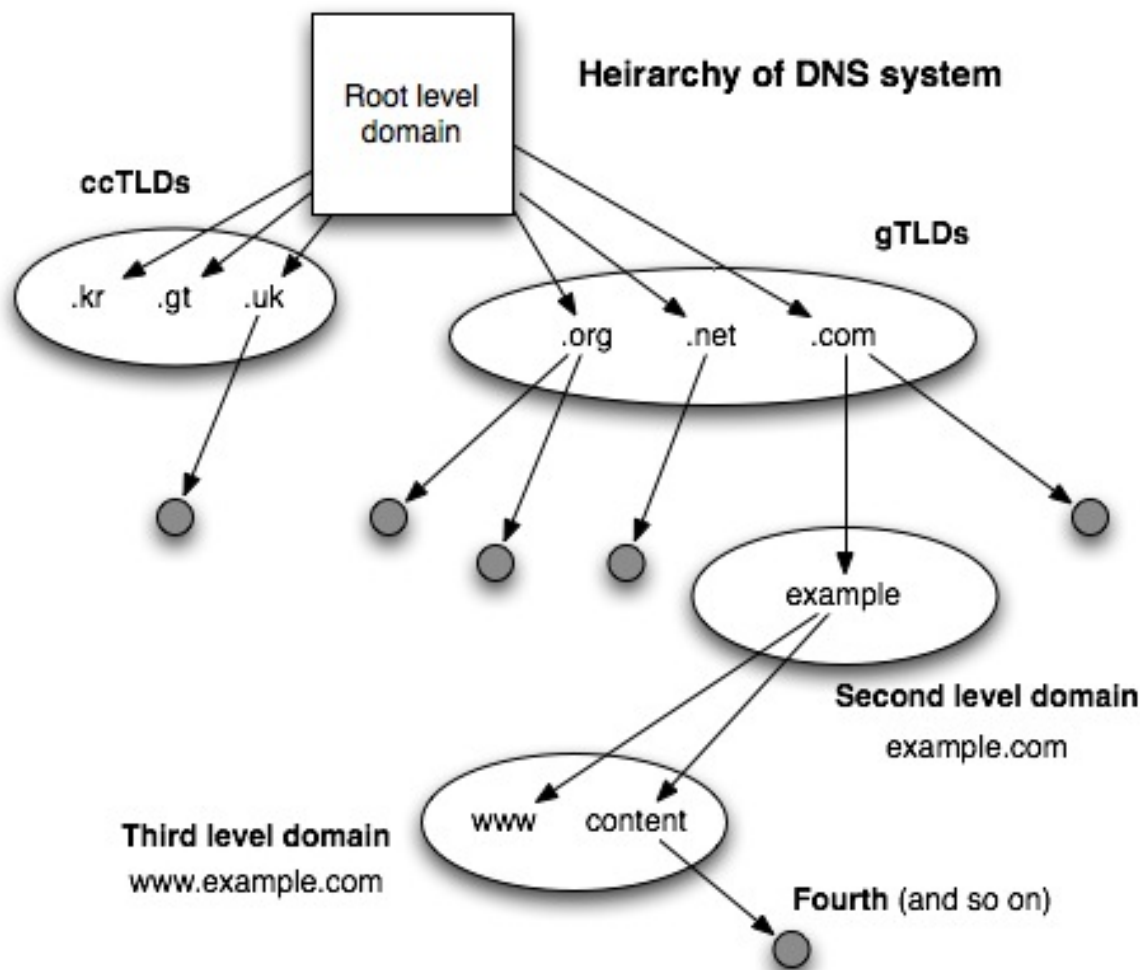


Figure 2. The Domain Name System

At each level is a set of information on where to find the materials requested or where to find the next element needed to resolve the request. So the root says where to find the TLD requested, the TLD then states where to find the second level domain name requested, and then that domain provides the information on where to find the next level. Remember that computers read domain names from right to left, so for **www.example.com** or **www.content.example.com** they look to the root, which tells them where to find **.com**. The **.com** part of the DNS then says where to find “**example**”, and finally **example.com** gives the location of “**www**” or “**content**” (such as “**content.example.com**”). These could be further divided into a fourth level, and so on.

This system, however, depends on everyone looking at the same place – the root – for their information about the first level of domain names: the TLDs. There are 12 root operators that run 13 addresses whereby computers can locate the root DNS information, and these addresses are known by their assigned letters, A-M. All thirteen addresses were formerly servers located in 13 locations in the United States and Europe, but now six of the thirteen have distributed the location of their servers throughout the world.⁷

⁷ See Root Server Technical Operations Assn, *root-servers.org*, <http://www.root-servers.org/> (The servers are C, F, I, J, K and M) .

The information contained in these root servers determines what TLDs will be available when people look to these servers for that level of domain name information. All of the root servers look to only one location to get the definitive file for the root. The organization that controls the contents of the root file is ICANN, the Internet Corporation for Assigned Names and Numbers. How ICANN came to control this file will be covered in greater detail in the next section, but the fact that they exercise control over what domain names people can access by controlling the root is very important.

1.4 Trademarks

The move from IP addresses to more easily remembered domain names may have made navigation of the Internet easier, but with this added meaning came added difficulties. As we have seen, for domain names to work they must be unique. Because this uniqueness means that the use of a word or phrase can only be given to one person or entity in the entire world, this has caused conflict, particularly with trademark law.

Trademarks have been defined as:

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks.⁸

Trademarks can be combinations of letters and numerals, as well as designs, and colors. Smells, sounds, and even taste can be trademarks in some legal systems. For the purposes of domain names however, the DNS was originally designed for only combinations of the Roman alphabet letters a through z, numbers 0-9 and the plus, period, and hyphen characters.⁹ As a result, this guide concentrates on discussing marks made up of these symbols, rather than designs, sounds, smells, or colors.

Internationalized Domain Names

The DNS system works only with domain names that contain a limited character set based on the Latin alphabet known as ASCII: primarily A-Z and 0-9. This limitation is generally unnoticed by English-speaking communities and ASCII was subsequently extended to cover languages that use the basic Latin alphabet plus diacritical marks such as the German ü or Spanish í. Because of this limited character set, languages that use a non-Latin alphabet such as Cyrillic, Arabic, or Japanese present a unique problem for domain names – they must use a Latin-alphabet equivalent. To counter this problem, ICANN has introduced **Internationalized Domain Names**. An Internationalized Domain Name (or IDN) is a domain name that is available to an Internet user in a non-ASCII character set. A user types a URL in their local language, which is then converted into an equivalent string of characters in the ASCII set.¹⁰

⁸ *Trade Related Aspects of Intellectual Property Rights (TRIPS)* art. 15.1 http://www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs.

⁹ See RFC 1738 *Uniform Resource Locators (URL)*, <http://www.faqs.org/rfcs/rfc1738.html> (The Request For Comments, RFCs, are an influential series of documents created by the Internet community to develop standards for how the Internet functions).

¹⁰ For an example of characters and how they are converted into a non Latin-alphabet language, see IANA, *.JP Japanese Character Table*, <http://www.iana.org/assignments/idn/jp-japanese.html>. Relevant RFCs for IDNs are: RFC 3490, RFC 3491, and RFC 3492. See Internet FAQ Archives, *Internet RFC/STD/FYI/BCP Archives* <http://www.faqs.org/rfcs/>. See also resources collected at ICANN, *Internationalized Domain Names* <http://www.icann.org/topics/idn.html>.

Trademarks must be distinctive in order to be protected. Words that are *generic* for that product or service – words that simply describe what a product is – will not be protected by trademark law. Words that are *descriptive* of a product can become trademarks if they acquire distinctiveness through use of the mark. In other words, if the use of a descriptive term on a product over a period of time has created a close association with those words and that particular manufacturer, then they may become a trademark.

Trademarks have several different functions, including:

- Identifying that the goods or services come from a single source, and helping to distinguish those goods or services from others;
- Indicating that all goods or services associated with the mark are of a uniform quality;
- Allowing for advertising or branding campaigns based around the mark; and
- Creating associations of sponsorship or endorsement when used with other goods or services.

Trademark, like many other areas of intellectual property (such as copyright or patents), has an international framework. This framework relies on two major principles:

1. **National treatment** – trademark treaty members give the citizens of other treaty members the same rights as their own citizens.
2. **Minimum standards** – treaty members must comply with a minimum set of standards, but are free to implement higher protection if they wish.¹¹

Though there is an international framework, trademarks are generally granted on a nation-by-nation basis, and there is no single international trademark covering all countries of the world. Thus, the rights to use a specific symbol for a good or service could be held by different producers in different countries.¹² There are, just to note, several international systems for coordinating trademark registration, such as the Community Trade Mark for the European Community and the Benelux system.¹³ These and treaties such as the Madrid Protocol can be used to obtain trademark rights in multiple countries at the same time.

Trademarks are also limited to a certain class of goods or services, even within a legal system. Thus trademark law would generally allow for there to be both a car manufacturer and a plumbing supply company with the mark TULIP, because it is unlikely that consumers would confuse the two. Trademark law therefore allows for overlapping use in the two following situations:

1. Use of the same mark for the *same* goods or services, but in *different* geographic locations; and
2. Use of the same mark for *different* goods or services in the *same* geographic location.

As noted, when looked at globally, trademark law allows many different parties to use the same mark, even for the same goods and services. But the Internet only provides a limited number of possibilities for domain names and requires that each name be unique. Different producers of goods and services from all over the world, that previously had nothing to do with one another, were all of a sudden

¹¹ See e.g. TRIPS art. 1.1 (minimum standards) and art. 1.3 (national treatment) http://www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs.

¹² For an example of a nation-by-nation dispute in trademark and geographical indications, see the dispute over BUDWEISER for beer. Robert C. Bird, *This Bud's For You: Understanding International Intellectual Property Law Through the Ongoing Dispute over the Budweiser Trademark*, 23 J. Legal Stud. Educ. 53 (2006).

¹³ The Benelux countries are Belgium, the Netherlands, and Luxembourg. The Benelux Office of Intellectual Property is at <http://www.boip.int/>.

competing for the use of the same word or phrase in a domain name.

1.5 Trademarks and domain names

At the dawn of the commercial use of the Internet, many people recognized the value in owning a domain name for an established mark. This value can be especially high because some people type names of goods or services directly into their web browser as a means of finding websites (versus using a search engine such as Google). Domain names have generally been given on a first-come first-served basis. If a trademark holder was slow to register a domain name for one of their word marks, a third party could come along and get the registration and thus the domain name. The Registrant could either have a valid reason, such as selling its own goods or services that legitimately contain the mark. However, the Registrant could be merely trying to exploit someone else's trademark. Because registering a domain name is relatively cheap, some attempted to register domain names for marks that they did not own specifically in order to sell the domain name back to the legal owner of the mark for large sums of money. This process became known as *cybersquatting*. "Squatting" is a term used for unlawfully occupying land or a building. In this case, cybersquatters identified popular trademarks or variations of trademarks that were available, and subsequently registered the name (occupying it) in the hopes of selling or otherwise exploiting the domain name for large amounts of money.

Cybersquatting instantly became a big problem on the Internet because trademark owners felt that they should have the rights over their name on the Internet and that the use by cybersquatters was driving away customers and otherwise hurting their mark's reputation. Because domain name registrations were inexpensive and easy to obtain, cybersquatters often registered many variations on a trademark in the most popular top level domains such as ".com", ".net", and ".org".

Existing legal causes of action could be very difficult for trademark owners to enforce their rights in this new arena. Court cases are long and expensive and sometimes judges encountered great difficulty in applying traditional requirements of certain causes of action to domain names. In addition, because the users of domain names came from all over the world, the different legal systems and burden of international litigation added a further layer of complexity – domain name Registrants and trademark holders could be on completely different sides of the world. It quickly emerged that another procedure to resolve disputes over trademarks and domain names other than litigation in national courts was needed. The solution, the Uniform Domain Name Dispute Resolution Policy (UDRP), was introduced and came into effect in 1999.

2.0 History of disputes and the domain name system

Cybersquatting, the DNS, and the evolution of Internet governance are all parts of the deep and rich history of the Internet. This section conveys only a very general overview of this history in order to place the discussion of the UDRP and how it works in greater context. If interested, readers should consult the Appendix for sources that discuss this history in more detail.

2.1 The evolution of dispute resolution

Before 1995, there was no formal dispute resolution policy for disputes over trademarks and domain names. In July of 1995, Network Solutions Incorporated (NSI), a private company that had managerial responsibility over the domain name system (DNS), put in place a procedure where registered trademark holders could present proof that their mark was identical to a domain name. If the Registrant

could not provide their own proof of trademark registration for the domain, then NSI would compel a transfer after 90 days or place a hold on the domain name so that neither party could use it.¹⁴ This policy was subsequently amended in 1996 in order to address shortcomings with the policy, and in 1998 the process started for a new policy.¹⁵

During this same time period from 1995 to 1998, the Internet itself was growing, more disputes were being brought under NSI's policy, and trademark holders and registrants were growing dissatisfied with the results.¹⁶ In February of 1998, an agency of the United States Department of Commerce released a draft discussion paper called the "Green Paper" which proposed greater international participation (the US government played a primary role with the internet at this time), privatization of the DNS, and increased competition in registry services.¹⁷ After a consultation period, a "White Paper" was produced in June of 1998 that called for an international initiative led by the World Intellectual Property Organization (WIPO) to come up with a dispute resolution procedure dealing with cybersquatting while leaving legitimate trademark infringement disputes to national courts.¹⁸

2.2 The birth of ICANN

In the 1980's the Internet was a mostly a self-governing community, and people that played a key role in shaping the Internet, such as Jon Postel, could readily coordinate what was a fairly close group.¹⁹ But as the Internet grew in the 1990's it was quickly realized that a more formal structure was needed. The Green Paper and the later White Paper (mentioned above) were both intended to address the issue of the Internet's structure as well as the problems of dispute resolution. These two documents were part of a large and controversial debate over how core aspects of the Internet were to be governed. Was it to be by a new international body? By part of the United Nations? Were governments to be directly involved? Out of the process that followed the release of these two papers, ICANN, the Internet Corporation for Assigned Names and Numbers, was created as the solution for a governing institution for the internet and specifically for matters related to the DNS (as was proposed in the White Paper). The United States Department of Commerce officially recognized ICANN on February 26, 1999, and as a result it became the governing institution for dispute resolution issues related to domain names.²⁰

2.3 Approval of the UDRP

From July of 1998 to April of 1999, WIPO held its consultative process on domain name disputes (as called for in the White Paper) and delivered a report to the newly formed ICANN that outlined a dispute resolution process that dealt with cybersquatting. After going through some internal processes at ICANN, including a public comment period, the final aspects of the Uniform Domain Name Dispute Resolution Policy (UDRP) was approved on October 24th, 1999. On November 29th, WIPO was

¹⁴ Michael A. Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP*, 27 Brook. J. Int'l L. 903, 914-15 (August 2001). (also available at SSRN: <http://ssrn.com/abstract=280630>).

¹⁵ *Id.* at 915-918.

¹⁶ *Id.*

¹⁷ *A Proposal to Improve Technical Management of Internet Names and Addresses*, 63 Fed. Reg. 8825 (1998) (the "Green Paper") <http://www.ntia.doc.gov/ntiahome/domainname/022098fedreg.htm>.

¹⁸ *Management of Internet Names and Addresses*, 63 Fed. Reg. 31,741 (1998). (the "White Paper") http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm.

¹⁹ Mueller, *Ruling the Root*, at 164-5.

²⁰ For more of this history, see Mueller *Ruling the Root*, Chapter 8.

approved as a dispute resolution provider under the policy and December 1st was the first date that complaints under the policy could be submitted.²¹ On December 9th, 1999, the first proceeding, *World Wrestling Federation Entertainment, Inc. v. Michael Bosman* was heard by WIPO.²² A new way of handling domain name disputes was born.

3.0 The UDRP

3.1 Introduction

The introduction of the UDRP was innovative in primarily two areas. First, except in extremely rare circumstances there is no live hearing – no teleconferences, webconferences, or in-person arguments by either side. Second, the communications and filings involved in a dispute occur primarily online: via email. In the previous two sections, we have seen the technical restrictions that set up the problem of disputes over trademarks in domain names, and the history of how ICANN came to deal with this problem. The UDRP was their response, and in this section we will go through the basics of the policy. In the next section, 4.0, we will discuss the more substantive aspects of the law behind the UDRP.

At this point it should be noted that there are other dispute policies besides the UDRP that are in place and that deal with the problems of domain names and trademarks. Some ccTLDs have come up with their own dispute policies, such as the European Union’s “.eu” domain and its policy.²³ In addition, ICANN has other dispute policies that it applies in some gTLDs, such as the “Qualification Challenge Policy” for registrants in .pro. This policy allows for challenging whether Respondents are licensed professionals, which is, as mentioned, a requirement for a .pro registration.

We focus in on the UDRP for several reasons. It covers the majority of gTLDs, including the very popular .com and .net domains. Approximately 7 million out of 11.7 million new registrations in the first quarter of 2007 were in .com and .net. On the whole, there are approximately 128 million TLD registrations, with 69 million of those being .com and .net, reflecting 54% of all registrations.²⁴ In addition, the UDRP is also followed by several ccTLDs as their dispute policy, which we examine further in section 3.3.

The following definitions might be helpful when reading the remaining sections of this guide:

Complainant – The party filing a complaint against a Respondent of a domain name.

Registrant – Someone who has registered a domain name and agreed to the UDRP in the registration agreement.

Respondent – Another term used for a Registrant, and is used for a Respondent that is expected to respond to a complaint made via the UDRP framework.

²¹ ICANN, *Timeline for the Formulation and Implementation of the Uniform Domain-Name Dispute-Resolution Policy*, <http://www.icann.org/udrp/udrp-schedule.htm>.

²² See *World Wrestling Federation Entertainment, Inc. v. Michael Bosman*, WIPO/D99-0001, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/1999/d1999-0001.html>.

²³ For more information on the .eu policy, see Arbitration Center for .EU disputes, *ADR.eu*, <http://www.adr.eu/>.

²⁴ Verisign, *Verisign Domain Name Industry Brief*, Vol. 4(3), June 2007. <http://www.verisign.com/static/042161.pdf>.

3.2 What rules apply

There are three primary sets of rules that govern a domain name dispute.²⁵ They are:

1. **The Uniform Domain Name Dispute Resolution Policy (UDRP).** These rules are available at: <http://www.icann.org/udrp/udrp-policy-24oct99.htm>
2. **The Rules for the UDRP (“The Rules” or “Uniform Rules”).** All dispute resolution providers follow these (mostly procedural) rules set out by ICANN. They are available at: <http://www.icann.org/dndr/udrp/uniform-rules.htm>
3. **Supplemental rules set down by the individual dispute resolution provider.** Each provider has a set of supplemental rules that also apply for the cases they handle. A list of current providers and their supplemental rules is available at: <http://www.icann.org/dndr/udrp/approved-providers.htm>

Registrant’s agree to the above rules when they enter into their contract for registration with the Registrar for their domain name. The first set of rules, the policy itself, states under what circumstances a dispute can be issued and how the dispute is decided. The Uniform Rules for the UDRP and each provider’s supplemental rules deal with procedural issues, including such criteria as how word limits on written submissions and specifying due dates for responses. We will primarily be discussing the UDRP and the Uniform Rules, though it is important to remember that the supplemental rules will also apply, and will be different depending on who is selected for the dispute.

3.3 Who uses the UDRP

The UDRP is used by all ICANN-accredited registrars for the gTLDs. This includes:

- .aero – Reserved for members of the air-transportation industry;
- .asia – Reserved for legal entities in the Pan-Asia and Asia-Pacific region;
- .biz – Reserved for businesses;
- .cat – Reserved for members of the Catalan community;
- **.com – Open to any Respondent;**
- .coop – Reserved for cooperatives;
- .info – Open to any Respondent;
- .jobs – Reserved for the human resources industry;
- .mobi – Reserved for mobile services consumers and providers;
- .museum – Reserved for museums;
- .name – Reserved for individuals;
- **.net – Open to any Respondent;**
- **.org – Open to any Respondent;**
- .pro – Reserved for professionals;
- .tel – Reserved for publications of contact data;
- .travel – Reserved for the travel industry.²⁶

The UDRP has also been adopted by several ccTLDs as the dispute policy for their domain. According to information collected by WIPO, 54 ccTLDs either have adopted the UDRP in whole or have adopted a version of the UDRP. Of these, 33 ccTLDs use the UDRP and an additional 21 use a variant of the

²⁵ ICANN, *Uniform Domain Name Dispute Resolution Policy*, §1. Purpose <http://www.icann.org/udrp/udrp-policy-24oct99.htm> [hereinafter UDRP].

²⁶ IANA, *Generic Top Level Domains*, <http://www.iana.org/gtld/gtld.htm> (emphasis added).

UDRP. 41 ccTLDs use another alternative dispute resolution (ADR) procedure such as mediation, arbitration, or a non-UDRP administrative hearing. The remaining 149 ccTLDs do not report an ADR procedure.²⁷

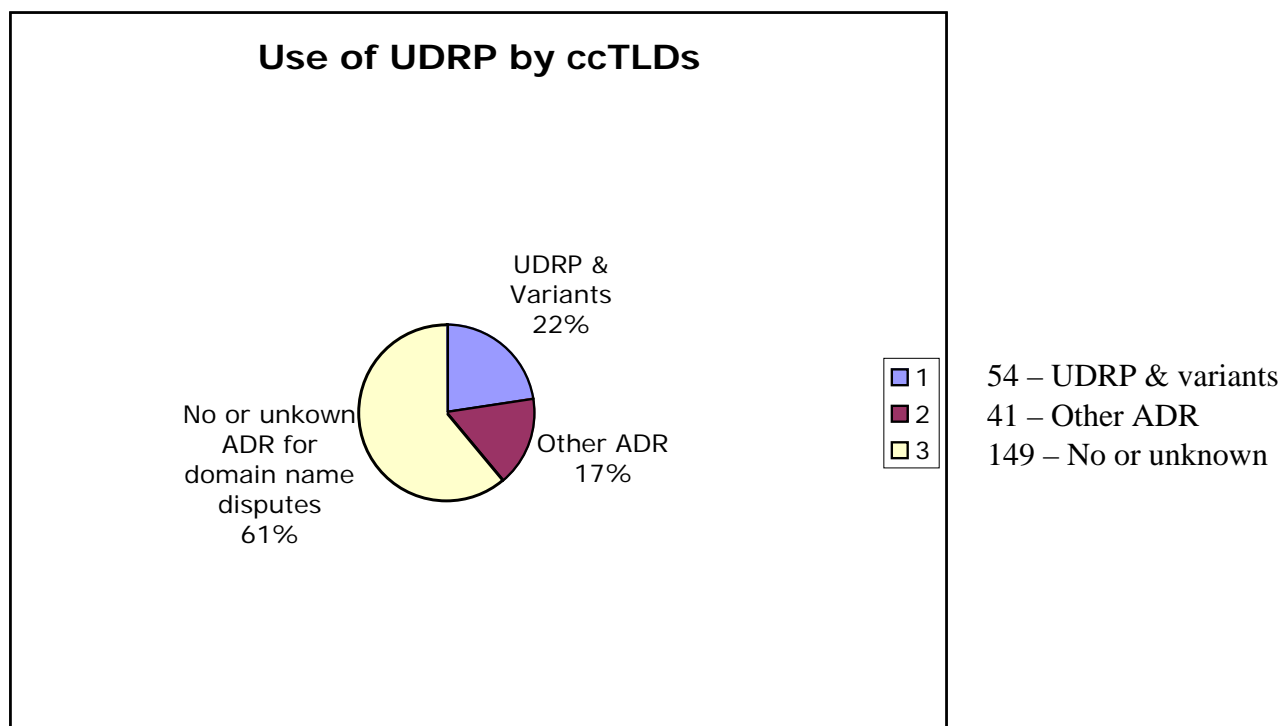


Figure 3. Use of UDRP by ccTLDs

Source: WIPO, *Arbitration and Mediation Center ccTLD Database*, http://www.wipo.int/amc/en/domains/cctld_db/output.html

This number is expected to grow, as requirements to implement the UDRP for a country's ccTLD have been increasingly used in various Regional Trade Agreements (RTAs), including the Dominican Republic–Central American Free Trade Agreement (DR-CAFTA) and the Korea–United States Free Trade Agreement (KORUS).²⁸ In addition, the use of the UDRP is suggested by WIPO in its document *ccTLD Best Practices for the Prevention and Resolution of Intellectual Property Disputes*.²⁹ As a result, the UDRP is in use all over the world and applies to a wide variety of domains. Understanding the basics of the UDRP is a crucial step in protecting your rights online – either as a consumer asked to respond to one of these proceedings or as a mark holder needing to enforce their rights on the Internet.

3.4 Who decides the disputes?

There are currently three approved providers for the UDRP, and only approved providers may be used

²⁷ WIPO, *Arbitration and Mediation Center ccTLD Database*, http://www.wipo.int/amc/en/domains/cctld_db/output.html.

²⁸ DR-CAFTA art. 15.4.1 and KORUS art. 18.3.1 (both available on the USTR website, http://www.ustr.gov/Trade_Agreements/Bilateral/Section_Index.html). See also Abbe E.L. Brown, Andres L. Guadamuz, and Jordan S. Hatcher, *The Impact of Free Trade Agreements on Information Technology Based Business* (2007) <http://ssrn.com/abstract=984864>.

²⁹ WIPO, *ccTLD Best Practices for the Prevention and Resolution of Intellectual Property Disputes*, <http://www.wipo.int/amc/en/domains/bestpractices/bestpractices.html>.

for disputes under the policy.³⁰ They are:³¹

- **The World Intellectual Property Organization** – WIPO is an international agency of the United Nations that was established in 1967 to promote and develop international aspects of intellectual property law and policy. WIPO has an *Arbitration and Mediation Center* that was established in 1994 to offer services for the resolution of disputes. WIPO's Arbitration and Mediation Center has been a provider for UDRP disputes since December 1st, 1999.³²
- **The National Arbitration Forum** – NAF is a provider of neutral administration services for alternative dispute resolution from 1986. Though NAF is located in the United States, it serves in disputes from throughout the world and has an international roster of panelists for UDRP disputes. NAF has been a provider under the UDRP from December 23rd, 1999.³³
- **Asian Domain Name Dispute Resolution Centre** – The ADNDRC is a group of three different organizations – the China International Economic and Trade Arbitration Commission (CIETAC), the Hong Kong International Arbitration Centre (HKIAC) and the Korean Internet Address Dispute Resolution Committee (KIDRC). It has three different offices based on the locations of these organizations, and has a set of supplemental rules for the UDRP that governs each office. The offices are in Beijing, Hong Kong, and Seoul. ADNDRC has provided services for UDRP disputes from February 28th, 2002.³⁴

There are two former dispute providers, CPR: International Institute for Conflict Prevention and Resolution and eResolution, but neither one currently accepts UDRP disputes.³⁵

UDRP disputes are decided by either one or three panelists. The Complainant mark holder decides in their complaint whether they would like one or three panelists. If the Complainant selected the use of only one panelist, the Respondent domain name holder can, in their response to the complaint, request three panelists. WIPO, for example, maintains a list of approved panelists along with a brief biography of each at its website.³⁶ WIPO describes their list of panelists as follows:

The persons appearing on the WIPO Center's list of Domain Name Panelists have been selected on the basis of their well-established reputations for their impartiality, sound judgment and experience as decision-makers, as well as their substantive experience in the areas of international trademark law, electronic commerce and Internet-related issues. The WIPO Center's list is truly international, consisting of more than 250 Panelists from 42 countries, many of whom are multi-lingual.³⁷

It has been commented that some panelists receive more disputes than others. In a study in 2001, with

³⁰ UDRP §4 *Mandatory Administrative Proceeding*.

³¹ ICANN, *Approved Providers for Uniform Domain-Name Dispute-Resolution Policy* <http://www.icann.org/dndr/udrp/approved-providers.htm>.

³² WIPO, *Homepage*, <http://wipo.int/>. WIPO, *Arbitration and Mediation Center*, <http://www.wipo.int/amc/en/index.html>.

³³ NAF, *Homepage*, <http://www.arb-forum.com/>. See also their alternative site for UDRP disputes: Domain-Disputes.com, *Homepage*, <http://www.domain-disputes.com/>. NAF, *Panelist search*, <http://domains.adrforum.com/panel.aspx>.

³⁴ ADNDRC, *Homepage*, <http://www.adndrc.org/adndrc/index.html>.

³⁵ Former provider eResolution closed, and CPR stopped doing UDRP disputes. See ICANN, *Former Providers for Uniform Domain-Name Dispute-Resolution Policy*, <http://www.icann.org/dndr/udrp/former-providers.htm>.

³⁶ WIPO, *Domain Name Panelists*, <http://www.wipo.int/amc/en/domains/panel/panelists.html>.

³⁷ WIPO, *WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP)*, <http://www.wipo.int/amc/en/domains/guide/index.html>.

an update in 2002, of the 4,333 decisions that were examined, the top five panelists participated in 788 decisions – or approximately 18% of all decisions issued.³⁸ The top five panelists at this time all came from the United States and included four current or retired judges at the trial court level and two professional mediators. The top two panelists alone represented a combined 9.4% of all UDRP decisions.³⁹

3.5 *Powers and obligations of the Panel*

UDRP Rule 10 lays out the powers of the panelists in a UDRP dispute:

10. General Powers of the Panel

- (a) The Panel shall conduct the administrative proceeding in such manner as it considers appropriate in accordance with the Policy and these Rules.
- (b) In all cases, the Panel shall ensure that the Parties are treated with equality and that each Party is given a fair opportunity to present its case.
- (c) The Panel shall ensure that the administrative proceeding takes place with due expedition. It may, at the request of a Party or on its own motion, extend, in exceptional cases, a period of time fixed by these Rules or by the Panel.
- (d) The Panel shall determine the admissibility, relevance, materiality and weight of the evidence.
- (e) A Panel shall decide a request by a Party to consolidate multiple domain name disputes in accordance with the Policy and these Rules.

Though they are characterized as “powers”, rules 10(b) and the first sentence of 10(c) are really obligations on the panelists to be fair and impartial with each dispute and to resolve each dispute quickly – much like a judge in a case before a court. The rest provide the panel with the power to decide what documents that they will consider [10(d)], to extend deadlines [10(c)], hear more than one dispute over multiple domain names at the same time [10(e)] and generally do what is needed to resolve a case quickly and fairly [10(a)].

3.6 *Remedies of the UDRP*

There are only two remedies that Complainants can ask for:

1. **Cancellation of the registration.** This means that the person who originally registered the domain name has lost that domain name and it is now available for registration. Normally Complainants wishing to prevent the use of a domain name by anyone other than themselves would not seek this remedy, as the name can be registered on a first-come, first-served basis by anyone after the cancellation.
2. **Transfer of the registration to the Complainant.** The registration of the domain name is transferred to the Complainant, who must then pay the registration fee and now owns the domain name.

³⁸ The actual number may be somewhat lower due to these members serving on three arbiter panels together. However, given the low proportion of three panel decisions this difference is minimal. All statistics from UDRPinfo.com, *Homepage*, <http://www.udrpinfo.com>. This site is based off of statistics collected by Michael Geist in 2001-02. For up-to-date statistics from WIPO disputes only, see WIPO, *WIPO Domain Name Dispute Resolution Statistics*, <http://www.wipo.int/amc/en/domains/statistics/>.

³⁹ *Id.*

Notably, panelists under the UDRP cannot award *damages* to the Complainant (paid by the Respondent), issue *sanctions* against the Complainant for bringing a frivolous claim (also known as “Reverse Domain Name Hijacking”), or order the Respondent to refrain from certain activities, such as registering more domain names related to the mark at issue (an injunction or interdict). If a party wishes to seek any of these remedies, the party will need to go to a national court.

Practice tip – Choosing 1 or 3 panelists

A study in 2001 and updated in 2002 argued that 3 member panel decisions favor the Respondent over single member panels for decisions where the Respondent has filed a response.⁴⁰ However, since the majority of the decisions in this study are Respondent-default (no response), this may simply indicate that Respondents are likely to default when the case is weak, and request 3 panelists when the case is stronger. Because default may be more likely, Complainants often can conserve costs by requesting a single member panel. Respondents should consider requesting a three-member panel in order to offset any bias by the single-member process, though this request will result in a fee for the additional panelists being paid by the Respondent.⁴¹

So for example a dispute involving a single domain name under the WIPO rules would result in the following fees:

<i>Single Panelist</i>	\$1,500 USD payable by Complainant
<i>Three Panelists</i> , requested by Complainant	\$4,000 USD payable by Complainant
<i>Three Panelists</i> , requested by Respondent	\$2,000 USD payable by Respondent
	\$2,000 USD payable by Complainant ⁴²
	(Consult the WIPO site for more details)

3.7 Language of the proceeding

The Internet is a global place, and, particularly with .com, domains are registered to people and organizations all throughout the world. This means that the language of the Complainant or the Respondent may differ. Because of this, disputes under the UDRP must be conducted in the language of the registration agreement – the agreement signed by the person registering a domain name and the registrar – unless otherwise agreed by the parties or allowed for in the registration agreement itself.⁴³ Panelists can order the translation of documents sent in another language.⁴⁴

Registrants should take care when registering a domain name to use a registrar who provides an agreement in a language they feel comfortable with the possibility of a UDRP proceeding being conducted in. When selecting panelists, there are panelists available who speak languages such as

⁴⁰ See Geist, *Fair.com* supra; Michael Geist, *Fundamentally Fair.com? An Update on Bias Allegations and the ICANN UDRP*, <http://aix1.uottawa.ca/~geist/fairupdate.pdf>; UDRPinfo.com, *UDRP Decisions*, <http://www.udrpinfo.com/dcsn.php#data>.

⁴¹ M. Scott Donahey, *Internet Law and Practice* 16:13 (West 2006) [hereinafter Donahey, *Internet Law and Practice*].

⁴² See WIPO, *Schedule of Fees under the UDRP (valid as of December 1, 2002)*, <http://www.wipo.int/amc/en/domains/fees/index.html>.

⁴³ Donahey, *Internet Law and Practice*, 16:16. See also WIPO Overview §4.3.

⁴⁴ Donahey, *Internet Law and Practice*, 16:16.

Spanish, Korean, Dutch, French, and German.⁴⁵ Most disputes however, are conducted in English and it might be beneficial to retain a legal expert with a working knowledge of English and/or request a bilingual panelist in order to take full advantage of the wealth of published disputes available in English.⁴⁶

⁴⁵ WIPO, *WIPO Domain Name Panelists*, <http://www.wipo.int/amc/en/domains/panel/panelists.html>. See WIPO, *All case languages (ranking): all years*, http://www.wipo.int/amc/en/domains/statistics/languages_yr.jsp?year= (statistics on case languages).

⁴⁶ See WIPO, *All Case Languages (Ranking): All Years*, http://www.wipo.int/amc/en/domains/statistics/languages_yr.jsp?year=

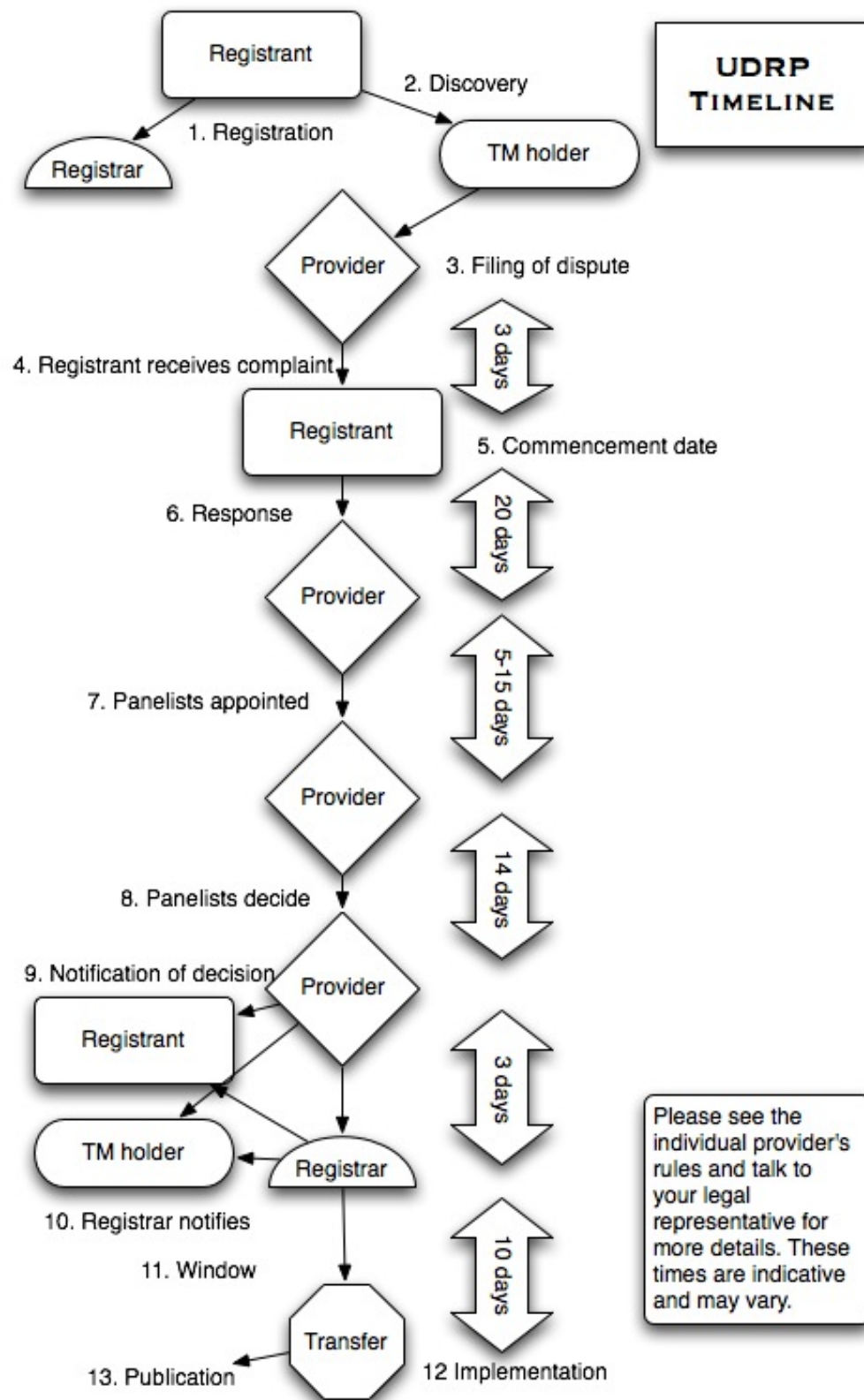


Figure 4. UDRP Timeline

3.8 *Timeline of a UDRP dispute*

Here is a timeline of a dispute based on the Uniform Rules and the WIPO supplemental rules:

1. Registration of potentially infringing domain name with an ICANN-approved registrar in a UDRP-governed gTLD. Respondent consents in the registration agreement to the use of the UDRP for disputes over the domain name.
2. Trademark holder discovers the use of their mark in a domain name and believes it to be infringing.
3. TM holder prepares and submits complaint to an ICANN approved dispute resolution provider.
4. Within 3 days of receiving the complaint, provider forwards on the complaint to the Respondent.
5. Commencement date of the dispute begins once the provider forwards on the complaint.
6. The Respondent has 20 days to file a response. If they do not, the dispute is heard on the complaint alone.
7. Once provider receives a response, or the date when a response should have been received has passed, the panelists are appointed. In one-panelist disputes this happens within 5 days, in three-panelist disputes, this can take up to 15 days.
8. Panelists will usually decide the dispute within 14 days, though in the case of three panelists this is often extended because of scheduling. The decision is then sent to the dispute resolution provider.
9. The provider has 3 days to send the decision on to the parties, including the registrar.
10. “Immediately” the registrar must communicate to the parties the date of the implementation of that decision if the domain name is to be transferred or the registration cancelled.
11. There is a 10-business day window to file a claim to a national court system before the registrar implements the decision.
12. Implementation of the decision by the registrar or appeal to the courts. If appealed to the courts, then the UDRP expresses a policy of maintaining the status quo while the dispute takes place.
13. Decision is published on the provider’s website.

4.0 **Substantive law of the UDRP**

The previous section covered the three sets of rules that come into play in a dispute, who decides the disputes and their powers, and went through the timeline of a UDRP dispute. This section explores the substantive rules used by panelists to decide disputes. We will start out by looking at what the Complainant must prove, and then what the Respondent must prove.

4.1 *What law do they use?*

15(a) of the Uniform Rules governs the rules and law that a panel can use:

- (a) A Panel shall decide a complaint on the basis of the statements and documents submitted and in accordance with the [UDRP] Policy, these Rules and any rules and principles of law that

it deems applicable.

The panelists thus must use the UDRP and the Uniform rules (and applicable supplemental rules), but can choose any other rules of law or sources that it “deems applicable”, including the law of a specific legal jurisdiction. As mentioned in the beginning, trademark law is more national than international, and different legal systems may handle the same legal issues surrounding trademarks differently. Unlike in a case before a court, there are no “choice of law” rules that the panel must follow – no laws about what law to apply in a dispute. In general, it has been observed that when the parties to a dispute are from different jurisdictions, panelists tend to rely solely on the UDRP and Uniform Rules. When the parties are both in the same jurisdiction, then panels may tend to use the law of that jurisdiction.⁴⁷

Unlike judges in many legal systems, the panelists have no obligation to follow the past decisions of other panels – there is no rule of *precedent* within the UDRP system. Each panel can decide the situation as if it were the first one to consider the issue. However, many decisions, if not all of the ones now decided, cite other UDRP decisions or otherwise follow the reasoning of other decisions. Past decisions are published and available via the Internet from each provider. WIPO, for example, maintains web pages with the 25 most cited decisions in the complaint and 25 most cited in the response.⁴⁸ Finally, WIPO has created a *WIPO Overview of WIPO Panel Views on Selected UDRP Questions* [“WIPO Overview”],⁴⁹ which has been cited by some panelists as to “be regarded as a studied and considered summary of consensus positions and as such ought to be considered in a Panel’s deliberations.”⁵⁰

4.2 What the Complainant must prove

The UDRP lays out the three elements that the Complainant must prove in order to be successful in a dispute under the policy in 4(a):

- (i) [the] domain name is identical or confusingly similar to a trademark or service mark in which the Complainant has rights; and
- (ii) [the Respondent has] no rights or legitimate interests in respect of the domain name; and
- (iii) [the] domain name has been registered and is being used [by the Respondent] in bad faith.

Complainant must satisfy *all three elements* to be successful. These elements should be addressed directly in the complaint because there are (except in unusual circumstances) no further documents submitted by the mark holder other than the complaint. All three elements should also be addressed fully and directly because if there is no response from the Registrant, the dispute will be decided solely

⁴⁷ Donahey, *Internet Law and Practice*, 16:6. For an example of this line of reasoning, see *The Chamberlain Group, Inc. v. Martial Maitam*, WIPO/D2002-0338, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2002/d2002-0338.html> (“Since both the Complainant and Respondent are domiciled in the United States, since both registrars have their principal places of business in the United States, and since United States’ courts have recent experience with similar disputes, to the extent that it would assist the Panel in determining whether the Complainant has met its burden as established by Paragraph 4(a) of the Policy, the Panel shall look to rules and principles of law set out in decisions of the courts of the United States.”)

⁴⁸ WIPO, *25 most cited decisions*, http://www.wipo.int/amc/en/domains/statistics/cases_cited.jsp?party=C (Complaints) http://www.wipo.int/amc/en/domains/statistics/cases_cited.jsp?party=R (Response).

⁴⁹ [hereinafter *WIPO Overview*] Available at <http://www.wipo.int/amc/en/domains/search/overview/index.html>.

⁵⁰ See *Advance Magazine Publishers Inc. v. Vanilla Limited/ Domain Finance Ltd./ Minakumari Periasany* WIPO/D2004-1068, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2004/d2004-1068.html>; *Fresh Intellectual Properties, Inc. v. 800Network.com*, WIPO/D2005-0061, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2005/d2005-0061.html>

on the basis of the complaint. Because of this reason, a UDRP complaint has been described as “a hybrid of a court complaint and summary judgment brief”.⁵¹ All three providers offer model complaints (and responses) on their websites.⁵² When drafting a complaint, mark holders should make sure that they address all three of the required elements in a way that gives a panel enough information to decide in their favor without any additional material.

UDRP stories – Croatia Airlines

Croatia Airlines is Croatia’s national airline. The domain name www.croatiaairlines.com, however, was being used by a resident of China to sell airline tickets and other goods and services. Croatia Airlines filed a UDRP complaint with WIPO in an effort to protect its mark and to transfer the domain name to the airline. The Registrant did not respond, and the panel found that the domain name was identical, that the Registrant had no rights or legitimate interest in the domain name, and that it was registered and being used in bad faith. Accordingly, Croatia Airlines was able to successfully acquire the domain name www.croatiaairlines.com, and the site is used for their business to this day.

4.2.1 Element 1: The domain name is identical or confusingly similar to a trademark or service mark in which the Complainant has rights;

This element requires that the Complainant prove two facts – that the domain name or names at issue are identical or confusingly similar to a trademark, and that the Complainant has rights to that mark.

Ownership of the mark or marks in question is usually established by providing proof of registration and other materials from the relevant trademark offices. Marks or words that are not registered, such as common law marks, trade names, geographical names, as well as celebrity and personal names have had mixed success under the UDRP. The key element is usually providing some proof that the mark is used commercially and that there is an association with that use to the Complainant.⁵³ The consensus view, taken from the *WIPO Overview* states:

The Complainant must show that the name has become a distinctive identifier associated with the Complainant or its goods and services. Relevant evidence of such “secondary meaning” includes length and amount of sales under the mark, the nature and extent of advertising, consumer surveys and media recognition. The fact that the secondary meaning may only exist in a small geographic area does not limit Complainant’s rights in a common law trademark. Unregistered rights can arise even when the Complainant is based in a civil law jurisdiction [Ed note – civil law systems generally require registration in order to have a trademark].⁵⁴

In addition, Complainants must prove the domain name is “identical or confusingly similar” to their mark. Deleting spaces, deleting or adding punctuation or adding a TLD such as .com have all been found not to prevent a panelist from finding the domain name to be identical to the Complainant’s

⁵¹ Barbara Solomon, *Two New Tools to Combat Cyberpiracy – A Comparison*, 90 Trademark Rep. 679, 682 (2000) [hereinafter Solomon, *Two New Tools to Combat Cyberpiracy*].

⁵² See e.g. WIPO, *Model Complaint and Filing Guidelines*, <http://www.wipo.int/amc/en/domains/complainant/index.html>.

⁵³ *WIPO Overview*, §1.7 <http://www.wipo.int/amc/en/domains/search/overview/index.html>.

⁵⁴ *Id.*

mark.⁵⁵ Adding words to a mark or reversing the order of words in a mark have both been found to meet the “confusingly similar” element.⁵⁶ Decisions have been split as to whether adding a negative term at the end of a mark is “confusingly similar” under this part of the policy. This is the “sucks” line of decisions – domain names consisting of the “mark-sucks.TLD” format such as “wal-martsucks.com”. One view is that the use of the mark plus “sucks” leads to confusing similarity based on the use of the mark in the domain name,⁵⁷ and the other view is that most users are not likely to confuse a domain name with negative connotations with the mark owner.⁵⁸

Practice tip – Trade names

A trade name is the name that a business uses for commercial purposes, and it may be different from its legal name. This name is not automatically protected as a trademark, and if the name is not registered, dispute panels under the UDRP treat these as if they would common law or other unregistered marks. If the trade name does not meet the requirements for a mark, then a panel will not find that the Complainant has met the first element 4(a)(i) of the UDRP. For example, an Australian company named Sealite Pty Limited manufactured marine LED lights using its trade name. Because “lite” is a common alternative spelling of “light”, and “sea” is simply descriptive of the kind of lights manufactured, the panel found that the company failed to establish rights to the name required under the UDRP in a dispute over “sealite.com”, and thus the Complainant lost its UDRP dispute.⁵⁹

4.2.2 Element 2: The Respondent has no rights or legitimate interests in respect of the domain name

Because it is difficult for a Complainant to prove a negative – especially because proof of a right or legitimate interest would be in the possession of the Respondent – several panel decisions have stated that the burden on the Complainant for this element is relatively light.⁶⁰ Panels often look at whether or not the Complainant has authorized or licensed the use of the mark to the Respondent and if they have had any kind of past relationship.⁶¹ Conducting a trademark search by the Complainant for registrations by the Respondent for marks related to the domain name can help prove this element, but

⁵⁵ See: Deletion of .com and spaces *Ann Coulter v. Mark Vadnais*, NAF/FA137221, Transfer <http://www.arbforum.com/domains/decisions/137221.htm>; Deleting punctuation: *Chi-Chi's, Inc. v. Restaurant Commentary (Restaurant Commentary)*, WIPO/D2000-0321, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0321.html>; Adding punctuation: *France Telecom SA v. France Telecom Users Group*, WIPO/D2002-0144, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2002/d2002-0144.html>.

⁵⁶ Reversing order *Cook Motorcars, Ltd. v. Patricia Soto* NAF/FA94992, Transfer <http://www.arbforum.com/domains/decisions/94992.htm>; Adding words *The Black & Decker Corp. v. Eric Savelle dba Tools Plus, Inc.* NAF/FA96700, Transfer <http://www.arbforum.com/domains/decisions/96700.htm>.

⁵⁷ See e.g. *Wal-Mart Stores, Inc. v. Richard MacLeod d/b/a For Sale*, WIPO/D2000-0662, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0662.html>.

⁵⁸ See e.g. *Wal-Mart Stores, Inc. v. wallmartcanadasucks.com and Kenneth J. Harvey*, WIPO/D2000-1104, Denied <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-1104.html>

⁵⁹ *Sealite Pty Limited v. Carmanah Technologies, Inc.* WIPO/D2003-0277 Denied <http://www.wipo.int/amc/en/domains/decisions/html/2003/d2003-0277.html>.

⁶⁰ See *De Agostini S.p.A. v. Marco Cialone* WIPO/DTV2002-0005 Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2002/dtv2002-0005.html>, *Pivotal Corporation v. Discovery Street Trading Co. Ltd.* WIPO/D2000-0648 Transfer, <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0648.html>, *Arroyo Craftsman Lighting, Inc. v. Golden Realty* WIPO/D2002-0503, Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2002/d2002-0503.html>.

⁶¹ See e.g. *WIPO Belupo d.d. v. WACHEM d.o.o.* WIPO/D2004-0110, *Yell Limited v. Ultimate Search* WIPO/D2005-0091 Transfer, denied in part <http://www.wipo.int/amc/en/domains/decisions/html/2005/d2005-0091.html> *Croatia Airlines d.d. v. Modern Empire Internet Ltd.* WIPO/D2003-0455 <http://www.wipo.int/amc/en/domains/decisions/html/2003/d2003-0455.html>.

is not necessary.⁶²

Once the Complainant has met their burden, however light it may be, the Respondent then has the obligation to prove legitimate interest in the domain name. In 4(c), the UDRP gives three examples of *legitimate* interests that the Respondent may use to meet this burden, and we will discuss these three elements in Section 4.3 describing the response by the Respondent.

UDRP Stories – AXA Management Consulting

AXA Management Consulting offers business consulting in the Republic of Moldova, and in 2004 it was challenged in a UDRP proceeding by the French insurance company AXA for using www.axamc.com. AXA Management Consulting was using the website as the home page for offering its business consulting services in Moldova and neighboring countries. AXA Insurance requested transfer of the domain name under the UDRP because of its similarity to their trademark rights in AXA. The Moldavian company responded that AXA was chosen because “axa” means a “straight line” or “an axis” in Romanian and “mc” were added as short for “Management Consulting”. The panelist considered this use, together with the website, and found for Respondent AXA Management Consulting, stating that the use of a related and generic word together with the descriptive initials of the business established legitimate use of the domain name.⁶³ A much smaller company was able to defend its rights against an international corporation quickly and relatively inexpensively.

4.2.3 Element 3: The domain name has been registered and is being used in bad faith

The UDRP itself outlines four different situations when panelists will consider the registration and use of a domain name to be in bad faith. They are:

1. Evidence that the Respondent acquired the domain name with the primary purpose of selling the domain to the owner of the trademark (or a competitor) for a profit. 4(b)(i);
2. “Engaging in a pattern” of registering a domain name in order to prevent the owner of the mark from procuring a domain name with the mark included in it. 4(b)(ii);
3. Evidence that the registration of the domain name was for the primary purpose of “disrupting the business of a competitor”. 4(b)(iii); or
4. Evidence of using the domain name to attract users to the site by creating a “likelihood of confusion” on the part of users as to the relationship of the site with the Complainant’s mark. 4(b)(iv).

Evidence of bad faith has been found, for example, where the Registrant:

⁶² See *Ronson Plc v. Unimetal Sanayi ve Tic.A.S.* WIPO/D2000-0011 Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0011.html> and *Educational Testing Service v. Netkorea Co.* WIPO/D2000-0087 Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0087.html>.

⁶³ See *FINAXA Société Anonyme v. Vitalie Popa* WIPO/D2004-0873 Denied <http://www.wipo.int/amc/en/domains/decisions/html/2004/d2004-0873.html>.

- Offered to sell the domain to the mark holder within three days of registration.⁶⁴
- Registered a misspelling of Complainant's mark – a practice known as “typosquatting”.⁶⁵
- Offered to sell the domain to the mark holder for an amount in excess of out-of-pocket costs.⁶⁶
- Registered the exact same domain name in another TLD after Complainant registered a domain name in another TLD for its famous mark (registering a .net after mark holder registered the .com).⁶⁷
- Failed to put up a website on a domain name reflecting a well-known mark, combined with providing false or misleading contact details.⁶⁸

“Bad faith” is not limited to the four scenarios outlined above, and panelists are free to find bad faith on other facts.⁶⁹ With thousands of decided cases, it would be very difficult to describe all the situations in which panelists have found bad faith. In order to assess whether a particular situation might be bad faith, the resources provided at the end of this guide can be reviewed or appropriate legal aid can be consulted.

UDRP Stories – Kwandwe Private Game Reserve

Kwandwe Private Game Reserve is a private reserve in South Africa's eastern cape region that provides safari tours and ecotourism services. From the beginning, they invested heavily in the KWANDWE mark to promote their services. In order to advertise on the Internet, they registered www.kwandwe.com and related domain names in the South Africa ccTLD (.za) and used these domain names to host information about their services. In 2003, the registration for www.kwandwe.com mistakenly lapsed and was subsequently registered by a Russian resident, who linked the domain to a site featuring sexually explicit material. This site also used a number of techniques that made it difficult for users who inadvertently visited the site to navigate away from the site without being further exposed to sexually explicit material (often called “mousetrapping”).

Kwandwe Private Game Reserve brought a dispute under the UDRP to WIPO in an effort to recover www.kwandwe.com. The Registrant did not respond, and the sole panelist found for Kwandwe, who then were able to safely and inexpensively recover www.kwandwe.com and resume their website.

4.3 Response to the complaint

In 4(c), the UDRP does outline three examples of *legitimate* interests that the Respondent can

⁶⁴ See *World Wrestling Federation Entertainment, Inc. v. Michael Bosman* WIPO/D1999-0001 supra.

⁶⁵ See *Dow Jones & Company, Inc. and Dow Jones LP v. John Zuccarini, d/b/a Cupcake Patrol* WIPO/D2001-0302 Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2001/d2001-0302.html>.

⁶⁶ See *Time Warner Inc. and EMI Group plc v. CPIC Net* WIPO/D2000-0433 Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0433.html>.

⁶⁷ See *Technology Properties, Inc v. Ralph Burris* NAF/FA94424 Transfer <http://www.arb-forum.com/domains/decisions/94424.htm> (Registering radioshack.net after famous consumer electronics retailer and mark owner registered radioshack.com).

⁶⁸ See e.g. *Telstra Corporation Limited v. Nuclear Marshmallows*, WIPO/D2000-0003 Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0003.html>.

⁶⁹ See e.g. *TV Globo Ltda. v. Radio Morena*, WIPO/D2000-0245 Transfer <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0245.html>.

demonstrate to show their rights to the domain name:

1. Before the Respondent knew about the dispute, the use, or preparations for use, of the domain name or a name corresponding to the name with the offering of goods and services by the Respondent. UDRP 4(c)(i);
2. Even if they have not acquired trademark rights, if they have been commonly known by the domain name. UDRP 4(c)(ii); or
3. Using the domain name for a “legitimate noncommercial or fair use”, and this use is “without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark”. 4(c)(iii).

Legitimate use by Respondents has been found in situations where:

- Use by a business of the name before receiving notice of dispute.⁷⁰
- Use of a trade name by each of the parties in different countries (in parallel) for a number of years.⁷¹
- They run a non-commercial fan site.⁷²
- They are a reseller of the goods or services of the Complainant/mark holder.⁷³

Apart from the three situations outlined in 4(c), dispute panelists are free to find other examples of legitimate interest of the Respondent – the list is not exhaustive. Past decisions have included situations where:

- The domain name at issue is also a *generic* term.⁷⁴
- The domain name at issue is also a *descriptive* term.⁷⁵
- A disclaimer was included on the site that it was not run by the Complainant.⁷⁶

In addition to showing a legitimate interest in the domain name, Respondents should argue against the other two elements that the Complainant must prove in a UDRP dispute. This may include arguing that the Complainant does not have trademark rights to the name or that the registration and use were not done in bad faith.

4.4 Reverse Domain Name Hijacking

The UDRP Rules provide for panelists to find that the complaint is a case of Reverse Domain Name Hijacking (RDNH). RDNH is an attempt in bad faith to use the UDRP to acquire a domain name from a legitimate user and not for a supportable complaint of cybersquatting, UDRP Rule 15(e) allows for

⁷⁰ See e.g. *EAuto, Inc. v. E Auto Parts, Inc.* WIPO/D2000-0121 Denied <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0121.html>.

⁷¹ See e.g. *Shri Ram Chandra Mission v. Shri Ram Chandra Mission*, NAF/FA94237 Denied <http://www.arb-forum.com/domains/decisions/94237.htm>.

⁷² See e.g. *2001 White Castle Way, Inc. v. Glyn O. Jacobs*, WIPO/D2004-0001 Denied <http://www.wipo.int/amc/en/domains/decisions/html/2004/d2004-0001.html>.

⁷³ See e.g. *Oki Data Americas, Inc. v. ASD, Inc.*, WIPO/D2001-0903 Denied <http://www.wipo.int/amc/en/domains/decisions/html/2001/d2001-0903.html>.

⁷⁴ See e.g. *Zero International Holding GmbH & Co. Kommanditgesellschaft v. Beyonet Services and Stephen Ulrich*, WIPO/D2000-0161 Denied <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0161.html>.

⁷⁵ See e.g. *Car Toys, Inc. v. Informa Unlimited, Inc.*, NAF/FA93682 Denied <http://www.arbforum.com/domains/decisions/93682.htm>.

⁷⁶ See e.g. *Besiktas Jimnastik Kulubu Dernegi v. Mehmet Tolga Avcioglu* WIPO/D2003-0035 Denied <http://www.wipo.int/amc/en/domains/decisions/html/2003/d2003-0035.html>.

panels to find RDNH and states:

If after considering the submissions the Panel finds that the complaint was brought in bad faith, for example in an attempt at Reverse Domain Name Hijacking or was brought primarily to harass the domain-name holder, the Panel shall declare in its decision that the complaint was brought in bad faith and constitutes an abuse of the administrative proceeding.

Respondent can allege Reverse Domain Name Hijacking – that the Complainant brought the complaint in bad faith – in their response, and if a panel finds RDNH they will rule in Respondent’s favor and make a finding of RDNH. However, while there may be other benefits to this finding, there are no monetary or other sanctions that can be brought against Complainant for engaging in RDNH.

4.5 Enforcement

Enforcement of panel decisions under the UDRP is done at the technical level. The registrar changes the appropriate technical entries for the website in the DNS, and the domain name no longer refers requests to the former registrant. In the case of transfer of a registration, the Complainant owns the domain name (the root points to their computer when the domain name is entered) and is free to put up a web site at that name. When a registration is cancelled, the domain name does not point to any specific web site and is free for anyone to register.

The UDRP as a policy works through the control exercised by ICANN over the root. ICANN requires that registries in the gTLDs listed in its root file use and abide by the UDRP and its Rules. These registries in turn require their registrars – other entities selling domain name registrations – to include the UDRP and its rules in their contracts with registrants. Thus if one wants to register a domain name in a TLD that requires the UDRP, one must agree to the policy.

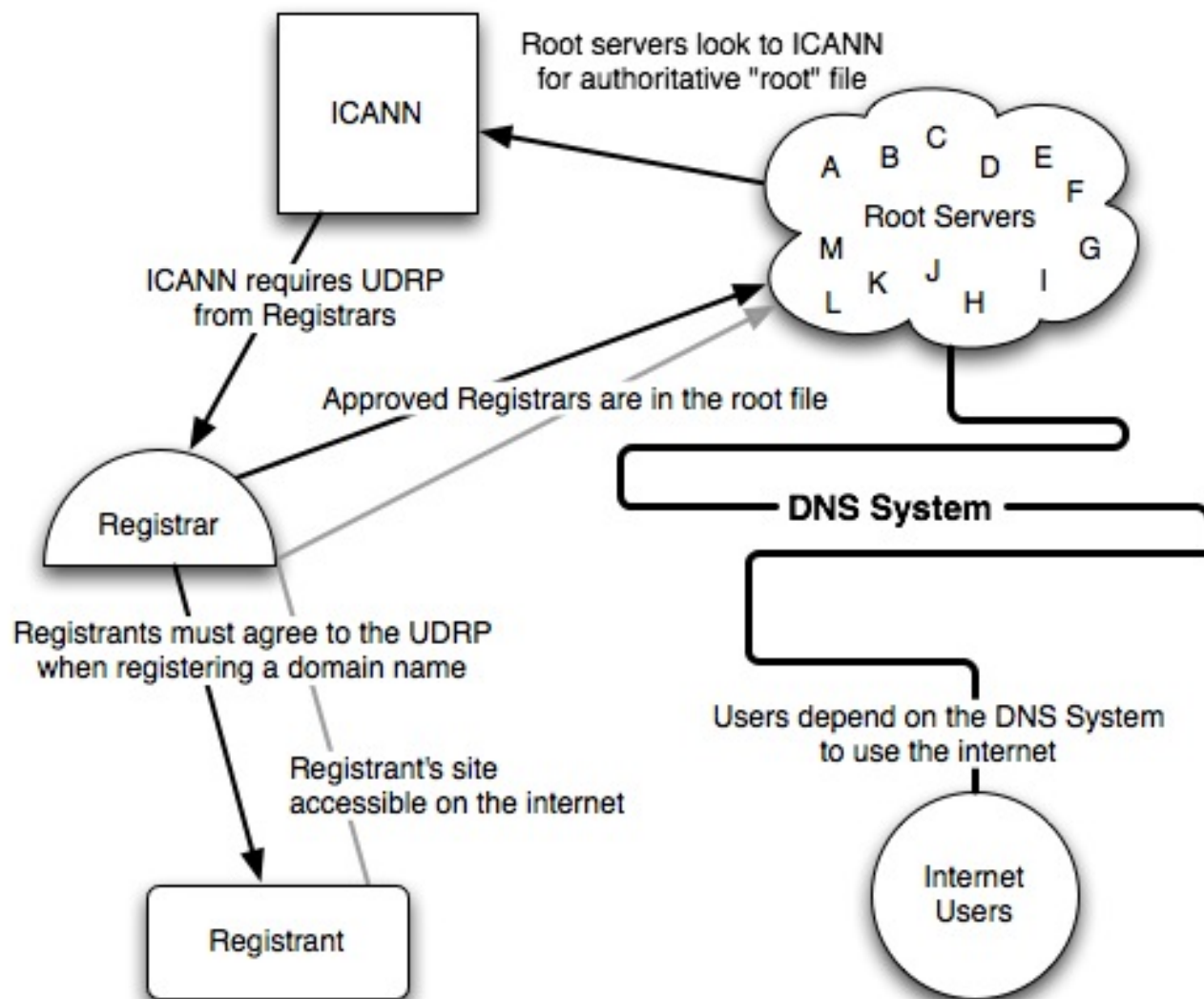


Figure 5. Enforcement

5.0 WHOIS

5.1 What is WHOIS

WHOIS service is a component of a domain name registration that identifies “who is” the point of contact for various issues related to the domain name. The information currently provided includes:

- Name;
- Email address;
- Mailing address;
- Phone number; and
- Fax number.

For the following groups of people:

- Respondent contact;

-
- Administrative contact;
 - Technical contact; and
 - Billing contact.⁷⁷

It is an important tool to provide a point of contact for technical problems related to a website, and is available even if the website itself has no content. As mentioned, WHOIS information is also used as the primary method for getting in touch with a Respondent in case of a dispute under the UDRP. All ICANN-approved registrars must make a WHOIS service available.

Practice Tip – No response from the Registrant and WHOIS

If you own a domain name, keep in mind that part of the high default (lack of response by the Registrant) may be inaccurate or out-of-date WHOIS information on file with the domain name's registrar. Domain name owners are notified of UDRP disputes primarily through this contact information, and if it is inaccurate, a Registrant may never know of a complaint filed against them. It is a good practice to create a periodic review process to ensure that the WHOIS data is current and accurate to prevent the loss of the domain name. Failure to maintain an accurate WHOIS profile could even be used as evidence of bad faith against you in a proceeding under the UDRP.

5.2 WHOIS and privacy

There is a conflict between openly providing on the web the personal details of domain name registrants, who are often private individuals rather than businesses, and the need to be able to contact the responsible parties for technical and legal issues associated with a domain, including for disputes under the UDRP. There can be a conflict between the privacy laws of a particular nation and the policies under WHOIS, especially for the gTLDs, which are available in any jurisdiction. This is particularly true in legal systems that have strong data protection or *habeas data* laws.

The privacy and WHOIS policies of the different ccTLDs vary, and so the individual ccTLD should be consulted if you are a ccTLD registrant or have a complaint against a registration in a ccTLD. WIPO has listed a set of best practices for ccTLDs and their WHOIS services in its *ccTLD Best Practices for the Prevention and Resolution of Intellectual Property Disputes*. In addition, some obligations by states to provide for WHOIS services under Regional Trade Agreements, such as the Dominican Republic–Central America Free Trade Agreement (DR-CAFTA), contain provisions that allow for some balancing of privacy interests.⁷⁸

For those concerned about privacy and WHOIS, there are privacy services offered by private companies that provide their own contact information for the WHOIS service, and forward on any correspondence the Registrant. From a trademark holder perspective, these services increase the difficulty in maintaining a UDRP dispute or later national court litigation because they make it harder to identify the owner. From a consumer perspective, these services help protect private information and help require mark holders to go through traditional service of process rules, which are established rules designed to ensure proper notice of a dispute. The relationship between WHOIS, privacy, and

⁷⁷ The March of 2007 GNSO report recommended a different set up for the information and groups of people. See GNSO WHOIS Task Force, *Final Task Force Report on WHOIS Services*, <http://gns0.icann.org/issues/whois-privacy/whois-services-final-tf-report-12mar07.htm> [hereinafter *Final Task Force Report on WHOIS Services*].

⁷⁸ DR-CAFTA 15.4.2 *supra*, and Brown, et al. *The Impact of Free Trade Agreements on Information Technology Based Business*, *supra*.

legal disputes such as the UDRP is an ongoing debate in the Internet community. ICANN's working group on this issue issued its *Final Task Force Report on Whois Services* in March of 2007 with a number of recommendations on this issue, and the debate continues to evolve.⁷⁹

6.0 Relationship to National Law

This section picks back up on the thread of the possibility of using national courts as opposed to the UDRP for the resolution of domain name disputes. Though there is less of a need to resort to the court system with the UDRP in place, national litigation plays an important role in the UDRP process.

6.1 The UDRP and national courts

As a review from earlier in the guide, there are only two remedies that Complainants can ask for:

1. **Cancellation of the registration; or**
2. **Transfer of the registration to the Complainant.**

This means that if any of the following remedies are sought, then the Complainant will have to go to a national court:

- **Damages** – monetary compensation paid by the Respondent for harm to the mark holder.
- **An order to refrain from certain activities** – Such an order, known as an injunction or interdict, could be used to prevent Respondents from repeatedly registering infringing domain names.

The national court system also serves as an “appellate” function, though it is not an appeal in the traditional sense but rather a completely new court proceeding. If either party loses, they have the option of filing a case in a national court. For Registrants, this means that they can file in order to prevent the transfer or cancellation of their registration. For Complainants, this means that they have a second chance to ask for the transfer or cancellation of a domain name, plus they can ask for the above-mentioned additional remedies.

The UDRP and its system of panelists is also not an appropriate place to settle legitimate trademark disputes, such as who has rights to a certain mark in a given class of goods or services. It was never meant to deal with these situations, and explicitly provides for the use court proceedings and for the compliance of the registrar to transfer a domain name if given an appropriate court order.⁸⁰ From 4(k) of the UDRP:

The mandatory administrative proceeding requirements ... shall not prevent either you or the Complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded.

Though court proceedings are available at any time, the UDRP gives 10 business days from the time of a UDRP panel decision to file a court case before implementation by the registrar (transfer or cancellation of the domain name). The registrar, in the UDRP, commits to trying to “maintain the

⁷⁹ *Final Task Force Report on WHOIS Services* supra.

⁸⁰ UDRP §3 b.

status quo” by not transferring the domain name unless ordered.⁸¹

6.2 *The ACPA*

National courts have had some difficulty with applying traditional areas of the law to the new context of the Internet. In the United States for example, trademark infringement law required a special kind of “use” by the Respondent, and there was some difficulty as to whether merely registering a domain name can under this definition. In order to clarify the rights involved with domain names and to facilitate online commerce, the US Congress passed a law dealing with domain names called the Anti-Cybersquatting Consumer Protection Act (ACPA). This act aimed to address shortcomings in US trademark law that prevented or made difficult bringing domain name disputes before US courts. The ACPA shares several similarities with the UDRP, but places these within the context of a full legal system with courts, judges, pleadings, and formal appeals.⁸²

The ACPA contains an *in rem* provision designed to provide relief limited to cancellation or transfer of the registration. Actions *in rem* are court actions or judgments against a particular piece of property, as opposed to suits against a person or legal entity. The *in rem* provision of the ACPA allows for trademark holders to file a suit against a particular domain name “in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located” under certain circumstances. These circumstances essentially amount to situations where the courts could not exercise jurisdiction over the person or legal entity who registered the name, but where the registrar with whom the name was registered is located within the United States. Thus trademark owners can get limited relief against foreign persons and legal entities that register infringing marks with US-based registrars but who are not amenable to more traditional lawsuits.

6.3 *Bringing the dispute to a national court*

Besides this special piece of legislation in the United States, other legal causes of action in the US and other jurisdictions throughout the world for the resolution of a domain name dispute include:

- **Trademark infringement** – a suit for infringement under a legal system’s trademark law;
- **Passing off and similar tortious offenses** – a suit for damages based on the injury from representing goods or services as coming from the trademark owner;
- **Unfair competition** – a suit for damages for acts commercial activity that deceives or confuses consumers about the origin of a good or service;
- **Dilution of a well-known trademark** – a suit for “blurring” the distinctiveness or “tarnishing” the reputation and standing of a famous mark; and
- **False advertising** – a suit for deliberately using deception or untrue statements in order to gain a commercial advantage.⁸³

A suitably qualified legal professional in your jurisdiction can go through all of the possible claims that could be brought in your national legal system, and advise you on the advantages of filing a national claim, a UDRP dispute, or possibly both.

⁸¹ See UDRP §§ 3, 7.

⁸² Solomon, *Two New Tools to Combat Cyberpiracy*, at 701-03 *supra*.

⁸³ Mary M. Squyres, *Trademark Practice Throughout the World*, §30:35 (West 2007).

7.0 Criticisms of the UDRP

The UDRP allows for fast resolution of disputes over domain names for relatively low costs between parties from across the world, but the UDRP is not a perfect system. In the interest of quickly and inexpensively resolving disputes several areas were sacrificed. Several of its shortcomings have been mentioned throughout this guide, and these as well as others are collected here. This is not a comprehensive review, but is instead an outline of some of the debates centered on current practices to give an idea of some of the concerns over the policy.

7.1 Privacy, WHOIS, and notifying the Respondent

The UDRP does not require formal service of process, which is a notification of a dispute, against the Respondent in the same way as a court proceeding. Service in a court proceeding often involves having an officer of the court deliver notice of a complaint in a way that makes it highly likely that the person or organization knows that there is a complaint. Within the context of the UDRP, once a notice is sent based on the information in the WHOIS database, the 20-day countdown starts toward default.⁸⁴ If this information is incorrect, then a Respondent could lose their domain name without ever knowing that there was a dispute.

As noted, there are additional complaints about the privacy impact of current WHOIS practices. Identifying personal information in a WHOIS record has negative implications for spam policy, phishing (attempting to gain access to financial information for fraud purposes), cyber-stalking, and identity theft.⁸⁵ In addition, there is concern that the personally identifiable information in a WHOIS record can have a chilling effect on freedom of expression on the Internet.⁸⁶ As noted, ICANN's *Final Task Force Report on Whois Services* in March of 2007 is an attempt to move forward on issues surrounding WHOIS.⁸⁷

7.2 The panel decision is not final

Should a Complainant lose a UDRP proceeding, there is no change to the status quo, and the domain name remains registered to the original party. This gives the Complainant the ability to resort to another proceeding in a national court under, for example, trademark law or specialized legislation such as the ACPA (discussed above). This can work to the disadvantage of a Registrant who won a UDRP dispute, since review in a national court is done *de novo*, and a successful UDRP defense is not generally entitled to review by the court. In addition, a losing Respondent must file an action in a national court within 10 days to prevent the domain transfer, while a losing Complainant may try again at their leisure. While the low cost of filing and quick response time are traditionally seen as advantages to the UDRP system, it can encourage "probing" litigation where a trademark holder can file a UDRP claim at low cost and with little danger prejudicing later action in a national court in order to test the Registrant.⁸⁸

⁸⁴ See also A. Michael Froomkin, ICANN's "Uniform Dispute Resolution Policy" – Causes and Partial Cures, 67 Brook. L. Rev. 605, 702-705 (2002) (criticizing the short time for a response) [hereinafter Froomkin, ICANN's "Uniform Dispute Resolution Policy"].

⁸⁵ See e.g. EPIC, *Comments on ICANN Whois Task Force*, <http://www.epic.org/privacy/whois/comments.html>.

⁸⁶ *Id.*

⁸⁷ *Supra.*

⁸⁸ Froomkin, ICANN's "Uniform Dispute Resolution Policy" [at 699]

7.3 Trademark owner bias

UDRP panelists can take into account the law of any or none of the legal systems in the world, and are not bound by prior panel decisions under the UDRP. Because of this feature, and because there is no appellate review, there are often wildly inconsistent results between panelists, and there is no body that harmonizes decisions between providers.⁸⁹ This has led to allegations of forum shopping between individual panelists and between dispute resolution providers. Providers compete for Complainants (who primarily are the ones who pay fees), and providers seen as “pro-Complainant” receive more complaints. In addition, particular arbitrators have been seen as biased, especially since most arbitrators are drawn from the pool of trademark practitioners (lawyers) and would naturally be inclined to trademark arguments.

It has also been argued that the UDRP procedures favor Complainants over Respondents. This is particularly the case for losing Respondents, who have a short amount of time to file a court proceeding in order to retain the domain name, while losing Complainants can file at their leisure.⁹⁰ Respondents also have a limited amount of time to, if necessary, hire counsel and formulate a response, while Complainants can draft and file their complaints under any time frame.

7.4 No sanctions for Reverse Domain Name Hijacking

As noted above, there are no monetary or other sanctions that a panel can order against a Complainant that makes a bad faith use of the UDRP. This leaves Complainant’s with little deterrence (other than the filing costs) to file bad faith complaints in an attempt to wrest a desired domain name from a legitimate owner. Bad faith complaints also impose costs on registrants who have to respond to the claim, who potentially have to hire a legal professional and take time out to respond or face losing their domain name. It has also been remarked that panelists often won’t find RDNH even in clear cases, which helps to demonstrate a possible pro-trademark holder bias in the process.⁹¹

7.5 Harmful to Free Speech

The UDRP has been used to great effect against sites “mark+sucks” sites – winning transfer of the domain even though many court decisions looking at trademark have come to the opposite conclusion.⁹² Many of these sites are used by consumers dissatisfied about products or services relating to the mark, and transfer disrupts this criticism. Transfer under the UDRP has rested on a fairly specious argument that non-native English speakers will not know what “sucks” means, and will take the presence of the trademark in the domain name to imply sponsorship.⁹³ There is a split in UDRP decisions as to whether “sucks” is a legitimate use.⁹⁴ As mentioned above, the data available under WHOIS can also have a chilling effect on speech as it reduces the anonymity of the site owner.

⁸⁹ See *Sallen v. Corinthians Licenciamentos*, 273 F.3d 14 (1st Cir. 2001) (Holding that U.S. review of UDRP procedures under ACPA should be *de novo*).

⁹⁰ Froomkin, ICANN’s “Uniform Dispute Resolution Policy” at 679.

⁹¹ Froomkin, ICANN’s “Uniform Dispute Resolution Policy” at 666-670 and 692-696.

⁹² David E. Sorkin, *Judicial Review of ICANN Domain Name Dispute Decisions*, 18 Santa Clara Computer & High Tech. L.J. 35-55, 48-50 n.77 and n.78 (2001).

⁹³ Froomkin, ICANN’s “Uniform Dispute Resolution Policy” at 663-665.

⁹⁴ See *WIPO Overview*, §1.3.

8.0 Appendix

8.1 Glossary of Terms

Complainant – The party filing a complaint against a Respondent of a domain name.

Reverse Domain Name Hijacking – Using the UDRP to gain the transfer of a legitimately held domain name from its registrant by filing a weak complaint.

Kiting / Tasting – Using the domain name registration refund period in order to reserve a name and to test its profitability. If the domain name is not desired, within 5 days the registration fees can be fully refunded.

Mousetrapping – A technique used to try to prevent the user from navigating away from a webpage.

Registrant – Someone who has registered a domain name and agreed to the UDRP in the registration agreement.

Respondent – Another term used for a Registrant, and is used for a Respondent that is expected to respond to a complaint made via the UDRP framework.

Typosquatting – Registering misspellings or common typographical errors of popular domain names as a means of diverting traffic to a site owned by the typosquatter.

8.2 Links

The UDRP and the rules

The Uniform Domain Name Dispute Resolution Policy (UDRP).

<http://www.icann.org/dndr/udrp/policy.htm>

The Rules for the UDRP (“The Rules” or “Uniform Rules”).

<http://www.icann.org/dndr/udrp/uniform-rules.htm>

List of current providers of UDRP disputes and their supplemental rules:

<http://www.icann.org/dndr/udrp/approved-providers.htm>

Provider websites

The World Intellectual Property Organization, Arbitration and Mediation Center

<http://www.wipo.int/amc/en/index.html>

The National Arbitration Forum (NAF)

<http://domains.adrforum.com/>

Asian Domain Name Dispute Resolution Centre (ADNDRC)

<http://www.adndrc.org/adndrc/index.html>

Help understanding the UDRP process

WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP)

<http://www.wipo.int/amc/en/domains/guide/index.html>

WIPO UDRP Flowchart

<http://www.wipo.int/export/sites/www/amc/en/docs/UDRPflowchart.doc>

Typical Interactions Between the WIPO Center and a Registrar in the Course of an Administrative Proceeding

<http://www.wipo.int/export/sites/www/amc/en/docs/registrarflow.doc>

ADNDRC Flowchart

http://www.adndrc.org/adndrc/hk_flow_chart.html

NAF flowchart

A diagram of the process is available from the NAF site.

Model forms

WIPO, Case Filing under the UDRP,

<http://www.wipo.int/amc/en/domains/filing/udrp/index.html>

WIPO Model Complaint (DOC file)

<http://www.wipo.int/export/sites/www/amc/en/docs/complaint-udrp.doc>

WIPO Model Response (DOC file)

<http://www.wipo.int/export/sites/www/amc/en/docs/response-udrp.doc>

NAF model forms are available from their website

<http://domains.adrforum.com/default.aspx>

ADNDRC also has model forms available from their website

<http://www.adndrc.org/>

Drafting a complaint or response

WIPO Overview of WIPO Panel Views on Selected UDRP Questions

<http://www.wipo.int/amc/en/domains/search/overview/index.html>

WIPO, 25 most cited decisions,

http://www.wipo.int/amc/en/domains/statistics/cases_cited.jsp?party=C (Complaints)

http://www.wipo.int/amc/en/domains/statistics/cases_cited.jsp?party=R (Response)

Index of WIPO UDRP Panel Decisions (search cases by industry or legal component)

<http://www.wipo.int/cgi-bin/domains/search/legalindex?lang=en>

Berkman Center for Internet & Society, *UDRP Opinion Guide* (Ed note, not continuously updated)

<http://cyber.law.harvard.edu/udrp/opinion/>

gTLD specific resources

IANA, *Generic Top Level Domains* (determining which domains are covered by ICANN)

<http://www.iana.org/gtld/gtld.htm>

ccTLD resources

These resources may help you determine if the ccTLD operates a policy similar to the UDRP and related material in order to investigate filing a complaint.

WIPO, Arbitration and Mediation Center ccTLD Database,

http://www.wipo.int/amc/en/domains/cctld_db/output.html

WIPO, *ccTLD Best Practices for the Prevention and Resolution of Intellectual Property Disputes*,

<http://www.wipo.int/amc/en/domains/bestpractices/bestpractices.html>

IANA, *Root-Zone Whois Index by TLD Code*,

<http://www.iana.org/root-whois/index.html> (a full list of ccTLDs and their administrators).

History

ICANN, *Timeline for the Formulation and Implementation of the Uniform Domain-Name Dispute-Resolution Policy*

<http://www.icann.org/udrp/udrp-schedule.htm>.

Statistical resources

UDRPinfo.com (This site is based off of statistics collected by Michael Geist in 2001-02).

<http://www.udrpinfo.com>

WIPO, *WIPO Domain Name Dispute Resolution Statistics* (statistics from WIPO disputes only)

<http://www.wipo.int/amc/en/domains/statistics/>

8.3 Law review, books, and treatises

Selected resources related to the UDRP. See also WIPO, *Domain Name Bibliography*,

<http://www.wipo.int/amc/en/center/bibliography/udrp.html>.

M. Scott Donahey, *Internet Law and Practice* (West 2006).

Graeme B. Dinwoodie, *The Architecture of the International Intellectual Property System*, 77 Chi.-

Kent L. Rev. 993. (also available at <http://www.kentlaw.edu/depts/ipp/publications/AIPPS.pdf>).

Graeme B. Dinwoodie, *(National) Trademark Laws And The (Non-National) Domain Name System*, 21

U. Pa. J. Int'l Econ. L. 495 (2000). (also available at

<http://www.kentlaw.iit.edu/depts/ipp/publications/TMDNSFinal.pdf>)

Graeme B. Dinwoodie, *Trademarks and Territoriality*, (2004) 41 *Hous. L. Rev.* 885. (also available at

<http://www.kentlaw.edu/depts/ipp/publications/886HoustonLR41.pdf>).

A. Michael Froomkin, *ICANN's "Uniform Dispute Resolution Policy" – Causes and Partial Cures*, 67

Brook. L. Rev. 605, 704-705 (2002).

Michael A. Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN*

UDRP, 27 Brook. J. Int'l L. 903, 914-15 (August 2001). (also available at SSRN:

<http://ssrn.com/abstract=280630>).

Michael A. Geist, *Fundamentally Fair.com? An Update on Bias Allegations and the ICANN UDRP*,

<http://aix1.uottawa.ca/~geist/fairupdate.pdf>

Laurence R. Helfer, *Whither the UDRP: Autonomous, Americanized, or Cosmopolitan?*, (2004) 12

Cardozo J. Int'l & Comp. L. 493.

Laurence R. Helfer and Graeme B. Dinwoodie, *Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy*, 43 Wm. & Mary L. Rev. 141 (2001);

Milton L. Mueller, *Ruling the Root: Internet Governance and the Taming of Cyberspace* (MIT Press 2002).

Barbara Solomon, *Two New Tools to Combat Cyberpiracy – A Comparison*, 90 Trademark Rep. 679, 682 (2000)

David E. Sorkin, *Judicial Review of ICANN Domain Name Dispute Decisions*, 18 Santa Clara Computer & High Tech. L.J. 35-55 (2001).

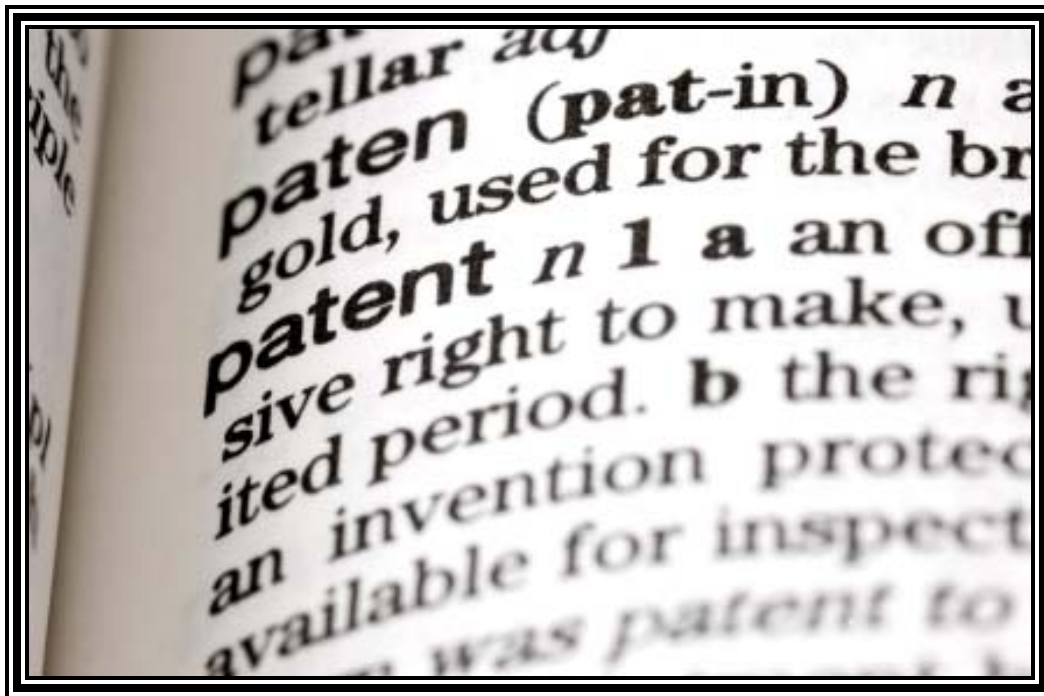
Mary M. Squyres, *Trademark Practice Throughout the World*, (West 2007).



INTERNATIONAL
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How to File an International Patent Application

Milan Kapadia, IIPI



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How to file an international patent application

Guide for applicants

Contents

Foreword

A. General

I. Introduction

a. No “world patent”

b. Priority date

c. Types of patent applications

B. Options for international patent protection

I. File individually in each country

II. Paris Treaty

Basic principles

Prior rights

III. Patent Cooperation Treaty

Basic principles

Eligibility

Advantages

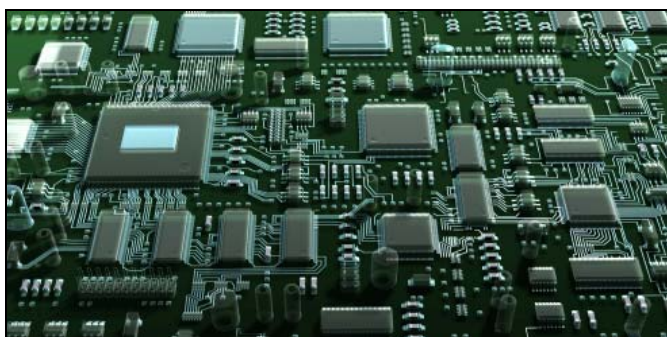
General procedure

I. Introduction

This ‘Guide for applicants’ aims to provide companies, inventors, and their representatives with an outline of the procedure for filing international patent applications, offering practical advice to smooth the way to a patent. This initial version describes and explains the route to an international patent and the associated procedures.

This Guide cannot go into all the details, issues, and ramifications of international patent filing, and it does not constitute an official commentary on international patent filing. As with any other patent grant procedure, you need to be thoroughly familiar with patent matters if you are to steer your way successfully through the international route. So if you lack the requisite experience, you are advised to turn to a professional representative.

A patent grants an owner the exclusive right for an invention, which provides, in general, a new way of doing something, or offers a new technical solution to a problem. The protection is granted for a limited period, generally 20 years. Patent protection means that the invention cannot be commercially made, used, distributed, or sold without the patent owner's consent. The patent owner is given sole authority to give permission to, or license, other parties to use the invention on mutually agreed terms. The owner may also sell the right to the invention to someone else, who will then become the new owner of the patent. Once a patent expires, the protection ends, and an invention enters the public domain, that is, the owner no longer holds exclusive rights to the invention, which becomes available to commercial exploitation by others.



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Both high technology and “low” technology are patentable subject matter

The first step in securing a patent is the filing of a patent application. The patent application generally contains the title of the invention, as well as an indication of its technical field. The patent application generally also must include the background and a description of the invention, in clear language and enough detail that an individual with an average understanding of the field could use or reproduce the invention. Such descriptions are usually accompanied by graphic materials such as drawings, plans, or diagrams to better describe the invention. The purpose of the requirement of adequate disclosure guarantees that the public will receive the full benefit of the knowledge of the patent in exchange for the limited monopoly granted to the inventor. The application also

contains various ‘claims,’ that is, information which determines the extent of protection granted by the patent.

An invention must, in general, fulfill the following conditions to be protected by a patent. It must be of practical use; it must show an element of novelty, that is, some new characteristic which is not known in the body of existing knowledge in its technical field. This body of existing knowledge is called ‘prior art.’ In addition, the invention must show an inventive step that could not be deduced by a person with average knowledge of the technical field. Finally, its subject matter must be accepted as ‘patentable’ under law. In many countries, scientific theories, mathematical methods, plant or animal varieties, discoveries of natural substances, commercial methods, or methods for medical treatment (as opposed to medical products) are generally not patentable.



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At present, no “world patents” or “international patents” exist. In general, an application for a patent must be filed, and a patent shall be granted and enforced, in each country in which you seek patent protection for your invention, in accordance with the law of that country. In some regions, a regional patent office, for example, the European Patent Office (EPO) and the African Regional Intellectual Property Organization (ARIPO) accept regional patent applications, or grant patents, which have the same effect as applications filed, or patents granted, in the member States of that region. To obtain protection in other countries, you generally have two choices:

- (1) to file separate patent applications in each country. This can be cost-effective when you file in only a few countries; or
- (2) to file a single international application under the Patent Cooperation Treaty (PCT) which is administered by the World Intellectual Property Organization (WIPO).

This path gives your application automatic effect in over 100 countries and allows you further time to decide whether you want to pursue patent protection and in to choose in which countries to do so.¹

¹ See, e.g., the International Patent Application Kit, Australian Government, March 2006.

No matter which option you choose, you will still end up with separate patent applications in each country. This application guide outlines the process of applying for international patents. It is a matter of balancing the cost of patent protection in particular markets with your business strategies for those markets.

II. General Patent Process

Generally, the life of a patent has several phases, and each phase has costs. The first phase is Application. This phase includes the preparation of the patent application itself, including any required drawings and all supporting documents. When all of the necessary application documents have been submitted, along with the Official Filing Fee, the Application phase is over. The second phase is Prosecution. In this phase a patent examiner looks for prior art, and other reasons to deny the grant of a patent to the applicant. The patent examiner details his objections and grounds for rejecting the patent application. Generally, the examiner will argue that the invention is NOT patentable, and the inventor will argue that it is. When the inventor prevails, the third phase is Issuance and Maintenance.



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After being notified that the application is in condition for allowance, the payment of an Official Issue Fee is required in order to receive the patent grant. Further, periodic payments called Maintenance Fees are necessary to keep a Utility patent in an enforceable condition. Figure 1 details the basic patent process.

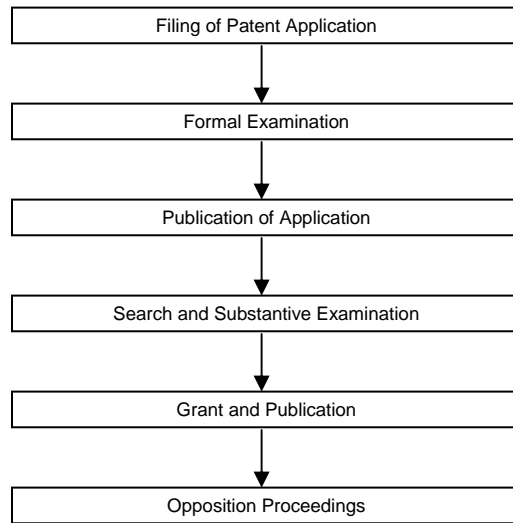


Figure 1: General Patent Process²

Moreover, all patent applications (including international applications) have a priority date. Priority dates are extremely important when considering whether an invention claimed in a patent application is new (the technical term is novel). If two applicants file two patent applications (on separate occasions) claiming the same invention, the patent will be given to the application with the earlier priority date, all other matters being equal. Therefore, it is important to get any patent applications filed as soon as possible. Note that in the United States the patent will be given to the applicant able to prove the earliest date of invention, not the earliest filing date.³

To reserve an early filing date, a provisional patent application can be filed prior to a traditional patent application. A provisional patent application is a patent application which is designed to be a simple and inexpensive application that will not be examined except for certain formal requirements. The provisional application provides a method by which applicants can quickly establish an early effective filing date in a patent application and gives an inventor up to twelve months to further develop an invention, determine marketability, acquire funding or capital, seek licensing, etc. before filing a full application. A provisional application cannot mature into a patent, so a full application must be filed within *twelve months* of the provisional filing date to preserve the original filing date. During this one-year period, the invention has *patent pending* status. This is critical since most companies will not discuss an invention with an individual until the invention is at least patent pending.

² Hintermann B., *Inventing the Future; An Introduction to Patents for Small and Medium-sized Enterprises*, World Intellectual Property Organization, 2006

³ However, there is current legislation (HR 2795) to amend the United States practice to become a first-to-file system.

In addition, an applicant can file a divisional patent application. A divisional patent application is an application claiming priority from some previously filed patent application and known as a *parent application* in which more than one invention was disclosed; accordingly, the divisional application is considered to have the filing date of the parent application. The divisional patent application has claims directed to a different invention than that claimed in the parent application.

II. Types of Patent Applications

Generally there are three types of patents. A utility patent protects the way an article is used and works and usually lasts for 20 years from its filing date. A **utility patent** generally contains the following sections:

- (1) *An abstract* (a brief summary of the contents of the specification);
- (2) *A complete/full-text specification*, which has two parts: a clear and complete description of the invention and its usefulness and a list of the claims, which set out the essential features and define the boundaries of patent protection being sought;
- (3) *Drawings - if applicable*, showing all features of the invention, as defined by the claims.



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An oil drill is comprised of several utility patents

A **design patent** protects only the ornamental appearance of an article, and not its structure or utilitarian features (as in a utility application). A design patent has a term of usually 14 years from the date of issuance.



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A design patent can apply to non-useful aspects of a useful object, like an elongated blender base

Finally, a plant patent protects the rights of an individual who is first to appreciate the distinctive qualities of a plant and reproduces it asexually (by means other than seeds). All three types of patents must meet the requirements of novelty and non-obviousness.



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In addition, in some countries, petty patents can be obtained. A **petty patent** provides cheaper and easier protection than a utility patent, but the invention claimed is also limited in scope and the patent life is shorter (e.g., 6 years - Australia, 10 years - Germany). Technically, petty patents are similar to utility patents in most respects, but they have a few important differences.

A petty patent:

(1) Lasts for shorter time;

- (2) Is examined automatically (i.e., not examined or are examined only as to form, and not novelty) and is usually granted within 6 to 12 months;
- (3) Has a smaller number of claims; and
- (4) The overall cost of a petty patent is usually much less than that of a standard patent application.

III. Choosing a route: national or international

The PCT procedure has not superseded the national grant procedures. So when seeking patent protection in one or more countries, you have a choice between following the national procedure in each country for which you want protection and/or taking the PCT route, which in a single procedure confers protection in all the contracting states that you designate.

The next section summarizes the chief legal and economic factors that are likely to influence your choice between the PCT and national procedures.

If an applicant files patent applications directly with the foreign patent offices, the applicant will have to prepare patent applications that comply with the particular formalities requirements, (i.e. the size of the paper used, margins requirements, arrangement of the part of the application) of each such office. The formalities requirements can vary from country to country. Accordingly, an applicant wishing to obtain patent protection in a number of different countries may have to prepare different versions of the application for each of those countries.



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Additionally, the applicant will be required to have the application translated into the other languages if those countries do not accept the same language as a language of filing. Most foreign patent offices do not allow applicants to represent themselves during patent prosecution. Therefore, applicants may be required to obtain the services of a

patent agent registered to practice before each foreign patent office. As a result, the direct filing of patent applications in multiple countries can be an expensive endeavor at the onset. However, this process can be cost-effective if filing in only a few countries.

On the other hand, an applicant may choose to file an international application under the PCT as the means for filing foreign patent applications. The PCT is an international treaty that is administered by the World Intellectual Property Organization (WIPO), in Geneva, Switzerland. There are currently over 100 Contracting States that are party to the PCT. Under the provisions of the PCT an applicant only needs to file a single international application that is in compliance with one set of formalities requirements. The international application is filed in one country and in one language and that single international application has the effect of a regular national filing as of its international filing date in each PCT Contracting State designated by the applicant. Thus a single international application can have the effect of filing for patent applications in over 100 countries.

An international application filed under the PCT is usually filed with the patent office of the country in which the applicant is a resident or national. Therefore, a U.S. applicant can file his or her international application with the U.S. Patent and Trademark Office as the receiving office. Receiving office is the national office where the international application is filed then checked and processed. The original of the application is sent to the International Bureau of WIPO and a copy to the International Searching Authority who will conduct the international search. Many inventors take advantage of the PCT when filing foreign patent applications.



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For an applicant who has filed a patent application in a particular country, a PCT application offers a way to postpone having to make decisions about filing patent applications in other countries. If there were no such thing as the Patent Cooperation Treaty, then the only opportunity to postpone making decisions about foreign filing would be the opportunity provided by the Paris Convention. Under the Paris Convention, someone who files an application in one country is forced to make a decision, within one

year, as to whether to file patent applications in other countries which would claim priority from the first application.

A PCT application offers a way to extend the time during which a decision must be made about foreign patent filings, for a longer period than the decision-postponement period provided by the Paris Convention. By filing a PCT application, the applicant can postpone for 30 months (rather than 12 months under the Paris Convention) the decision, in many countries, about whether or to spend the money for foreign patent filings. In addition, assuming that the first application was filed in a country that has adhered to Chapter II of the Patent Cooperation Treaty, it is possible to perform a step called ‘demanding preliminary examination’ which entitles the applicant to receive an *International Preliminary Examination Report* which may be helpful in assessing the likelihood of patentability.

The PCT process is helpful to those who don't have enough money to file in several countries, but who expect to have enough money at a later time. A PCT application provides a convenient way to keep the options open for foreign filing for up to thirty months.

Applying for patents in several countries through the PCT system nearly always costs more than applying for patents in the same countries without using the PCT system. Thus, the inventor who is sure that she wishes to file in several countries, and who has enough money now to pay for the filings in those countries, will be saving money by filing directly in those countries (through the Paris Convention) rather than through the PCT.

IV. Filing an international patent application

After deciding which route to follow in filing an international application, an international application can be prepared. We now summarize the general procedures for filing directly or using the PCT.

To file a patent application directly in different countries, the rules and procedures of the individual countries must be followed.

Generally, the following steps are necessary to file an international application directly:

- (1) Fill in the form(s) required by that Office;
- (2) Pay the fees for each application in foreign currencies;
- (3) Meet the formality standards set by each country;
- (4) Provide an address for service in each country;
- (5) If required, provide a translation into the local language;
- (6) Provide a description — including drawings, if necessary;
- (7) Provide a claim or claims; and

(8) Provide a certified copy of foreign application if claiming priority.⁴

To file a PCT application generally there are two phases: international and national. Each of these phases is discussed in turn below.

International Phase: In the international phase the PCT application is actually filed with WIPO. Generally to file a PCT application, the following steps are generally taken:

- (1) Fill in a PCT Request form or lodge your application electronically using PCT-SAFE;
- (2) Pay the relevant PCT fees in domestic currency;
- (3) Provide a description — including drawings, if necessary;
- (4) Provide a claim or claims;
- (5) Provide a certified copy of foreign application if claiming priority;
- (6) International search carried out;
- (7) International search report and written opinion produced;
- (8) Application published 18 months from earliest priority date;
- (9) International Preliminary Examination is requested (optional); and
- (10) Establish an International Preliminary Report on Patentability at 30 months if no demand requested.⁵ Table 1 below summarizes the International Phase.

Stage One The PCT application is filed	The Receiving Office (RO) checks the application for mistakes. The RO then assigns the application a filing number.	This part of the process usually takes six to eight weeks.
Stage Two An International Search is carried out	An international search is carried out by the International Search Authority (ISA) to look for any relevant documents describing similar inventions related to the one you have described in your PCT application. The findings of the search are compiled in a search report called an International Search Report (ISR). An examination report called a Written Opinion of the International Searching Authority (ISO) is also	As a PCT requirement, the ISR and ISO must be issued within three months of the application's lodgment date, or nine months of the earliest priority date, whichever is later.

⁴ *International Patent Application Kit, supra.*

⁵ *Hintermann, supra.*

	<p>produced.</p> <p>These reports are sent to your agent and the IB.</p> <p>You can amend your claims (under Article 19 — see <i>In more depth</i>) based on the findings of your ISR and ISO – amendments must be made within two months of receiving the ISR and ISO or within 16 months of the earliest priority date.</p>	
<p>Stage Three The application is published by the IB</p>	<p>There is no provision for delay in publishing the application — it can be published without the completed ISR if necessary.</p> <p>At this point, if the applicant wishes to avoid or postpone publication, a notice of withdrawal of the international application, or of the priority claim, must reach the IB before the completion of the technical preparations for international publication —this must be done no later than 15 working days before it is due to be published.</p>	<p>18 months from the earliest priority date, the IB publishes the application and the ISR.</p> <p>At 30 months from the earliest priority date the IB uses the ISO to establish the IPRP1 which is communicated to all designated offices.</p>
<p>Stage Four — Optional An International Preliminary Examination is requested</p>	<p>You can request an optional International Preliminary Examination (IPE) of the application — this request is called a demand.</p> <p>The IPE is based on the ISO and any amendments you file and helps you refine your application before you decide to proceed with the national phase.</p> <p>If you have requested an IPE, and the international preliminary examiner</p>	<p>The examiner must in any event establish the IPRPII by 28 months after the earliest priority date. This will be an adverse report if you have not overcome all deficiencies.</p>

	<p>considers that there are still deficiencies in your application, you will be given a Written Opinion (IPEO) otherwise the examiner will establish an International Preliminary Report on Patentability (Chapter II) (IPRPPII).</p> <p>The IPEO, like the ISO, explains why documents have been cited and alerts you to any problems your application may have in relation to novelty, inventiveness, and industrial applicability, as well as to any problems of clarity in your specification.</p> <p>You can then file amendments to your application at the time of filing the demand or in response to an IPEO any time up to the establishment of the IPRPPII.</p> <p>Please note – the decision on granting a patent remains the task of the national or region offices where you enter the national phase — the IPRPPII is authoritative but it is not binding in these offices.</p>	
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Table 1: PCT International Phase⁶

National Phase: In the national phase, individual applications are filed in each country where protection is desired. The requirements for each country must be determined before filing national applications, as described above. Table 2 below summarizes the differences between a PCT application and filing patent applications directly to national offices in foreign countries and Figure 2 provides a general timeline for an international application under the PCT.

⁶ Based on a table in the International Patent Application Kit, *supra*, at p. 15.

Filing directly to the national office of each country requires you to...	Filing a PCT application to the Receiving Office requires you to...
fill in the form(s) required by that Office	fill in a PCT Request form or lodge your application electronically using PCT-SAFE.
pay the fees for each foreign currencies	pay the relevant PCT fees in Australian dollars
meet the formality standards set by each country	meet the formality standards of the PCT
provide an address for service in each country	
if required, provide a translation into the local language	
provide a description — including drawings, if necessary	provide a description — including drawings, if necessary
provide a claim or claims	provide a claim or claims
provide a certified copy of your priority application if claiming priority	provide a certified copy of your Australian application if claiming priority

Table 2: Differences between PCT and filing directly in national patent offices⁷

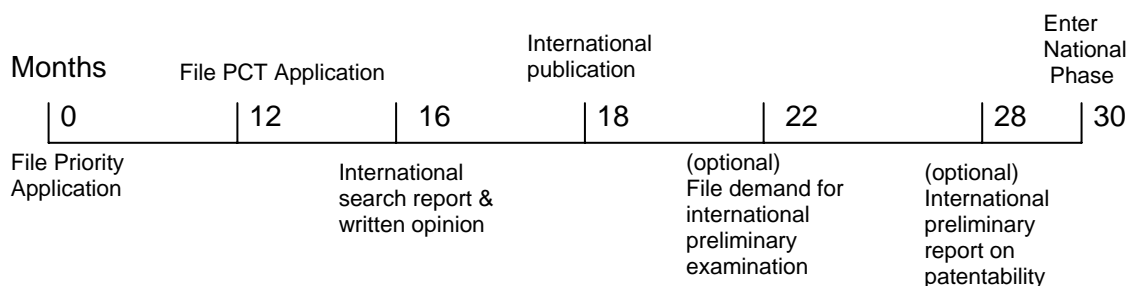


Figure 1: Timeline for PCT Application⁸

⁷ *International Patent Application Kit, supra.*

⁸ *International Patent Application Kit, supra.*



INTERNATIONAL
INTELLECTUAL
PROPERTY
INSTITUTE

Avoiding Counterfeit Goods: A How-To Guide for Consumers

Kevin M. Reichelt



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I. Background: Counterfeiting and the Growth of Intellectual Property Crime

Counterfeiting and piracy cost the global economy billions of dollars per year, and the economic damage done to emerging economies is hindering development and endangering lives. Not only are businesses losing money in sales, but governments are losing considerable amounts of tax revenue. The rise of intellectual property related crime is a global epidemic threatening to undermine vital efforts in economic development. By purchasing counterfeit goods, consumers not only endanger themselves and others, but unwittingly support organized criminal syndicates. This guidebook is designed to educate consumers regarding how to spot and avoid purchasing counterfeit and pirated products.

Nearly all products can be counterfeited. Examples include essential medicines, medical devices, shampoo, cosmetics, auto parts, toys and sunglasses. Many counterfeit goods are bought with full knowledge of their counterfeit nature, including sunglasses, CDs and handbags. The knowing purchase of counterfeit products is often referred to as a “victimless crime;” however, as we shall point out, the victims may reside in sweatshops that utilize forced labor or in the victims of other international crimes financed through the sale of counterfeit goods.

The concept of the “victimless crime” is born out of the idea that the consumer, knowingly purchasing a fake, would never buy the real product. Therefore, neither the consumer nor the legitimate company suffers any harm. The victims lie elsewhere. The case consumers must strive to avoid is when an everyday item sold at the local corner store or used by your mechanic is counterfeit, and the consumer does not get the chance to inspect the item or make a decision regarding its use. Who then is the victim if the perfume purchased on the street has now caused a severe allergic reaction or the flame retardant children’s clothing you purchased didn’t go through the same inspection or testing regime as legitimate goods and wasn’t flame resistant after all? Finally, for all those counterfeit fashion items and handbags, there are often exploited workers being used. In all circumstances of counterfeiting, there is a real identifiable victim.

a. Counterfeits Pose A Clear Risk to Consumer Health and Safety

Counterfeiting and piracy consists of much more than downloading music and copying movies from the internet. Counterfeiting and piracy are about the trade in fake goods including car and aircraft parts, toys, apparel and essential pharmaceuticals; counterfeiting is a problem that has metastasized, infecting nearly every market of the economy. Counterfeit products pose a nearly incalculable risk to human health and safety, and the health of the global economy.

Counterfeit products cause harm in many ways. When counterfeit goods are purchased, individuals are put at risk of contaminated products, poisonous ingredients or malfunctioning parts. Even counterfeit pieces of apparel and a pair of sunglasses pose a threat by not performing to expectations, for example by not being wired correctly as claimed, or not blocking UV sunlight. Consumers may even be financing organized criminal gangs engaged in serious international crime, including terrorism.

Worldwide, 5 to 7 percent of products are counterfeit, and the risk of exposure to counterfeit products is significant. Customs seizures, health and regulatory requirements and intellectual property rights enforcement efforts are in place to attempt to keep counterfeit products out of the

United States, but in many developing countries, legal underpinnings of intellectual property rights, inadequate customs training and an underdeveloped public health and safety system expose consumers to greater exposure to counterfeit goods.

i. Automobile and Airplane Parts

Car and airplane parts are a commonly counterfeited product that has infiltrated supply chains worldwide. Such items rarely, if ever, are ever submitted to the same rigorous safety testing used by legitimate manufacturers. Such parts are often churned out of makeshift factories to be sold to mechanics who then install them in the cars of the unsuspecting public. Clearly, cars fitted with counterfeit items such as brake pads, fuel injectors or even steering and wheel mechanisms face constant danger from parts failing which causes serious injury to the driver, passengers or other people.

Spotting fakes is difficult for consumers when dealing with spare and replacement parts, so identifying counterfeit parts is often left to the person who installs them. By beginning with a visual inspection of the car part, identifying a fake part is made more likely. If the part feels or looks different from the part that it is replacing, then that can be a sure sign that it is a counterfeit. In addition, a prospective purchaser should check the packaging carefully: odd shaped or odd fitting packaging, mismatched logos, misspelled words or bad grammar, anything out of the ordinary should make a trained or experienced mechanic suspect the part may not be genuine. If you believe parts are fake contact the retailer and inform them that you suspect they sold a counterfeit part.

Never purchasing a counterfeit auto part can not be guaranteed, but the chance of this occurring can certainly be reduced by taking rational precautions. Consumers should only deal with reputable retailers.

Among the parts frequently counterfeited are:

Camshafts	Valves
Rocker arms	Alternators
Antifreeze	Distributor caps
Transmission fluids	Spark plugs
Bearings	Brake pads
Belts	Air conditioner condensers
Shocks and struts	

ii. Pharmaceuticals

A poignant example of how counterfeit products harm or even kill innocent consumers is in the global pharmaceutical industry. An estimated ten percent of all prescription drugs sold globally is counterfeit, including an estimated 50% of pharmaceuticals in sub-Saharan Africa. These are shocking percentages when you consider the societal need for drugs that combat malaria and treat HIV/AIDS. Many of these counterfeit essential medicines often contain inactive chemicals,

lower than usual dosages, or even such chemical “binders” as gypsum, talc and brick dust; binding agents that can pose lethal to those who ingest them.

Obviously, with increased technological sophistication by counterfeiters, it is difficult to discover fake drugs. The best advice to give is to know your medications. If you know the size, shape, color, taste, and side effects of the prescriptions you take, you will be in a better position to more easily identify possible counterfeits. Also, be sure to contact your pharmacist or doctor if you notice anything different about a medication. As usual, pay attention to packaging and check for altered or unsealed containers, or changes in the packaging or label. By comparing old containers side-by-side with new containers, mistakes in packaging become more apparent. Furthermore, ask your pharmacist or doctor to notify you in case packaging changes.

Only buy prescription medications from a safe, reputable source. If the seller is unfamiliar check with your national health regulatory agency to try to discover if there is a licensing mechanism in place and enquire whether the seller is actually licensed.

If you believe you have bought a counterfeit drug, report it. Contact the pharmacist who sold you the medication. Your pharmacist will know if there has been a legitimate change in the color, shape, taste or packaging of the medication. In addition, ask your doctor for medical advice if you have taken drugs you suspect may be counterfeit.



Photo from the website of Congressman Mike Rogers depicting a make-shift lab producing counterfeit Viagra™



The pictures to the left were taken during law enforcement activities and are from the website of United States Congressman Mike Rogers.

The first picture shows a Viagra manufacturing site in Egypt. These tablets were given their blue color in the cement-mixer shown in the second photograph. This is a typical method of applying pigment to fake drugs. This fake Viagra would then be sold to unsuspecting consumers.




The third and fourth picture shows a site in Colombia that was manufacturing Ponstan, an anti-inflammatory drug, and large quantities of the antibiotic Terramycin. The Ponstan tablets shown below that resulted from the Colombian manufacture contained no active ingredient. Instead, it was composed of boric acid, brick dust and paint. Boric Acid is a pesticide that can cause gastrointestinal problems and renal failure.



Cell phone batteries are another frequently counterfeited product. As recently as June 2006, the Canadian government issued warnings regarding fake and counterfeit consumer batteries. These batteries are prone to overheating and, in extreme cases, exploding.

In 2004, Verizon had to recall 50,000 counterfeit cell phone batteries. The batteries, normally manufactured by LG Infocomm, USA, stated that there were counterfeit LG-branded batteries that did not contain a safety device in the circuitry to prevent overcharging. In turn, the counterfeit batteries were subject to overheating, posing a fire and burn hazard.

Outrage of the Month for June 2005 – from the US Chamber of Commerce:¹



Outrage of the Month for June 2005 – from the US Chamber of Commerce:

“What is worse than an injured child? Maybe knowing the accident could have been caused by something as simple as a defective, counterfeit cell phone battery...”

That's what happened to 13-year-old Michael Sathre from Oceanside, Calif. when his counterfeit cell phone battery exploded. The force from the explosion blew fragments of the cell phone into the ceiling. So you can imagine what it did to his face and ears

© Verizon 2005

His father, Curtis Sathre, thought a bomb had exploded. The Sathres are not alone. Exploding counterfeit cell phone batteries are becoming more and more common. In fact, the Consumer Products Safety Commission (CPSC) is receiving an increasing number of such complaints about cell phones exploding or catching fire. When counterfeit cell phone batteries do explode, the resultant fire can melt nearly anything it touches with temperatures reaching nearly 600 degrees.

Picture the devastating result to cell phone users like Michael Sathre. Recently, the CPSC announced three recalls of counterfeit batteries. Also, a major mobile phone company voluntarily recalled 1 million batteries because fakes infiltrated the legitimate supply chain.”

iv. Personal Care Products and Cosmetics

China is both one of the world's largest markets for premium personal care in terms of spending per capita; it is also a hot spot for counterfeit cosmetics. Leading personal care giant Procter & Gamble estimates that counterfeit goods in China cost it more than 10% in lost revenue. Along this line, the China Consumers' Association (CCA) claims that smuggled and fake cosmetics constitute the majority of complaints by consumers, highlighting the fact that grey market

¹ From the US Chamber of Commerce,

<http://www.uschamber.com/NR/rdonlyres/ed4gnhm6j6nxcehq4fqszhujbd4ib5t2j2mcwh4nzahlrjbydg4cirxxi6iz7j2winrw2gurc7jql7dycgnpcwziuc/OutrageoftheMonthExplodingCellPhonesJune2005.pdf>

cosmetics are also unsafe, having side-stepped the rigorous testing procedures required of legitimate personal care items.

Personal care items such as shampoo, toothpaste, lotions, facial creams and make-up are often subject to counterfeiting. Always be sure to check the texture, smell, feel and look of such products if purchased under imprudent situations.



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EU Must Curb Counterfeit Cosmetic Trade

EU figures show that seizures of counterfeit cosmetics and perfumes increased by 800 per cent in the period 2002 - 2003, prompting the European Commission to draft new legislations aimed at reducing the problem.

The Commission proposed criminal-law provisions to combat infringements of intellectual property rights.

Counterfeiting of consumer goods is becoming a major challenge for EU authorities, and one that is continuing to grow. Manufacturers from Eastern Europe and Asia tend to target the replication of luxury goods. Along with the counterfeiting of designer clothes and jewelry, expensive anti-ageing treatments and cosmetics including fragrances are becoming a primary target for counterfeiters.

Not only do pirated products represent a big problem for the cosmetics and toiletries industry - costing it millions in revenue every year - they also represent a safety risk for consumers, due to hazardous or banned alternative ingredients being incorporated into formulations that have little to do with the original product.

In total, 100 million counterfeit goods were seized in 2003 with an estimated value of \$1.3 billion, compared to 85 million goods seized in 2002. Some 70 per cent of these goods are estimated to have come from Asia.

v. Wiring and Electrical

Increasingly, name-brand consumer electronics such as VCR's, DVD players and personal computers are being added to the list of goods to distrust. Some estimate that as many as one in ten high-tech electrical products sold worldwide are actually knockoffs. In contrast to watches, handbags and optical discs, far more counterfeit technology products are hawked over the

internet than on street corners. China is a hotbed for the origination of counterfeit and knockoff consumer electronic devices, which range in quality from obviously inferior imitations to fakes that are hard to differentiate from the real thing.

The variety of counterfeits on the market today is vast, and more counterfeits of established brand-name electronic products like the Sony PlayStation™ and Dell™ computers will be seen. Furthermore, it will not be long until you see counterfeit versions of Apple Computer's digital music player iPod.

But imitations aren't limited to well-known consumer devices. Office equipment is also subject to counterfeiters and recently a counterfeiter selling fake versions of a switch used to network office equipment was detected. Also, printer toner cartridges have been a target for knockoffs. Batteries aren't the only tech item that counterfeiters love to mimic. In October 2004, U.S. Customs and Border Protection officials in Anchorage, Alaska, seized 20,000 suspected fake Memorex USB memory key thumb drives from Asia. And last year, Miami officials seized 900 allegedly phony laptops valued at \$700,000.

Other commonly counterfeited products include electronic devices such as electrical fuse boxes, home appliances and cell phone batteries. Underwriters Laboratories is one of the trusted names in testing household electrical devices such as fuse boxes and appliances. The certification label used by Underwriters Laboratory has become one of the most faked labels in the world today.

Recent Examples of Counterfeit Electronics

- A police raid on a suspected counterfeiter in China's Guangdong province turns up US \$1.2 million in fake computer parts and documents—enough to produce not only complete servers and personal computers but also the packaging material, labels, and even the warranty cards to go with them. All the parts are neatly labeled with the logo of Compaq Computer Corp.
- A capacitor electrolyte made from a stolen and defective formula finds its way into thousands of PC motherboards, causing the components to burst and leak and the computers to fail and eventually costing more than \$100 million to rectify.
- Eight local authorities in Suffolk County, N.Y., seize counterfeit electrical safety outlets—used in bathrooms, kitchens, and garages to guard against electrical shock—bearing phony Underwriters Laboratories logos. The bogus parts had no ground-fault-interrupt circuitry. Had they been installed anywhere near water, the results could have been fatal.
- Dozens of consumers worldwide are injured, or surprised, when their cellphones explode, the result of counterfeit batteries that short-circuit and suddenly overheat.

vi. Cigarettes and Alcohol

The trade in counterfeit cigarettes is a rapidly growing global problem. Almost 90% of the smuggled cigarettes bearing Philip Morris International brand names seized by governments in 2002 were actually counterfeit.

Not only do tobacco manufacturers lose hundreds of millions of dollars each year, but smokers who are tricked into buying fake cigarettes are put at greater risk than they already face. In a recent BBC documentary, for example, counterfeit cigarettes were reported to have "75% more tar, 28% more nicotine and about 63% more carbon monoxide" than genuine cigarettes in the UK market, and many were even "contaminated with sand and other packaging materials such as bits of plastic."² It was estimated that one in five of all cigarettes sold in Britain was a counterfeit.

According to the European Commission, international criminal organizations involved in counterfeit production exploit their workforce, often largely consisting of children who are locked up in cramped conditions without any concern for personal safety or human rights.³ And the Commission estimates that counterfeit products of all kinds account for the loss of 100,000 jobs in Europe each year.

A recent study indicated that larger than normal quantities of carcinogens are delivered to the lungs when smoking counterfeit cigarettes. An investigation into UK tobacco products found that counterfeit cigarettes are substantially contaminated with toxic elements such as arsenic and lead compared with genuine brands. This study spanned 14 months and found cadmium in counterfeits to average more than five times the concentrations in genuine brands.⁴ Though cadmium in low doses is beneficial to humans, an excess amount of this metal is adverse to the health. Other metals were similarly enriched. This is very worrying for the health of those who are heavy and habitual smokers of counterfeits. These products are not just cheap, they are also very nasty.

Heavy metals such as cadmium and lead as well as arsenic are well known to occur in tobacco in small quantities and many public health websites list them as harmful agents in tobacco smoke. High levels of metals in tobacco are far more dangerous for two reasons – firstly, because the plant is very efficient at concentrating metals in its leaves and secondly because combustion releases some of these metals into smoke and delivers them directly to the lungs when smoke is inhaled. Almost all counterfeits are seriously contaminated with heavy metals.

Identifying the source of these contaminants was a significant challenge for Dr Stephens because of the clandestine nature of the counterfeit industry. Working with Dr Jason Newton at the Scottish Universities Environmental Research Centre, they found geochemical characteristics that primarily implicate the use of contaminated fertilizers. Analysis of heavy metal patterns and stable isotope ratios narrowed down the possibilities to either sewage sludge (nitrate) or

² Crooked Britain, BBC Two, The British Broadcasting Corporation, 2003

³ European Commission Taxation and Customs Union, 2001, Report on counterfeiting and piracy

⁴ W. Edryd Stephens* and Angus Calder, *Source and Health Implications of High Toxic Metal Concentrations in Illicit Tobacco Products*, Journal of Environment, Science and technology, 39, 2, 479 - 488, (2005)

phosphate fertilizer, the evidence favoring latter source.⁵ Contaminated fertilizers are no longer used in countries with strong environmental legislation but this does not apply universally. “Even at low concentrations, arsenic and cadmium can cause cancers in humans, and, like lead they can give rise to a range of other disorders. Research in our laboratories confirms earlier findings that unlike many trace elements that are largely immobilized in the cigarette ash, substantial amounts of heavy metal toxins escape into smoke to be inhaled by smokers and bystanders alike. All smoking is potentially harmful, but a high concentration of these particular heavy metals, in a cocktail with other tobacco smoke toxins, is likely to add significantly to the health risks faced by habitual and heavy smokers of counterfeits,” concluded Dr Stephens.⁶



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⁵ *Id.*

⁶ *Id.*

b. Linking IP Crime to Global Criminal Organizations and Terrorist Activities

Though economic globalization is mostly beneficial for the global economy, there exists a dark side in the form of counterfeiting and piracy that can be traced to organized criminal gangs. Developing countries and emerging economies are swept up in the scourge of counterfeiting; some having the view that copying and counterfeiting is a legitimate money-making enterprise while others are bullied by powerful criminal gangs.

Counterfeiting and piracy have been estimated to account for 7 to 8 percent of world trade and cost businesses billions in lost revenue annually.⁷ In 2003, The World Intellectual Property Organization placed the cost to businesses at nearly 450 Billion Euros (\$575 Billion).⁸ Sales of pirated CDs accounted for nearly 28% of this total.⁹ And most worrisome, counterfeiting and piracy have been linked to organized crime and even funding for terrorism.

Counterfeiters and pirates, wherever they operate, exploit the lack of laws, inaction on the part of local authorities, and the general lack of knowledge and legal expertise when tackling IP-related criminal activity. Economic globalization and the expansion of international trade have facilitated the emergence of structured and organized counterfeiting networks that operate across international borders. It is these organized criminal gangs that can afford setting up extensive distribution channels capable of the transshipment of counterfeited and pirated goods into the market. Factories producing counterfeit goods increasingly are being found in developing countries (e.g. China, Thailand, Turkey, Morocco and across Eurasia). Counterfeiting operations have become highly structured and include obvious ties to organized criminal gangs, money laundering and terrorism.

Counterfeiting is extremely profitable. A counterfeit item can often be sold at the same price as the original, for high demand fake fashion, or readily available at knock-down prices for quicker sales. Often it is the lack of adequate enforcement by customs officials, police and judges, many of whom are not adequately trained in this area of the law, who inadvertently allow counterfeiting to flourish. In light of the profits to be made, and the lack of enforcement or slap-on-the-wrist approach of many judges faced with such cases, the counterfeiters see imposed fines as merely a cost of doing business. The lack of deterrence of the penalties therefore explains the steadily increasing attraction of this illegal activity. While trafficking in illegal illicit narcotics may cost a criminal a hefty prison sentence, trafficking in counterfeit prescription drugs poses far less risk with similar financial rewards.

In short, counterfeiting is an extremely attractive means for criminals to make large profits while facing little risk of imprisonment. Organized crime syndicates taking advantage of economies of scale have now made counterfeiting and piracy a major component of their activities; by taking advantage of experts specializing in production, logistics, wholesaling and distributing to the consumers, these syndicates have clearly made counterfeiting and piracy the crime of the 21st century.

⁷ OECD report on the economic effects of counterfeiting, 1998

⁸ "World Customs Organisation tells World Economic Forum of concern at the scale of global counterfeiting," WCO press release, 27 January 2003

⁹ Music Piracy Report 2002, IFPI

II. Avoiding Fakes

Consumers have a duty to avoid purchasing fake products, and there have been several suggestions mentioned above. There are several ways to avoid situations where you might be exposed to fake products or be tempted to purchase them. We offer below, several methods you can employ to avoid their purchase and avoid putting you or your loved ones at risk.

a. Scrutinize labels, packaging and contents; look at the words and designs

Inspect the items, labels and packaging closely. Avoid purchasing products that have misspelled words on the label or packaging. Also check whether there is poor print or package quality; a sign that items have not been packaged according to the manufacturers' specifications or control. Inaccurate labels are a universal giveaway that the product itself is counterfeit. You will also want to be wary of products that include a "made in China" sticker unless you know such merchandise is usually produced in China. This can be a daunting exercise; however, one knows that certain brands will not originate in China as claimed. Therefore, there is a high likelihood that those products are counterfeit.

b. Seek only "authorized dealers" when purchasing replacement parts

Do not pass on the opportunity to buy from an "authorized dealer." This becomes especially important when purchasing spare or replacement parts for automobiles, airplanes or other specialized items.

c. Watch for deals that allow you to purchase without VAT or Sales Tax

Countries, states and municipalities lose untold revenue every year from the lack of sales tax or VAT on purchases of counterfeit goods.

d. Avoid purchasing from websites that are not secure or that do not allow you to phone your payment details

When purchasing goods from the Internet, make certain that the website you are buying from provides a secure on-line environment. Legitimate retailers will ensure that their customers shop in a secure setting.

e. If you see a deal that is "too good to be true" – it probably is

Consumers know what items ought to cost. While some "deals" appear too good to pass up, often times this can be an indication that the product is counterfeit and priced to sell quickly. If the deal being made is profoundly skewed in the consumer's favor, then proceed to scrutinize the labels and packaging to find other signs of counterfeiting.

f. Pay attention to performance problems

Counterfeit computer memory can lead to PC system freezes or crashes. Fake inkjet cartridges may produce substandard printouts, have a shorter-than-expected life span, and leak all over the inside of your printer. A bogus cell phone battery may overheat, yield reduced airtime, or even explode. Make sure the product meets your PC's required specs before you buy, and keep track of your device's performance before and after the new purchase; if it isn't performing properly, demand your money back, or remove the offending part to determine its authenticity.

III. Conclusion

There is no sure method to use when avoiding fake merchandise. Hopefully, the above suggestions can aid consumers with identifying and avoiding suspected counterfeit goods.

How to Police Your IP – A Guide for Small and Medium-Sized Enterprises (SMEs)
Molly Torsen, IIPI



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One of the biggest obstacles for SMEs that would like to use intellectual property (IP) in developing countries is the policing and enforcement of their IP abroad, particularly in leading markets like the United States and Europe. The trade in counterfeit goods is definitely no longer limited to cheap copies of luxury goods; almost every product on the market is being illegally copied, including food, pharmaceuticals, airplane parts, toys and electronic goods. This guide will discuss the different cost-effective methods SMEs have used to ensure their IP rights are not violated.

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I. IP Enforcement Basics for SMEs

a. Copyright

Technological Protection Measures
Copying
Moral Rights

b. Trademark

Educating the Consumer

c. Patent

d. Industrial Design

e. Trade Secret

II. Contracting and Avoiding Litigation

a. International Mediation and Arbitration

III. Low-Cost Policing

a. Formulating a Menu of Policing Options: Regional and International

b. Using the Internet to Find Infringing Goods

I. IP Enforcement Basics for SMEs

Intellectual property is a valuable tool small businesses can use to protect different aspects of their creative activities. While there are various categories of intellectual property inherent in the everyday business operations of small businesses, there are several elements in these categories of intellectual property (IP) that have little to do with each other. For example, there is often no need to register a copyright in a work; it exists upon the creation of a copyrightable expression and lasts for the entire life of the creator plus another fifty to seventy years. On the other hand, to receive a patent in an invention, an inventor must apply for a patent and be issued a patent, the duration of which is generally less than 20 years. Not only are the various types of IP different from each other; they are also protected differently depending on their jurisdiction. The manner in which an SME must go about protecting and policing its intellectual property is dependant upon the type of IP it has and the jurisdiction in which it is located or does business. Perhaps the only strong similarity amongst all the policing activities and jurisdictions is that it is generally *the IP owner's responsibility to act as his or her own policeman*.

This guide to policing IP will examine copyright, trademark and patent law in turn; these are the three major categories of intellectual property. It will look briefly at industrial design and trade secret law. From there, it will look at how the formulation of a thorough and fair contract can overcome some of the issues in business dealings which can help protect intellectual property from misappropriation. Interspersed throughout, it will consider some low-cost policing activities and mechanisms that have proven useful for SMEs around the world.

Elements of an SME's IP policing plan should include:

- **Recognition of responsibility to monitor one's own products as well as products in similar lines of goods and services.**
- **Taking stock of all the IP inherent in one's business. This can include a vast array of things, including a primary product itself (copyrighted music CDs, trademarked handbags, patented medications, e.g.), client lists (trade secret), dedicated accounting software (possibly a business method patent, e.g.). It is important to remember that a single product may be comprised of several forms of IP. A coffee pot, for example, might have a patented water heating mechanism, a sleek design protected by industrial design or copyright law and a colorful logo protected by trademark law.**
- **Learning the basic IP law of the jurisdiction in which the SME is based and the major countries in which the SME does business, such as export markets. If feasible, an IP rights holder should apply for protection for trademarks, industrial designs and patents in these jurisdictions.**

- **If an SME is considering bringing suit against an entity that is infringing its intellectual property, it should assess its chances of winning a case and calculate the amount of compensation and/or damages and attorney's fees that would be at stake. An SME should also calculate the amount of money it is losing or will likely lose in the future due to the infringement.**

A. Copyright

Copyright is a form of intellectual property protection provided by a jurisdiction's law. There is no international law of copyright although there are a few main international treaties that employ minimum standards with which signatory countries must comply but there are very few generalizations about the *mechanics* of copyright laws that hold true across all jurisdictions. That being said, there are some generalizations that can be made with regard to copyright laws' overarching *purpose* and *subject matter*.

Copyright laws tend to cover literary, dramatic, musical, and artistic works. Copyright protection subsists in a creative work and is separate from the physical object itself. For example, an artist can sell his painting but he still retains copyright in that work even if he never sees it again and the owner of the painting moves to the other side of the world. Unlike other forms of IP, it is not necessary to register a work to receive copyright protection; copyright subsists as soon as a work is finished in a fixed medium. That being said, it is beneficial to register works for several reasons, one of which is that, depending on the jurisdiction, they must be registered prior to the reward of any damages resulting from trial. Also, if a work is registered with a collecting society, it may help ensure a fair distribution of royalties.

Copyright laws generally bestow upon their owner the exclusive right to do or to authorize third parties to do the following:

To reproduce the work in copies;

To prepare derivative works based upon the work;

To distribute copies of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

To perform the work publicly, in the case of literary, musical, dramatic, and choreographic works, motion pictures and other audiovisual works; and

To display the work publicly, in the case of literary, musical, dramatic, and choreographic works, or other audiovisual work.

The owner of these rights may or may not be the author of the original work. In some jurisdictions, certain non-economic rights, called moral rights, inhere in and must remain with the author. These rights include privileges pertaining to the integrity of the work,

whether the author's name is attached to it, and a short list of other related entitlements. In other jurisdictions, the author may assign or license these rights to a third party, if those rights exist at all.

Enforcing Copyright

A. Anti-circumvention of Technological Protection Measures



Paolo Neo, Public Domain Photos

In recent years, the explosion of digital music and movies has brought about some special legal provisions to protect rightsholders who choose to use technological protection measures (TPM) to help ensure that the content on their digital products is not copied. Digital rights management (DRM) is an umbrella term for the management aspect of TPMs and other measures that manipulate digital technology insofar as it secures, or attempts to secure, its content from putative copyright thieves. Examples of TPMs include watermarks superimposed on digital imagery and “spoiler signals” which effectively ruin sound quality in copies of an original sound recording. The image below is an example of a watermark; Corbis has superimposed its logo across this photograph to protect it from being used by entities that do not first license it.



Snow covered cabins on mountainside, 42-15683243| RF| © Royalty-Free/Corbis

A European Copyright Directive¹ and the United States Digital Millennium Copyright Act (DMCA) make it illegal for endusers to circumvent TPMs – that is, tamper with or break them to attain access to the underlying content. The DMCA, for example, is comprised of four main provisions in this vein. It prohibits circumventing access controls; it provides for an access control circumvention device ban (sometimes called the trafficking ban); it bans copyright protection circumvention devices; and it prohibits the removal of copyright management information. The DMCA allows for both civil remedies and criminal penalties for violations of its anti-circumvention provisions. If the violations are determined to be purposeful, for commercial profit or private financial gain, the court can order significant fines and/or imprisonment.

Civil remedies for copyright infringement have not always proven to be sufficient deterrents. Many copyright infringers/pirates see confiscation and fines merely as a cost of doing business. As such, criminal remedies have been placed in copyright law updates with more frequency and bite. In the DMCA, for example, first time offenders may be fined up to \$500,000, imprisoned for five years, or both. For repeat offenders, the maximum penalty increases to a fine of \$1,000,000, imprisonment for up to ten years, or both.

These references to law having been made, it is essential to note that it will often save time and money to try to resolve an anti-circumvention – or infringement – matter with the party that seems to be in violation of the law. Mediation and arbitration (discussed below) are often very good options before resorting to a court of law. Organizations that represent copyright owners may be able to give free or inexpensive advice (e.g., Volunteer Lawyers for the Arts organizations or the Writer’s Guild of Canada)

A non-exhaustive list of organizations

International

The International Confederation of Societies of Authors and Composers (CISAC) <http://www.cisac.org>
The International Federation of the Phonogram Industry (IFPI) <http://www.ifpi.org/>
The International Federation of Reproduction Rights Organizations (IFRRO) <http://www.ifrro.org/>

National and Regional

The Japanese Society for Rights of Authors, Composers and Publishers <http://www.jasrac.or.jp>
The Australasian Performing Right Association <http://www.apra.com.au/default.asp>
The American Society of Composers, Authors, and Publishers <http://www.ascap.com>
Broadcast Music, Inc. (United States) <http://www.bmi.com/>
The Music Publishers’ Association of the United States <http://www.mpa.org/>
The Society of Composers, Authors and Music Publishers of Canada (SOCAN) <http://www.socan.ca>
La Société Professionnelle des auteurs et des compositeurs du Québec <http://www.spacq.qc.ca>
The German Authors’ Society (GEMA) <http://www.gema.de/engl/>
The United Kingdom Performing Rights Society <http://www.mcps-prs-alliance.co.uk>
La Société des auteurs, compositeurs et éditeurs de musique (France) <http://www.sacem.fr>
Buma/Stemra (the Netherlands) <http://www.bumastemra.nl/en-US/Home.htm>
The Sociedad General de Autores y Editores (Spain) <http://www.sgae.es>

¹ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society

B. Copying

For copyrighted goods that have been copied without permission (such as sound recordings on discs or DVD copies), the police are the general enforcement authority although a given infringement incident must usually be brought to their attention. Depending on the jurisdiction, a copyright owner can accomplish this in a number of ways.

- Inform the police. In favorable circumstances and if the infringement activity warrants immediate action, the police may only need 24 hours' notice in order to secure warrants.
- Alert customs officials. Customs officials can keep an eye out for certain goods and impound them when they arrive; they are generally allowed to exclude infringing goods from entering into the country of destination, which subjects those goods to seizure, forfeiture and/or destruction. Action can generally be taken against an importer. Infringing goods come from all over the world, via air, ground and water; customs officials are trained to be on the look-out for a variety of goods and an array of clues that point to infringement activity.



© istockphoto / Mike Clarke, 2006

- Use a local (or international) trade association as a platform for reporting piracy. The Software and Information Industry Association (SIIA), for example, maintains a webpage through which any individual can report a variety of piracy activities, as does the Entertainment Software Association. These are two examples of American trade associations; other large national and international organizations include the British Video Association, the International Federation of the Phonographic Industry, the International Trademark Association, the

Motion Picture Association of America, the International Chamber of Commerce through the Business Action to Stop Counterfeiting and Piracy (BASCAP) and the Alliance Against IP Theft.

- Corporations that are heavily affected by IP theft also offer platforms through which consumers can report instances of piracy. Microsoft, for example, provides an interactive form on its website where piracy can be reported.

C. Moral Rights

Mentioned above, moral rights are non-pecuniary rights that inhere in a work, imparting a layer of protection of that work's integrity. Some basic moral rights include 1) the right of integrity such that a work is not distorted or ruined; and 2) the right of paternity such that the author's name is affixed to his work. The strength of any given moral rights laws depends on the jurisdiction. European countries tend to value these rights while common law jurisdictions place less emphasis on them. Enforcing moral rights can be very difficult. Because very few jurisdictions have strong protection for moral rights, it has become common practice in some jurisdictions for standard contracts to include clauses wherein an author or artists automatically assigns these rights to whatever entity he or she is contracting.



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Artist/gallery contracts in the United States, for example, have been known to include clauses whereby an artist forfeits his moral rights. (The United States offers limited moral rights to a narrow genre of artworks). In other jurisdictions, such as France, clauses like that would have no legal effect since moral rights are inalienable; that is, an artist cannot give them away at all. It is important, then, for artists and authors to understand that their jurisdiction may offer at least a limited set of moral rights and that it is often their responsibility to negotiate to keep them.

B. Trademark

From handbags to batteries, counterfeit products are flooding the marketplace, flying in the face of the tenets of any given country's trademark law. In a recent study in China, a notorious center for fabricating counterfeit goods, customs agents confiscated products infringing IP in 1,051 cases.² Of these cases, 1009 were trademark infringements, 26 were patent infringements and 16 were copyright infringements. Like copyright law, the specific components of a trademark law depend on the jurisdiction(s) in which the trademark owner operates.

Some things to keep in mind – again, depending where an SME is doing business – include:

- Translate the SME's name, phrases and/or slogans. If doing business in China, for example, an SME should consider filing both the English name and its Chinese characters.
- An SME should file its trademark within the categories that it belongs, keeping subcategories in mind. Checking these subcategories for similar trademarks filed by competitors and/or infringers could be helpful in staving off future infringements.



Photos courtesy of AppleInsider.com

While there is something of an international “clearinghouse” mechanism through which trademark owners can apply for protection in several jurisdictions at the same time, there is no universal or international trademark law. The clearinghouse mechanism is administered by the World Intellectual Property Organization (WIPO) and is called the Madrid System. An applicant's home country must be a member of the Madrid system (as of October 2006, there are 79 member countries of the Protocol or System³) and the trademark must have been registered or successfully applied for within that country.

² See Matthew A. Powelson, Grace Li and Edward J. Kelley, *Getting the Black Market to Knock It Off: Strategies to Enforce Trademark Rights in Asia*, May 2006, available at http://calbar.ca.gov/calbar/pdfs/sections/ipsection/2006-09-07_panel-5_black-market_kelly-powelson-li.pdf

³ For more information about the Madrid Protocol and Madrid System and how they interrelate, see Madrid System for the International Registration of Marks, available at <http://www.wipo.int/madrid/en/>.

National or regional trademark offices maintain a register of trademarks which contains full application information on registrations and renewals. This enables trademark examination, search, and potential opposition by third parties. A trademark provides protection to the owner of the mark by ensuring the exclusive right to use it to identify goods or services. The period of protection varies from jurisdiction to jurisdiction, but a trademark can be renewed indefinitely if its registration and use in commerce is maintained. Trademark protection is enforced by the courts, which in most systems have the authority to block trademark infringement. Trademarks also protect prospective consumers by providing a means through which they can identify goods or services with which they have associated a certain quality or characteristic they like.



Jon Sullivan, Public Domain Photos

Enforcing Trademark

Trademark infringement is generally inclusive of “passing-off” but it is important to understand both infringement and passing-off individually. Trademark infringement is an act punishable through a legal statute that will spring from whether the mark is included in a national trademark registry and whether a third party uses a trademark that would cause a likelihood of confusion amongst the public. Trademark registration is available for both goods and services. Typical remedies for trademark infringement include injunctions, damages and an account of profits. A trademark owner can do a number of things to inform the public that his good or service is protected under trademark law.

Passing-off, generally not a statutory violation, is when a third party misappropriates another’s trademark and misrepresents that mark to the detriment of trademark owner’s goodwill or reputation; i.e., that third party markets or sells his own goods as if they were branded by another entity.

Be diligent. Firstly, a trademark owner can use the TM or ® symbols on the item. The TM symbol indicates that registration is still pending while the ® symbol indicates that the mark has been successfully registered. Secondly, he can look at trademark registrations periodically to see whether someone is registering a mark that is similar enough to his that it might cause confusion. Thirdly, he can maintain awareness of products or services

being sold in the same or similar category and, if need be, send a cease and desist letter to anyone who is using his trademark without his permission.

In a recent U.S. case,⁴ the Tillamook County Creamery Association sent a cease and desist letter to the Tillamook Country Smoker but the latter had been using the trademark “Tillamook Country Smoker” continuously since 1976 and, with the tacit permission that accompanied the Association’s silence, the cease and desist letter was seen as too late by the court and the Smoker retained its trademark.



On a grander scale, other companies have instigated legal actions against counterfeiters all over the world. In 2004 alone, Louis Vuitton, manufacturer of luxury leather goods under the French conglomerate Louis Vuitton Moët Hennessy (LVMH), undertook over 13,000 legal actions, more than 6,000 raids, approximately 950 arrests and the seizure of fake printing cylinders.⁵

Be selective in choosing franchisees. The “goodwill” of a trademark depends on several factors, amongst which are the degree to which it is recognized and the qualities that the public associates with the brand. As a trademark owner, it is important to gauge how much quality control oversight will need to be exercised when licensing your trademark to a franchisee. A contract should be drawn up between the owner and the licensee, stipulating what the franchisee may and may not do with the trademark.

C. Patents

As with copyright and trademark enforcement, much of the burden of protecting a patent falls on the shoulders of the patent owner. As a small business with a patent or a patent portfolio, there are a number of pragmatic activities and approaches that can help combat potential patent infringers.

· **Monitoring all products and processes in the field** of an SME’s patented invention(s) will allow a patent owner to understand what patents are similar to his own and will help in surmising what kind of infringements are likely. In the event an SME’s patent has

⁴ *Tillamook Country Smoker, Inc. v. Tillamook Country Creamery Ass’n*, No. 04-35843 (9th Cir. Oct. 11, 2006).

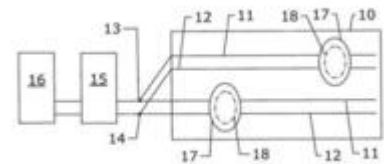
⁵ See Counterfeiting Information: Replica Louis Vuitton, available at <http://www.louisvuitton.com/info/fake/fake-00506.htm>

been infringed, it is essential to act quickly. In many jurisdictions, the time period during which a plaintiff can bring suit for a patent infringement is limited.

A patent owner should **accurately translate her patent** to the relevant language in the jurisdiction where she is applying for a patent. Because of the highly specialized nature of many patents, she should be sure to hire a professional translator; specifically one who can correctly translate technical terms and concepts in your field her work.

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Publication Date: 11.01.2007 **International Filing Date:** 23.06.2006
Int. Class.: **A61M 37/00** (2006.01), **E04H 15/00** (2006.01)
Applicant: **CAPPELLARI, Paolo** [IT/IT]; Via D. Alighieri, 2, I-23861 Cesana Brianza (IT).
Inventor: **CAPPELLARI, Paolo** [IT/IT]; Via D. Alighieri, 2, I-23861 Cesana Brianza (IT).
Agent: **GATTI, Enrico**; Giambrocono & C. S.p.a., Via E. Zambianchi, 3, I-24121 Bergamo (IT).
Priority Data: LC2005A000012 05.07.2005 IT
LC2006A000004 22.02.2006 IT
Title: SUN TENT HAVING MEANS FOR RELEASING ACTIVE PRINCIPLE
Abstract:

A sun tent characterised by comprising: a fabric having in its interior at least one pair of conductive threads; means for retaining and releasing an active principle, said means being applied in contact with said at least one pair of conductive threads; a control circuit for said at least one pair of conductive threads; a power unit for said control circuit.



Bibliographic data from a patent search through WIPO's database

D. Industrial Design

Industrial design law, sometimes simply referred to as “design law” does not exist in all jurisdictions. In the United States, for example, most of the protections offered under another jurisdiction’s industrial design law are found in copyright law, design patent law, unfair competition law or have simply grown up as common law concepts developed in court on a case-by-case basis. Industrial design in the legal sense refers generally to a product’s overarching aesthetic form or outward appearance. Some examples include the ornamentation, patterns or color of armchairs, toys, watches and sports equipment.

To enforce industrial design rights, registration is a good starting point. National and regional industrial property offices can provide specific information. Usually, the office will request drawings and/or photographs of the designs in addition to a written description profiling the design’s novelty. The European Union has recently implemented legislation enabling thin protection of unregistered designs. Like other areas of IP, it is necessary to police the avenues of distribution to ascertain whether an industrial design is being pirated.

E. Trade Secret

Trade secret is sometimes, but not always, associated with intellectual property. A trade secret is more or less self-defining: it is information that is kept from public distribution; owners of trade secrets seek to keep their special knowledge away from the public and/or competitors through a variety of legal and non-legal means, such as using non-disclosure agreements (NDAs) and non-compete clauses in employee contracts or building padlocked warehouses away from public view. Trade secret is most easily differentiated from intellectual property law insofar as a trade secret is not disclosed to the government for registration purposes as disclosure would *per se* void the nature of trade secret.

Because trade secrets fall outside the rubric of recorded IP, however, there are some special considerations that should be noted for purposes of business. Firstly, like other IP laws, the degree to which trade secrets are protected in a given jurisdiction can vary. For example, some European jurisdictions allow for employee covenants that temporarily curtail an employee's future employment possibilities if that employee has had access to a company's trade secrets; other jurisdictions do not allow for restriction on employees whatsoever. In the realm of valuation, trade secrets can pose a problem when, for example, a business is being sold. Contracts between the business buyer and seller should include mention of any important trade secrets upon which the business is based, to ensure nondisclosure and to require the seller to instruct its employees to relinquish any records and materials that would enable the reconstruction of the trade secret.



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Some examples of trade secret include recipes for prize-winning desserts, formulas for making soft drinks, a device for manufacturing a tape dispenser, a process for laminating a special kind of paper and know-how for fabricating an insulated thermos.

II. Contracting and Avoiding Litigation

Depending, again, on jurisdiction, completing and signing a well-written contract can be the most important legal protection an SME can provide itself *vis à vis* third parties with which it does business.

A. *What to Include in Contracts*

By their nature, contracts between two or three parties are very situation-specific. As such, it is difficult to draw up any generic guidelines regarding how to write intellectual property contracts or what terms to include. However, whether an SME is licensing its trademark to another entity in a co-branding scheme or drawing up an agreement to consign its products to a line of boutiques, a clear and concise contract, specifying the rights and obligations of all parties with regard to the intellectual property is a healthy starting point that potentially avoids later conflict.



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B. *International Arbitration and Mediation*

The World Intellectual Property Organization (WIPO), realizing the need for an international platform for arbitration in IP disputes, has formed an Arbitration and Mediation Center. Arbitration, an alternative to filing suit in a court of law, requires that two parties in dispute agree to submit their disagreement to one or more arbitrators who will make a binding decision. A contract between two parties might specify arbitration in the event of dispute before signing. Mediation is a process through which an impartial entity helps parties to reach a mutually satisfactory dispute settlement; the process results in a recorded, binding contract. Arbitration and/or mediation are often good choices for small businesses for several reasons.

Mediation, specifically, is an attractive option for parties that place a premium on the preservation or enhancement of their relationship, seek to maintain control

over the dispute settlement process, value confidentiality, or want to reach a speedy settlement without damage to their reputations.⁶

Other entities aside from WIPO perform these services. If the dispute is limited to parties from one jurisdiction, for example, a domestic arbiter may be more convenient. In the United States, the National Arbitration Forum has a specific intellectual property division;⁷ for Arab countries, the Arab Intellectual Property Mediation and Arbitration Society was formed in 2003 and it performs a variety of functions with the overarching goal of fostering Arab creativity;⁸ and individual law firms also participate in alternative dispute resolution (ADR) by hosting meetings in their offices.⁹ For specific types of dispute resolution, such as domain name disputes, there are specific platforms that should be consulted. For domain names, the Internet Corporation for Assigned Names and Numbers (ICANN) has approved a limited number of dispute resolution providers, including the Asian Domain Name Dispute Resolution Centre (ADNDRC); the International Institute for Conflict Prevention and Resolution (CPR); the National Arbitration Forum (NAF); and WIPO.¹⁰

III. Low-Cost Policing

While the brevity of this guide cannot address the myriad products on the international market, there are a few broad guidelines that could prevent or at least hamper large-scale counterfeiting and other IP theft. Keeping in mind that a musician in Russia will face different issues than will a seamstress in Chad or a woolen mill in Ireland, the following are often found to be useful practices for business owners and IP holders to keep in mind as they put their products into the stream of commerce. The first tenet to keep in mind is that **it is the IP rightsholder's responsibility** to police his products and insist upon legal compliance when infringement is found.

1. **Collaborate** with your contacts who help put your product in the stream of commerce. This could include wholesale distributors, retailers or other merchants, customs officers and police officials. If you find that your product is being illegally duplicated or if someone else's product is being passed off as yours, meet or communicate with people in this chain of commerce. They will only be able to protect your product if they know what your genuine product is versus the counterfeit product.
2. **Educate your employees.** The people who are handling sensitive IP information should know the extent to which it is proprietary. Provide this information

⁶ WIPO, Why Refer Intellectual Property Disputes to Mediation?, available at <http://www.wipo.int/amc/en/mediation/why-meditation.html>.

⁷ See <http://www.arb-forum.com/main.aspx?itemID=295&hideBar=False&navID=71&news=3>

⁸ See http://www.aipmas.org/AIPMASJudge.aspx?page_key=aipmasjudge&lang=en

⁹ See, e.g., Merchang & Gould, Alternative Dispute Resolution, available at <http://www.merchantgould.com/practice-profile-15.html>.

¹⁰ See ICANN, Approved Providers for Uniform Domain-Name Dispute-Resolution Policy, available at <http://www.icann.org/dndr/udrp/approved-providers.htm>.

through training, by requiring (and explaining) non-disclosure and non-compete agreements.

3. **Educate your consumers.** The world's most popular products are copied, sometimes very skillfully, leaving prospective consumers uncertain as to what they're actually about to buy. If an SME has a website, it should dedicate a webpage to illustrating how someone could tell apart its genuine product from a counterfeit product. It should stress the quality of its product (*e.g.*, the leather and seams on a bag from an haute couture design house) or ensure that its audience knows that there are only certain vendors that carry legitimate products (*e.g.*, high-end salon products often specify that consumers should only purchase their products from salons)



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Some other examples:

Levi Strauss & Co.

In order to avoid the possibility of purchasing counterfeit jeans, we suggest you purchase our products from a recognized Levi Strauss & Co. retailer. Also, look for the two most recognizable Levi's® trademarks on our jeans:

The Tab Device® trademark on the back pocket.

The Arcuate Stitching Design® trademark on the back pockets. The Arcuate Stitching Design® trademark is easily recognized as the 'double arcs' displayed on each side of the back pocket.¹¹

¹¹ See <http://www.levistrauss.com/Company/FAQ/Levis.aspx#7>

Rolex

Genuine Rolex products are sold through Official Rolex Jewellers and are not available on the Internet. All intellectual property rights such as trademarks, service marks, trade names, designs and copyrights are reserved. Nothing contained in this website may be reproduced without written permission.¹²

Designer Sunglasses

It is sometimes the wronged consumer who brings counterfeit goods to the attention of the appropriate authorities. In June of 2006, a man who purchased cheap sunglasses at the Troyeshchyna market in Kiev suffered from impaired vision after relying on false UV protection claims on his counterfeit sunglasses. He sent a complaint to the Public Relations Centre of the Directorate General of the Ukrainian Ministry of the Interior and, with the intervention of officers of the State Service for Combating Economic Crime, police shut down the sunglasses booths and seized 80,000 pairs of counterfeit Chanel, Dior and other brand name glasses.

Situations like this call for **attention from several possible sectors**: The **designer brands** being replicated can stress that their goods may only be bought in certain boutiques or locations. **Ophthalmologists** could stress to their patients that all types of glasses should meet a certain criteria and should only be purchased at eyeglass retail locations or optician's shops.



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4. An SME can **notify the infringer** that it is aware of its conduct and is willing to take legal action if he continues to infringe its rights. Usually, this is done by sending the infringer a cease and desist letter. If an SME finds content on a website but cannot find contact information for the owner of the website content,

¹² See Legal notice at <http://www.rolex.com/en/index.html>

it may send a special kind of cease and desist letter to the Internet Service Provider (ISP) that is hosting the website.

5. If an SME has enough evidence that a particular party is infringing its IP rights – and note that it is the IP owner's **responsibility to collect any evidence** -- it may want to go to a court and **request a court order** that would allow for an inspection of the alleged infringer's premises and subsequent seizure of infringing goods. The specific steps to take to get to this point are jurisdiction-dependent and a request for a court order could be held up for some time. A court may issue an interim injunction which would require the alleged infringer to stop his activities until the final outcome of the case is reached.



INTERNATIONAL
INTELLECTUAL
PROPERTY
INSTITUTE

HOW TO BUILD IPR-FOCUSED ENTREPRENEURIAL LAW AND BUSINESS CLINICS TO ASSIST
REGIONAL ECONOMIC DEVELOPMENT AROUND THE GLOBE



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Sean M. O'Connor¹

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OVERVIEW

Great ideas do not solve problems by themselves. They must be refined and applied to specific problems by skilled human activities. Indeed, great ideas are often new approaches or methods that can *potentially* be applied to solve many different problems. The solution to a specific problem is often quite fact and context specific. Thus *translational* activities that use new approaches or methods to create fact and context specific solutions for real world problems are critical. The *execution* or *delivery* of the developed applications to end users to actually satisfy a need completes the cycle by *actualizing* the *potential* of the great idea. While this cycle can occur – in part or in total – through government or other public mechanisms, it is most frequently accomplished in the industrialized capitalist West by different strains of private sector entrepreneurs.

Thus, like the raw talent athlete who never meets her full potential because she has not worked with a skilled coach, both first time entrepreneurs and their ideas may fail to flourish without proper professional guidance. This includes input from across a wide range of professional services such as law, accounting, management consulting, and branding. In fact, in the social entrepreneurship environment, access to those possessing these skills may be “more important than money.”² Thus, even when there is funding for economic development or health programs in developing countries, the lack of professional law, finance, and management personnel to administer the programs may stymie their success. So too, in disadvantaged or struggling communities across the United States, the need for high quality professional services to guide economic development and other social programs can be acute. At the same time, the targets of economic development programs – local businesses and entrepreneurs – are as much in need of access to quality professional advice as the programs themselves. Likewise, technology transfer efforts to translate academic and non-profit research into commercializable goods or services relies heavily on guidance from professional services providers. Accordingly, three key areas of entrepreneurship – social, for-profit, and tech transfer – are reliant on access to quality professional services.

The skills within the professional services are constantly undergoing innovation as well. Thus there is a need for ongoing research and development of *methods* employed by these professional services. Complementing any focus on methods should be, of course, ongoing analysis of background laws, regulations, and factual data that provide a substantial part of the framework within which the professional methods will be applied. These methods and background framework conditions are relevant for use by professionals in guiding both translational activities aimed at creating applications of new ideas and execution of business models to actually deliver goods or services embodying these applications. Reflexively, this cycle of idea-application-execution equally applies to innovation in the professional services themselves. Therefore, any program or center that can serve as a hub for research and development of professional services can help ensure that professional service providers in the community are up to date on the latest methods and knowledge in their fields.

² Josh Ruxin, *Filling a Need Greater Than Money*, NY TIMES BLOG (September 7, 2007) (guest blogger on Nicholas Kristof’s blog) available at <http://kristof.blogs.nytimes.com/>.

The foregoing needs are driving a movement in the United States for clinics and research centers in professional schools within universities (e.g., law, business, engineering, and medical schools) that provide professional services and/or research activities for the fields of social, for-profit, and tech transfer entrepreneurship. While many kinds of professional methods and knowledge are appropriately included within the scope of these clinics and centers, the field of IPR (including procurement, management, and enforcement, as defined below) is certainly one of the cornerstone areas of competency. Because this Report has been prepared for the International Intellectual Property Institute (IPI)³ as part of its “How To” guide series, it limits its focus to IPR services and research in these clinics and centers.

This Report proceeds in three parts. The first sketches the rationale for facilitating entrepreneurship through IPR and entrepreneurship clinics as an engine of economic development that also furthers social justice. The second details the pioneering structure and services of the Entrepreneurial Law Clinic (ELC) at the University of Washington in Seattle that responds to many of the needs articulated above. The third then shows how the model of the ELC, combined with features of other clinics and centers planned or operational around the U.S., could be exported to developing countries or communities to enable locally controlled and beneficial entrepreneurship that promotes social justice in those communities.

PART I: FACILITATING ECONOMIC DEVELOPMENT THROUGH ENTREPRENEURSHIP AS A FORM OF SOCIAL JUSTICE

There are many ways to promote economic development in a region. Some rely on foreign corporations or sovereigns to control the extraction and processing of local natural resources. Others rely again on these foreign entities, but instead to direct the activities of local workers, artisans and/or professionals. All of these foreign controlled means of economic development risk creating, or perpetuating, economic colonialism, especially where the foreign controlling entity is from the developed North or West and the region being “developed” is in the undeveloped South or East. A categorically different set of means to pursue economic development is characterized by local or regional control of the means of production. This set includes models of control by government or public institutions as well as control by private sector firms or entrepreneurs. Local or regional control models can help keep the focus on accruing the benefits of economic development for the community’s benefit.

This Report is not a polemic against globalization or foreign investment, however. The debates over globalization and pros and cons of foreign investment are well beyond the scope of this project. Instead, a fundamental premise of this Report is simply that robust locally controlled entrepreneurship can be a vital hedge against the creation or perpetuation of economic colonialism. Ideally, a combination of foreign and local business structures could be encouraged to allow the community to benefit from the

³ [Http://www.iipi.org](http://www.iipi.org).

positive aspects of each. Indeed, in the developing world many social entrepreneurship programs are controlled or led by foreign organizations. Thus any simplistic view that local=good, foreign=bad is unhelpful.

Neither does this Report focus on the debates over whether strong or weak IPR regimes are better or worse for developing economies. Rather than wading into that ongoing controversy, this project seeks to help policy makers and relevant professionals understand how to create clinics and centers that can enable local entrepreneurs to maximize their ability to successfully negotiate the local IPR regime, whatever form it takes. Indeed, as will be demonstrated below, for entrepreneurs the contours of local *contract* and *basic property* law are arguably as critical as the contours of local IPR. Thus, IPR and entrepreneurship clinics and centers need to focus on the larger legal environment in which IPR rights can be created, owned, transferred, exploited, and enforced.



Healing Mandala © istockphoto / Slobo Mitic, 2007

As an illustration of the foregoing, an Indian researcher on a panel with me at a conference on *India and the New Global IPR Regime* at Mahatma Gandhi University in India argued passionately that Indian researchers should spend less time bemoaning “biopiracy” by Western pharmaceutical companies and more time on translational research with traditional Indian healing arts such that they – rather than Westerners – could own and control any IPR derived from the traditional practices. To put a finer point on it, entrepreneurship is best served when entrepreneurs clearly understand the legal and business environment that they will operate in and can thus see opportunities created by that environment. Strong IPR regimes may be more conducive to certain kinds of industries and entrepreneurship, while weak IPR regimes may be more conducive to other kinds.⁴

⁴ See, e.g., Petra Moser, *How Do Patent Laws Influence Innovation? Evidence from Nineteenth Century World's Fairs*, AM. ECON. REV. (September 2005).

The more important background questions for this Report, then, are: 1) whether promotion of entrepreneurship is indeed a useful economic development policy; and 2) if so, whether IPR clinics and centers can help promote entrepreneurship. Intertwined with these questions is the premise that locally controlled ventures can be a useful hedge against foreign economic colonialism.

The answer to the first question seems to be a resounding “yes.” The Center for Economic Development at Cleveland State University issued a study in 2002 evaluating various economic development programs across the U.S. over a fifteen year period.⁵ The most successful programs were those that focused on promoting entrepreneurship, primarily because they performed the best at creating and retaining jobs over the long term in the local community. By contrast, programs focusing primarily on job training had at best ephemeral short-term effects. The likely reason for this is that accessible jobs must exist in the community in the first place for job training programs to be effective. The entrepreneurship focused programs thus focused on the threshold issue – the availability of jobs – which could then allow secondary programs such as job or skills training sessions to have an impact. Further, by fostering local entrepreneurial ventures, the entrepreneurship programs were more likely to help create an employment environment in which jobs were local and accessible to community workers, rather than forcing them to chase jobs either already outside of the area, or that might “relocate” at the whims of a non-local employer. Underscoring the importance of the promotion of entrepreneurship as a primary focus of economic development, small businesses: 1) comprise the overwhelming majority of firms in the U.S. (97.5% of the 26 million firms in the U.S. have 20 employees or fewer); 2) create the vast majority of new jobs (60% - 80% of net new jobs in the 1995-2005 period); and 3) contribute half of the non-farm real gross domestic product.⁶

The answer to the second question is not directly answerable because of the paucity of IPR clinics and centers focused on entrepreneurship and economic development. As will be discussed further in Part II below, IPR clinics are relatively new overall, and many of the ones that do exist focus on litigation in the public interest rather than on counseling entrepreneurs. However, data does exist as to the benefits of microenterprise⁷ training programs. Microentrepreneurs who received training in business planning and management appear to have greater business creation, survival, and growth rates, as well as garner better increases in incomes, over their peers who receive no such training.⁸ The central theme of research on these microentrepreneurs is that they generally have a particular skill or craft that they could form a microenterprise around, but very little knowledge about even business management, much less other professional services such

⁵ Ziona Austrian and Jill Norton. *What Works in Economic Development Practice? An Evaluation of Strategies and Tools* (Cleveland State University: The Center for Economic Development, August 2002) available at http://urban.csuohio.edu/economicdevelopment/knight/what_works_final.pdf.

⁶ Small Business Agency, *The Small Business Economy For Data Year 2005* (December 2006) available at http://www.sba.gov/advo/research/sb_econ2006.pdf.

⁷ Generally defined as businesses with 5 or fewer employees.

⁸ See Elaine L. Edgcomb and Joyce A. Klein, *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States* 55-77 (FIELD, Aspen Institute 2005) available at <http://www.fieldus.org/Publications/FulfillingthePromise.pdf>.

as law or accounting. At the same time, because the target candidates for these programs are supposed to have low-income or be hampered by other significant disadvantages, microenterprise programs also focus on facilitating appropriate credit lines for these individuals. Accordingly, these twin pillars – basic business start-up training and access to legitimate credit sources – constitute the majority of microenterprise programs and services. As beneficial as it has been so far, researchers within the microenterprise service industry freely admit that the programs need to show both a much better ability to scale up their operations to serve more microentrepreneurs and expand their training to more sophisticated and more tailored business management topics.⁹

The microenterprise service industry is itself a kind of niche within the larger small business service industry. Because many small businesses are started by entrepreneurs with at least some financial means, however, these individuals are better able to access both financial services and business training programs. Indeed, American Express' "OPEN" program, for example, specifically targets small to medium size enterprises (SMEs).¹⁰ Nonetheless, it is instructive to note that the U.S. Small Business Administration (SBA)¹¹ was established by the Small Business Act of 1953 to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns,"¹² with no clear limitation on the income or wealth status of the small business owner. Like the niche microenterprise service industry, the SBA's two main missions have been to facilitate small business financing (both debt and equity) and provide business training and resources. The bulk of its training and resources mission is accomplished through its website, publications, regional offices, and support for the SCORE program¹³ that links experienced business executives with first time entrepreneurs. As part of its training and resources mission, the SBA has detailed sections of its website to acquaint small business owners with how to handle general legal matters¹⁴ as well as IPR issues.¹⁵ For that matter, the website for the U.S. Patent and Trademark Office (USPTO) has specific sections for individual inventors,¹⁶ who, presumably, will also be thinking about how to commercialize their inventions, as well as business owners and individuals who are aware of the possibility of using trademarks to protect their branding efforts,¹⁷ and even copyrights.¹⁸ Of course, the U.S. Copyright Office also has its own primer for authors who are interested in how copyright protection, but this is less focused on business owners.¹⁹

When one considers that IPR is a highly specialized practice area, yet touches *every* business in some form, then it becomes clear that access to quality IPR counselors is also

⁹ *Id* at 79-106.

¹⁰ <https://home.americanexpress.com/home/open.shtml>.

¹¹ <http://www.sba.gov>.

¹² 67 Stat. 232.

¹³ <http://www.score.org/>.

¹⁴ <http://www.sba.gov/smallbusinessplanner/manage/handlelegalconcerns/index.html>.

¹⁵ <http://www.sba.gov/smallbusinessplanner/start/protectyourideas/index.html>.

¹⁶ <http://www.uspto.gov/web/offices/com/iip/index.htm>.

¹⁷ <http://www.uspto.gov/web/trademarks/workflow/start.htm>.

¹⁸ <http://www.uspto.gov/main/profiles/copyright.htm>.

¹⁹ <http://www.copyright.gov/circs/circ1.html>.

an access to justice issue. As large corporations and wealthy individuals increasingly command the exclusive attention of marquee law firms – primarily because they are the only ones who can afford to pay the firms’ billable hour rates²⁰ – there has been a countervailing “access to justice” movement that seeks to ensure that people of low or even average means can also access affordable, quality legal representation.²¹ The more dramatic aspects of the access to justice issue involve criminal proceedings where defendants are charged with capital crimes and may face the death penalty, yet cannot afford counsel. Of course, in the U.S. those sorts of defendants may be assigned a court appointed lawyer based on the constitutional right to counsel in such circumstances. While legitimate questions arise about the quality and/or commitment of counsel in this situation, there is at least some legal counsel available to the defendant. Clearly, more can be done – without of course impugning the reputations or work of the countless number of public defenders and court appointed counsel who have given exemplary representation to their indigent clients. Thus, because of the high profile nature of what is at stake, a number of organizations have been created specifically to help indigent criminal defendants (and even convicts who want to appeal their cases).²²

Yet, it would be a mistake to think that access to justice begins and ends with these most dramatic cases. Instead, low income or traditionally underrepresented individuals also need to be able to bring civil lawsuits to protect their rights and redress harms caused them. This is especially true where their adversaries are large corporations with deep pockets who can spend enormous amount on legal fees to pursue every possible avenue to stymie the would-be plaintiff’s quest for justice. Accordingly, both public advocacy groups and legal *pro bono* public service obligations seek to give a voice to these underrepresented individuals by giving low or no-cost representation to them. Some of the most high profile public advocacy groups in this regard are environmental law²³ and privacy law based.²⁴ On a broader base, attorney licensing boards and professional groups have long recognized a need for, and an obligation on, attorneys to represent not only those clients who can afford their legal fees, but also those who cannot.²⁵ In a

²⁰ When even Wal-Mart begins balking at law firm billable hour rates, then it is clear that ordinary people have no chance of affording those kinds of fees. See Debra Cassess Weiss, *Wal-Mart Refuses Law Firm Fee Hikes, Cites High Associate Salaries*, ABA JOURNAL (November 5, 2007) available at http://www.abajournal.com/news/wal_mart_refuses_law_firm_fee_hikes_cites_high_associate_salaries/.

²¹ See, e.g., Washington State Access to Justice Board available at <http://www.wsba.org/atj/>; Brennan Center for Justice (at NYU School of Law), *Access to Justice*, available at http://www.brennancenter.org/subpage.asp?key=40&proj_key=135; American Constitution Society for Law and Policy, *Access to Justice*, available at <http://www.acslaw.org/c21/accesstojustice>; ACJNet Canada, Access to Justice Network, available at <http://www.acjnet.org/nahome/default.aspx>; Access to Justice Alliance (U.K.), A Right to Justice, available at <http://www.accesstojusticealliance.org.uk/index.htm>.

²² See, e.g., The Innocence Project, Innocence Project, available at <http://www.innocenceproject.org/>; IPNW, Innocence Project Northwest, available at <http://www.law.washington.edu/ipnw/>.

²³ See, e.g., NRDC, National Resources Defense Council, available at <http://www.nrdc.org/>; EDC, Environmental Defense – Finding the Ways that Work, available at <http://www.edf.org/home.cfm>; Earthjustice, Earthjustice Legal Defense Fund, available at <http://www.earthjustice.org/>.

²⁴ See, e.g., EPIC, Electronic Privacy Information Center, available at <http://www.epic.org/>; EFF, Electronic Frontier Foundation, available at <http://www.eff.org/>.

²⁵ See, e.g., American Bar Association, Standing Committee on Pro Bono & Public Service and Center for Pro Bono, available at <http://www.abanet.org/legalservices/probono/committeefinfo.html#cpbinfo>;

professional world of higher and higher billable hour requirements and their resultant time crisis, though, many attorneys find that adding *pro bono* work on top of an already impossible life-work balance can be the last straw that breaks the camel's back. The upshot is that *pro bono* opportunities or matters that are not manageable and closely tailored to an attorney's area of expertise may well fall by the wayside.

Accordingly, specialized non-profit organizations have been created to assist lawyers find relevant projects when their practice areas fall outside of those used in the traditional high profile *pro bono* cases. For example, both Volunteer Lawyers for the Arts in New York City and Washington Lawyers for the Arts in Seattle seek to match up attorneys with experience in art law and other legal areas affecting artists with artists who are not able to afford such specialized services.²⁶ Both of these organizations also add the critical dimension of *counseling* and *transactional* legal services that often are absent in the classic perception of *pro bono* legal services. Thus, the current landscape of *pro bono* activities in the U.S. is hardly limited to representation of indigent suspects or convicts on their way to, or already on, death row. In a related twist, non-profit organizations themselves are increasingly the recipient of *pro bono* legal services. This niche then raises the question of whose income is assessed when determining whether the prospective client is deserving of *pro bono* services. Any number of individuals who work at, manage, or direct a non-profit may have decent middle class, or even upper class, incomes or assets. However, such *personal* incomes or assets do not necessarily accrue to the non-profit – unless the individual is exceedingly generous and has agreed to bankroll the non-profit. In fact, the individual may already be generously donating time or money (even perhaps measured as accepting a salary below her fair market value), and yet the organization is still under funded and, relatively speaking, poor. That non-profit is very much deserving of *pro bono* services, as it cannot afford necessary legal services. Even relatively better off non-profits may be deemed deserving of *pro bono* legal services to the extent that they are engaged in charitable works and each dollar spent on legal services would be a dollar less that could be spent on those good works. Thus, only the most well-funded non-profits – essentially ones with substantial endowments such as corporate or private foundations,²⁷ or those with substantial positive or excess revenue flows²⁸ – should be seen as falling outside the scope of *pro bono* eligibility.

Of course, to say that an individual or organization falls outside of *pro bono* eligibility does not mean that a lawyer or firm cannot choose to provide reduced fee or even free legal services to that person/organization. For example, lawyers and their firms routinely engage in alternative fee arrangements for purposes of client development. Thus, determining whether something falls within the scope of *pro bono* eligibility really only

Washington State Bar Association, Rule 6.1: *Pro Bono Publico Service*, available at http://www.wsba.org/lawyers/groups/ethics2003/6.1_comment.htm; State Bar of California, *Pro Bono Resolution*, available at <http://calbar.ca.gov/calbar/pdfs/accessjustice/2003-Pro-Bono-Res.pdf>; New York State Unified Court System, *Pro Bono Resolution of the Administrative Board of the Courts*, available at <http://www.courts.state.ny.us/attorneys/probono/Resolution.shtml>.

²⁶ Volunteer Lawyers for the Arts, available at <http://www.vlany.org/>; Washington Lawyers for the Arts, available at <http://www.wa-artlaw.org/>.

²⁷ E.g., The Bill and Melinda Gates Foundation, available at <http://www.gatesfoundation.org/default.htm>.

²⁸ E.g., Educational Testing Service (ETS), available at <http://www.ets.org>.

matters for purposes of the lawyer or firm: 1) determining whether they meet their professional obligations as attorneys; 2) signaling to outside constituents that they are in compliance with these obligations; or 3) exemplifying their commitment to be good citizens of their community.²⁹ As a purely personal or internal matter, lawyers and firms can thus simply decide how to allocate their time and resources and satisfy themselves whether they are living up to professional and personal ethical obligations, regardless of what they label the hours they spend on each matter. While only a few state attorney licensing authorities require mandatory reporting of *pro bono* hours, there are voluntary programs that lawyers or their firms can enroll in to formally demonstrate their commitment to *pro bono*. Probably the most well known in the U.S. is the Pro Bono Institute's Law Firm Pro Bono Challenge.³⁰ This project is limited to firms of 50 or more lawyers, although it also now has a companion project, the Corporate Pro Bono Challenge, which would apply to in-house corporate counsel.³¹



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To the extent that a lawyer or firm does want to count hours of legal services to an organization for which no compensation is sought as *pro bono* in accordance with a formal definition,³² the test then is not a categorical one based on the for-profit or non-

²⁹ No state attorney licensing authority in the U.S. currently provides for any disciplinary actions against any attorneys who fail to meet the *pro bono* requirements set out by that licensing authority. See ABA, State-By-State Pro Bono Service Rules, available at <http://www.abanet.org/legalservices/probono/stateethicsrules.html>. At the same time, some states have mandatory *pro bono* reporting requirements. See ABA, Overview of State Pro Bono Reporting Policies, available at <http://www.abanet.org/legalservices/probono/reporting.html>.

³⁰ Pro Bono Institute, Law Firm Pro Bono Challenge, available at <http://www.probonoinst.org/challenge.php>. The Challenge is sometimes incorrectly referred to as the “ABA Law Firm Pro Bono Challenge” because the project was initially housed at the ABA. See Pro Bono Institute, *Clarifying the Law Firm Pro Bono Challenge*, THE PRO BONO WIRE (April 2007) available at <http://www.probonoinst.org/wire/eap074.pdf>.

³¹ Corporate Pro Bono, The Corporate Pro Bono Challenge, available at <http://www.cpbo.org/challenge/>.

³² There is some debate as to whether attorneys fees awarded in court actions can be accepted by the attorneys who want to count their hours on the matter as *pro bono*. Less controversially, attorneys working on a *pro bono* basis should be able to require reimbursement for legitimate out-of-pocket costs such as court filing fees.

profit status of the organization, but rather whether individuals of “limited means” are assisted by the legal services and/or whether important civil or human rights are advanced by the work. This is in large part a reflection of the blurring of the line between for-profit and non-profit companies, particularly in the new age of “social entrepreneurship.” For example, large well-endowed private foundations or high revenue non-profit organizations are likely far more able to afford high quality legal representation than a low income individual in a disadvantaged community who is trying to set up a small for-profit business to escape poverty, dead end minimum wage jobs, or, in many cases, no viable legal job opportunities at all. At the same time, legal services provided to reasonably well-funded non-profits may still count as *pro bono* if the primary purpose of the non-profit is charitable (such as religious, educational) and targets low income individuals as the main beneficiaries of its activities.

So far, then, this Part has considered evidence that: i) low or no cost legal services to entrepreneurs and non-profits that serve them might demonstrably assist in broad based economic development; and ii) such services may simply be part of what is required to fulfill society’s, and the legal profession’s, obligations to provide meaningful access to justice across a broad spectrum of needs. The third piece of the puzzle supporting a call for IPR & entrepreneurship counseling and transactional clinics is the continued emphasis on leveraging a region’s research institutions as an engine for desirable high tech economic development. At one level, research institutions such as universities are part of economic development strategies simply because they can be extremely large organizations, employing thousands of staff and faculty in relatively high paying jobs. In some metropolitan areas, research universities can be the largest employer, effectively supporting the community directly through jobs and then indirectly through service and support businesses clustered around the campus.

Because universities as a general rule do not have the same geographic flexibility as corporations, regional anchor universities also add value by the predictability of their presence in the future. Without diminishing this more obvious aspect of the economic value of a major research university to a region, however, current thinking about economic development increasingly focuses on these anchor institutions as progenitors of local high tech spin offs which will further increase the number of good, high paying jobs in the region.³³ Given the forward looking nature of university research, it is reasonable to expect that these spin offs will also tend to fall into the category of nascent industries with a full technology curve ahead of them, rather than the category of follow on companies chasing a mature industry down the tail end of the technology curve. With luck, one or more of these spin offs will actually kick off a brand new billion dollar industry, and perhaps even lead to a (or “the”) technology cluster for that industry in the region.

³³ See, e.g., State Science and Technology Institute, “A Resource Guide for Technology-based Economic Development” (U.S. Dept. of Commerce, Econ. Dev. Admin., 2006); University of California Berkeley, “Serving California, the Bay Area, and the Community: The Economic Impact & Social Benefits of the University of California, Berkeley” available at <http://www.berkeley.edu/econimpact/2005-2006-econimpact-report.pdf> (2006); Paytas *et al*, “Universities and the Development of Industry Clusters” (U.S. Dept. of Commerce, Econ. Dev. Admin., 2004).

Clearly, this vision is modeled off the development of high tech clusters in first the Route 128 beltway around Boston, and later in Silicon Valley.³⁴ Both regions have multiple superstar research universities, active wealth chasing high return investments, and a well educated population that is attractive to both outside employers and prospective workers considering relocating from their current home towns. While both of these regions were already well established as research and technology commercialization hubs, the spark that kicked both of them into overdrive was arguably the Bayh-Dole Act of 1980.³⁵ By giving research universities who performed research on behalf of the federal government the right to elect to take title to any patents that arose from the research, Congress hoped to incentivize the commercialization of underutilized federally funded research. Before Bayh-Dole, federal agencies could have widely differing policies as to whether, and under what circumstances, funding recipients – or “contractors” in federal funding parlance – could keep any patentable inventions the latter developed during the funded research. Generally this resulted in the federal agencies keeping title to the inventions.

However, because these agencies were not closely connected with industry or entrepreneurs they were not well situated to transfer the technology to the private sector for development into commercial products or services. Granted, some of these inventions could be used directly by the public – say, new farming methods that required minimal new specialized equipment beyond what the farmer could produce for himself or through local vendors. For these inventions, ownership by the government and the provision of a non-exclusive, royalty free license to the public could be a perfectly acceptable way to get the fruits of federally funded research out to the public. Many other federally funded inventions, however, required intermediary commercial entities – either to engage in further research and development (R&D) to translate early stage research inventions into a form that might actually be usable in a saleable good or service, or to manufacture complicated, specialized parts and assembly of a finished good like a microwave oven. By the late 1970s, the federal agencies had shown little ability or inclination to transfer these latter kinds of inventions to commercial entities that could translate them into saleable goods or services. Accordingly, the inventions languished and were of no practical use to anyone, at any cost.³⁶

Bayh-Dole has admittedly been controversial. Because it imposes a one-size-fits-all rule that contractors – not just universities, but *any* individual, small business or non-profit who receives federal research funds³⁷ – always have the right to take title to an invention regardless of its nature, critics have alleged that public goods are being improperly transferred to the private sector for its financial gain. On the other hand, it appears to have performed admirably in its primary function as a high tech economic development

³⁴ See, e.g., ANNALEE SAXENIAN, REGIONAL ADVANTAGE: CULTURE AND COMPETITION IN SILICON VALLEY AND ROUTE 128 (Harvard Univ. Press, 1994).

³⁵ Pub. L. No. 96-517, 94 Stat. 3015, 3019-27 (1980) (codified at 35 U.S.C. §§ 200-211).

³⁶ See, e.g., National Institutes of Health, Hearings on Petition to Exercise March-In Rights (Testimony of Senator Birch Bayh, May 25, 2004) *available at* <http://www.ott.nih.gov/policy/meeting/Senator-Birch-Bayh.pdf>.

³⁷ 35 U.S.C. § 201(c).

tool that speeds basic science research through applied or translational research stages and out to the private sector to be commercialized and made available to the public in useful new goods or services.³⁸ Now that Bayh-Dole has proved itself as a mechanism for facilitating tech transfer, the question remains as to which private sector entities should receive the licenses.

Bayh-Dole requires non-profit contractors to give preference to small businesses when considering to whom they should grant a license.³⁹ But this is only a preference. If it were instead a requirement, that might defeat the tech transfer purpose of the Act as there can be many times when there is no viable small business that is willing to take a license to a given patent or technology. Thus, the ability of federally funded research institutions to act fully on this preference requirement is directly linked to the existence of viable small businesses that can commercialize the patented inventions. The consequence of a failure to commercialize the inventions in a timely manner is that the federal government funding agency can exercise march-in rights that allow it to grant a license to other commercializing entities.⁴⁰ While on one level, this penalty does not seem to be so onerous on the research institution, it in fact means that whatever negotiated deal – in terms of payments such as royalties – was reached with the licensee is now significantly disrupted.

Further, Bayh-Dole allows federal funding agencies to require contractors to file annual utilization reports attesting to how the invention is being timely commercialized.⁴¹ This provides a mechanism to help funding agencies keep track of commercialization efforts by research funding recipients. Where small businesses received the federal research funding directly as contractors, then they simply need to make sure that they themselves commercialize any patentable inventions that arise from the funding in a timely fashion – external licensing is not required. Thus the tech transfer licensing aspect of Bayh-Dole is primarily directed at non-profit contractors such as universities who are generally not in a position to directly commercialize inventions. Rather, they must engage an outside licensee to do so.⁴² Accordingly, regional anchor universities that receive federal funding as contractors need access to a plethora of small businesses who are both willing and able to commercialize federally funded inventions in a timely fashion. Because many regions lack sufficient numbers and kinds of such small businesses, universities are increasingly

³⁸ See, e.g., *Innovation's Golden Goose*, THE ECONOMIST (December 12, 2002).

³⁹ 35 U.S.C. § 202(c)(7)(d). The Act only covers situations where federal agencies fund research by individuals, small businesses, or non-profit research institutions – deemed “contractors.” 35 U.S.C. § 201(c). Nonetheless, the rules of Bayh-Dole are currently also applied to federal funding of other entities – such as big businesses – because President Reagan issued an Executive Order directing all agency heads to adopt the rules of Bayh-Dole as the patent policy for all extramural funding scenarios. See Memorandum to the Heads of Executive Departments and Agencies: Government Patent Policy, PUB. PAPERS 248 (Feb. 18, 1983). While this means that any subsequent president could rescind this Order, and institute a different patent ownership and use policy for extramural research funding situations outside of those covered by Bayh-Dole, no president has chosen to do so to date.

⁴⁰ 35 U.S.C. § 203.

⁴¹ 35 U.S.C. § 202(c)(5). Many federal funding agencies encourage or even require their funding recipients to use the iEdison online system for filing utilization reports. See “Welcome to iEdison” (National Institutes of Health) available at <https://s-edison.info.nih.gov/iEdison/>.

⁴² See 35 U.S.C. § 202(c)(7).

seeking to play a role in launching spin-off companies based around their patented inventions.

Thus, in essence, regions who wish to develop high tech clusters for economic development need to think about encouraging at least three categories of start-up tech companies. First, start-ups who can obtain funding – public and/or private – and invent new technologies themselves. Second, start-ups that are willing and able to enter into tech transfer license deals with their regional anchor universities to commercialize the latter’s inventions and innovations. And third, spin-offs that are created or coordinated by existing regional businesses or anchor universities. However, all three of these types of start-ups can face significant hurdles to survival and success.

In particular, the literature on technology commercialization has defined a gap or trough between the successful proof of concept stage of innovation and the successful commercialization of that innovation as the “Valley of Death.”⁴³ Many great ideas and start-up companies perish here for lack of funding. Generally, whatever seed funding was used to create the innovation and bring it to proof of concept stage will be insufficient to fund the expensive commercialization R&D necessary to scale up a manufacturing process and/or get through regulatory approval processes to enable the company to sell products in the marketplace. In the commercialization schema set out in this Report, the “Valley of Death” occurs generally between the translational stage (in which a raw idea or pure principle is applied to solve a specific problem) and the delivery stage (in which the specific solution is transformed into a cost effective product or service that end users can afford to purchase and use to mitigate the underlying problem as it applies directly to them). While various federal and state economic development or technology entrepreneurship programs seek to assist start-ups on the path to commercialization, they have not yet significantly reduced the “Valley of Death” issue.⁴⁴

As a bluntly *practical* matter, ideas and companies that fail to deliver useable solutions to end users are a failure. Of course, pure scientific principles or academic/philosophical ideas have a separate and valuable merit all to themselves. The point here is simply that if one’s objective is to deliver solutions to practical problems, then a failure to deliver products or services that allow users to solve those problems is a failure of the venture. Thus, one of the classic challenges for professionals who assist in commercialization of ideas is to help idea creators distinguish between “cool science” and commercializable, practically oriented ideas. Neither one is necessarily “better,” but they are quite different in what can or should be done with them.

⁴³ See, e.g., Nuala Moran, *Public sector seeks to bridge ‘valley of death’*, 25 NATURE BIOTECHNOLOGY 266 (March 2007); NATIONAL RESEARCH COUNCIL, COMM. ON ACCELERATING TECHNOLOGY TRANSITION, ACCELERATING TECHNOLOGY TRANSITION: BRIDGING THE VALLEY OF DEATH FOR MATERIALS AND PROCESSES IN DEFENSE SYSTEMS (National Academy of Sciences, 2004).

⁴⁴ See, e.g., U.S. Senate Comm. on Small Bus. & Entrepreneurship, Senator Kerry Opening Statement at SBIR Program Roundtable (Part II) (October 18, 2007) *available at* <http://sbc.senate.gov/record.cfm?id=285650>. More information on the federal Small Business Innovation Research (SBIR) Program can be found at <http://www.sba.gov/aboutsba/sbaprograms/sbir/index.html>. Information about the companion Small Business Technology Transfer (STTR) Program can be found at the same webpage.

A consequence of the “Valley of Death” is that entrepreneurial start-ups who seek to pass through it can ill-afford to pay crucial professional service providers like lawyers to help guide them through it. The firms often are struggling just to make payroll. Lawyers and accountants can seem like a luxury. At the same time, because these firms are focusing on cutting edge technology and new markets, they really need access to top lawyers specializing in areas such as IPR, tax, and business law, rather than general practice solo business attorneys. This is all the more so because most high tech start-ups seek to follow a fast growth model that will propel them from organization to initial public offering (IPO) in a matter of years, not decades. The choice of a fast growth business model is not based solely on the founder’s desire for wealth accumulation, but also the realities of what it takes to launch new global products and markets. As opposed to a local “mom and pop” pizzeria or dry cleaner that can operate successfully and profitably as a one shop operation, many new technologies need to rely on network effects⁴⁵ and/or the build-out of currently non-existent infrastructure for the venture to succeed at all. But this underscores their need for access to sophisticated, specialized counsel who can set them on the right path not just for formation of the venture and preliminary work, but also for advanced business planning that will likely include venture capital/private equity financing, an IPO, IPR procurement and management, and complicated tax issues. The problem is that attorneys and other professional consultants with these sorts of expertise also charge some of the highest billable hour rates of any professionals. For example, star attorneys at major firms in the U.S. and U.K. now charge up to \$1,000 per hour.⁴⁶ Yet even a more “modest” billable hour rate of \$400-\$600 per hour can quickly tap out a start-up company’s legal services budget.



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⁴⁵ The term “network effects” captures the challenges of new technologies such as the telephone, television, or Internet that relied on an ability for the service provider to enroll or register many users right at the outset to sell the services at all. What is the value of this new thing called a telephone if no one else has one – or at least no one I’d care to talk to (to paraphrase a famous quote about the early phone system).

⁴⁶ Nathan Koppel, *Lawyers Gear Up Grand New Fees*, WALL ST. J. (August 22, 2007 at B1).

Some law firms that specialize in representing entrepreneurial start-ups attempt to address this problem in a few basic ways. One option is simply discounting fees or even entirely writing off hours spent with entrepreneurs as “client development.” However, law firms cannot afford to do this with every entrepreneur who approaches them, and so they may limit their representation to serial entrepreneurs with proven track records or at least strong reputations as scientists, etc. Another option is for law firms to use deferred compensation structures in which the attorneys keep track of their hours, but no payment due bill is sent to the client until or unless an upcoming round of financing closes (private or public). In these cases, the clients need to be advised that they must build in these deferred payment fees to the amount of financing they are seeking for regular operational purposes. Another form of deferred compensation is for law firms to take some or all of their payment in equity of the client. This raises potential conflict issues in that the law firm may be more interested in taking the start-up public sooner than might otherwise be advisable in order to turn relatively illiquid restricted stock or options into tradable shares in public capital markets. On the other hand, it otherwise aligns the law firm’s interests with those of its client in a way that the billable hour compensation scheme does not. With billable hours, the tendency is to bill as much as possible, which increases the costs for the start-up independent of the outcome. Further, law firms that take equity in lieu of some or all of their compensation may not be doing anything categorically different from plaintiff law firms who work on a contingent fee basis, in which the firm only gets paid if it wins or settles the suit.⁴⁷

In the end, many entrepreneurs either choose to forego legal services or are not able to secure representation in a way they can afford. They also often do not know how to manage their relationship with a lawyer even if they are willing or able to try to find one. In particular, from my experience with clients in both the ELC and with faculty, staff and students with work experience in entrepreneurship programs at various universities, first time entrepreneurs usually have not been told the difference between general and specific legal representation arrangements. In the former, the attorney is supposed to be looking out for all of the venture’s legal issues, much as an in-house general counsel would. However, most law firms try to shy away from general representation. In part, this may be because without being in house at the client it can be hard for the lawyers to be privy to enough ongoing discussions among the client’s management to know when legal issues may be arising. This is especially true if the client is a cash-strapped start-up on a billable hour compensation plan that wants to keep costs down. They will be reluctant to contact the attorneys unless things seem really dire. Yet, without enough timely information from the client, things may turn out poorly in the legal matter at hand and the client may then seek to sue the firm for malpractice. In the latter case of specific or limited representation, the external attorney avoids these problems by carefully restricting the scope of the engagement to a specific question asked by the client or at least to the attorney’s specialty area (e.g., IPR).

⁴⁷ The similarities extend to the potential for conflicts as well. A plaintiff’s firms working on contingency may be tempted to settle early and move on to the next case, even though the timing or amount of the settlement might not be in the true interests of the client.

Whether based on the foregoing, or some other reasons, lawyers or firms who take on start-up clients for specific or limited representations may not always realize that the client does not fully understand this – even if it is spelled out in “legalese” in the client engagement letter. I have personal experience with entrepreneurs who were shocked to discover that the lawyers they had engaged had no obligation to spot and address legal issues outside of the narrow ones identified in a specific representation engagement letter. None of this is meant to discredit or discourage specific representation arrangements. They can be quite useful, especially when a company engages multiple firms for legal services and/or uses highly specialized counsel such as patent attorneys who may simply not have expertise to advise competently on legal issues outside of their specialty. Rather the point is that entrepreneurs need to be educated on this and other issues in managing outside professional service provider relationships.

Regions that wish to capitalize fully on the economic development potential of their local tech entrepreneurs and anchor research universities need to find ways to help entrepreneurs traverse the Valley of Death. This can include direct investments through grants, subsidized or guaranteed loans, and tax breaks, as well as indirect investments through business and professional services support. As in the microenterprise context, this Report is not concerned with direct financial investments or support of entrepreneurs. Instead, it focuses on detailing strategies for low cost clinical programs that can assist a larger number and wider array of entrepreneurs – for-profit, non-profit, and social – such that these clients are not forced to forego quality legal services appropriate to their business vision. Some entrepreneurs will only need a helping hand to cross the Valley of Death and then they can attract sufficient investment or law firms willing to structure alternative compensation plans to take them the rest of the way on their journey. Other entrepreneurs, particularly low-income microentrepreneurs who are not engaged in fast growth tech companies – and thus do not represent the kind of financial “home run” that drives law firms to structure alternate compensation plans – may need a longer period of nurturing to get them to the point of viability. Non-profit ventures may take even longer to get to the point of financial stability that allows them to afford counsel without seriously detracting from their ability to deliver their core charitable services.

In sum, there is a clear need for IPR and entrepreneurship clinics and research centers that can foster economic development through entrepreneurship. Further, by focusing on a wide range of entrepreneurial activities, these clinics and centers can further both access to justice and social justice by giving equal opportunity to local, first time entrepreneurs of limited means. They can also help support local non-profits by giving them quality legal services that they could not otherwise afford. This allows the non-profit to focus more of its limited resources on actually delivering the services in its mission as well as to minimize the legal risk that many cash strapped non-profits subject themselves to by foregoing adequate legal counsel. Helping both of these sorts of ventures – low income microenterprise and non-profits that serve disadvantaged or underserved communities – also helps strengthen the community by increasing incomes and reducing hardships that tear down already distressed communities. At the same time, allowing these clinics and centers to serve moderate income high tech entrepreneurs – especially those who will help commercialize locally the research emanating from the region’s anchor universities

– can prepare and develop the next higher tier of high paying, skilled jobs that most regions actively seek. With each region trying to be the next Silicon Valley style technology cluster, any help that the region’s entrepreneurs can get to develop a cluster will be meaningful to the success of the region in an increasingly “flat” global economy.⁴⁸ Finally, a region that has a robust local entrepreneurial community can better create a sustainable economy with reasonably high paying jobs and growth that is not subject to the vicissitudes of foreign owners.

PART II: PIONEERING STRUCTURE AND IPR SERVICES OF THE UNIVERSITY OF WASHINGTON ENTREPRENEURIAL LAW CLINIC (ELC)

Part I of this Report outlined the three major kinds of ventures that IPR and entrepreneurship clinical centers could assist: 1) low-income or disadvantaged micro-enterprises; 2) social entrepreneurship non-profits; and 3) high tech start-ups approaching the “Valley of Death” with inadequate resources. This Part focuses on structures and services of these kinds of clinical centers that can cost-effectively support these three kinds of ventures. In particular, the Report focuses on the Entrepreneurial Law Clinic (ELC) at the University of Washington in Seattle (UW), as it appears to be the first and only one to currently deliver on all three of these missions. There are a number of other IPR, small business, or entrepreneurship clinics around the United States that deliver on some of these missions. Accordingly, the Report will also summarize structures and services of these other clinics in the Appendix. This Part is further subdivided into four sections, the first relates the background, creation, and structure of the ELC, while the other three describe the IPR services the ELC provides for entrepreneurs in the three different entrepreneurship types.

A. Vision, Implementation, Structure, and Core Service of ELC

The ELC operates by forming teams of law and MBA students. Each team generally consists of three law students and one or two MBA students. The pedagogical operating principle of the ELC and unique structure of the teams is that students should begin learning how to work in multi-disciplinary teams that model the environment in which many professional service providers operate when serving business clients. Thus, each ELC team has an IPR law student, corporate/securities/commercial law student, and tax law student. Additionally, each team currently has at least one MBA student to provide general business planning and management advice.⁴⁹ In this way, each ELC team models a collection of specialized lawyers/firms and business consulting individuals/firms working collaboratively to serve an entrepreneur. At the same time, the law students are directed to think of themselves as if they were lawyers in a single firm that includes all of

⁴⁸ See generally, THOMAS FRIEDMAN, *THE WORLD IS FLAT: A BRIEF HISTORY OF THE TWENTY-FIRST CENTURY* (Farrar, Straus & Giroux, 2005).

⁴⁹ One goal is to expand the number of MBA students on each team such that the core business administration specialties related to entrepreneurial ventures, such as accounting, marketing, business planning, etc. are adequately represented.

the law students participating in the ELC at a given time.⁵⁰ The intent is for students to experience not only how professional service providers collaborate across firms/practices to serve a single client, but also how general practice law firms coordinate the activities of specialized lawyers within the firm to serve a single client. To that end, in virtually all cases, one law student and supervisor on the team take the lead on the client relationship, mimicking the “engagement partner” and/or “billing partner” type functions at law firms.

Early on in the formation plans for the ELC, the question of student supervision naturally arose. Under Washington State Bar Association rules, student may provide legal services to clients so long as they are supervised by an attorney licensed in Washington State who is then ultimately responsible for such legal advice. This is generally true in other states in the U.S. as well. Other UW law clinics follow the standard U.S. law clinic model of having a full time director whose primary job is to direct the clinic and supervise the students. This is an admirable model as it provides for close, on-site supervision of the student by a faculty member equally versed in practice skills and legal academic pedagogy. However, it also means that the size of clinic is limited to the number of clients and students that the director can take on as a matter of essentially her own case load. It also generally requires that the director be licensed to practice law in the state in which the clinic operates, although some states may allow directors who are licensed to practice law elsewhere to be admitted to practice in the state for the limited purpose of providing legal services and supervising students in the clinic.⁵¹ Additionally, yet beyond the scope of this Report, there has been a tradition of clinic directors having a different status than other full time members of the law school faculty. Unfortunately, this has often in practice created a two tier faculty in which the “doctrinal” faculty members – those whose primary mission is teaching substantive classes and engaging in scholarship – being eligible for tenure and/or other full voting rights, while “clinical” faculty often are not eligible of tenure and/or do not enjoy the full voting rights of doctrinal faculty.

In the case of the ELC, there were no funds initially to hire a full time director, yet the project needed to move forward. This required creative, entrepreneurial thinking, and the decision was made to run a test pilot of the project in 2005 using local law practitioners who volunteered to supervise the students for free.⁵² This proof-of-concept was completed at almost no cost, other than use of some classrooms, email, and printers at UW. I created the vision for the ELC and implemented it on my own time over and

⁵⁰ Indeed the Clinical Law Program at the University of Washington has structured itself as one law firm for purposes of all clinics housed in the Law School building (William H. Gates Hall). However, because ELC is located off site, it is not officially part of the “single firm” comprised of the on site clinics.

⁵¹ This is separate from any other processes by which the prospective clinic director might be fully admitted to practice in the state, e.g., by passing the regular bar exam for that state or waiving in under a reciprocity agreement with the lawyer’s existing state of bar admission.

⁵² At the outset of the ELC’s formation, I was admitted to practice in New York and Massachusetts, but not Washington State. To many lay persons’ surprise, there is no requirement that doctrinal faculty at law schools in the U.S. be admitted to practice – either in the state in which the law school is located, or anywhere else for that matter. At the same time, most top tier law schools recruit nationally for doctrinal faculty. Accordingly, many faculty at so-called national law schools, such as myself, wind up at a law school in a state other than where they practiced law (if at all) or went to law school. Thus, in part, the decision to use local practitioners to supervise the ELC students was based on my desire to begin the clinic before I was admitted to practice in Washington State in 2007.

above a full load of teaching and research as a tenure-track member of the doctrinal faculty at UW School of Law. Following the successful conclusion of the pilot, I recruited Katie Meyer – a graduating law student with strong interests in entrepreneurship, economic development, and public interest service – to help raise funds and coordinate the ramp-up to a full version of the clinic, in exchange for a staff position if funding was secured to pay her salary and allow the ELC to move forward. Primarily through Katie’s tireless efforts, seed grant funding for the first two to three years of operation was obtained from the Herbert B. Jones Foundation,⁵³ the Coleman Foundation,⁵⁴ and the Washington Law School Foundation in 2006. Because no rooms or offices were available in the Clinical Law Program space at the Law School building, we obtained a generous in-kind donation of office space and basic administrative support functions from the Washington Research Foundation.⁵⁵ With funding and space in hand, we formally launched the ELC in September 2006 with me as Faculty Director and Katie as Program Director.

Based on a number of considerations, the ELC has continued, and even expanded, its use of local practitioners to supervise student teams. First, because there were insufficient funds to hire a full time, experienced director of the clinic, I would have had to supervise all the law students. This would severely limit the number of students who could enroll, as well as the number of clients that could be served, because my primary role at the UW is that of a doctrinal teaching and research faculty member. Further, the use of local practitioners means that the ELC can potentially scale far beyond the size of standard law clinics that rely on a single director to supervise the students and serve the clients. At the same time, some might caution that the reliance on non-faculty supervisors can compromise the educational experience of the students. This model of using outside practitioners makes the ELC a hybrid of the traditional law school clinic and externship opportunities – dubbed a “clin-ship” by the former Director of the UW Clinical Law Program, Alan Kirtley. With these cautions in mind, we have still determined that the benefits of the model far outweigh the risks.

A second benefit of the “clin-ship” model is that it exposes the students to a wider array of skills perspectives and experiences than would be available in a single director model. Further, because the ELC taps attorneys from a range of practice types and sizes in the Seattle area, students have the opportunity to see how attorneys in solo practices or small firms approach clients and issues in contrast to how attorneys at big general practice firms might approach similar clients and issues. Likewise, students can compare the perspectives of lawyers in large boutique firms specializing in IPR with perspectives of IPR lawyers in large general practice firms. Additionally, the students highly value the extra opportunities to network with attorneys at firms in which the student may wish to work some day. Thus, the clin-ship model augments the summer associate experience by giving the students a wider range of contacts and insights into different kinds of practices than can be afforded by one or two firms they can experience through summer positions.

⁵³ <http://www.hbjfoundation.com/home.html>.

⁵⁴ <http://www.colemanfoundation.org/>.

⁵⁵ <http://www.wrfseattle.org/>.

A third benefit of the clin-ship model is that it reconnects the law school with the practicing bar, including with the law school's own alumni. The legal academy and the practicing bench and bar seem to have drifted dangerously apart, with judges decrying the irrelevance of law professors' scholarship.⁵⁶ The involvement in the ELC of a large number of lawyers practicing in the areas of law relevant to entrepreneurs can help provide a continual, fresh influx of information about important developments in the practicing bench and bar.

A fourth benefit of the model is that clients can learn how to work with attorneys without the billable hour clock running and with the security of being in a moderated academic environment in which faculty can intervene if things get off track. Further, because the ELC primarily provides only an initial top to bottom analysis of legal and business issues for the entrepreneur or start-up, clients will need to find regular counsel to represent them going forward. In some cases, clients develop a strong relationship with the attorneys supervising the client's student team, and then approach the attorneys outside of the clinic to engage their services. In other cases, clients avail themselves of the ELC's growing network of attorneys and referral service.



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The question that naturally follows is what do the supervising attorneys get out of this relationship? Certainly they can get the satisfactions of mentoring students, helping out a local law school, getting to know promising students who might be job candidates, meeting potential future clients, and, if the attorney is an alumni/ae, helping out one's alma mater. While these are all generally appealing to practicing attorneys, they may not always be enough to get those who are already struggling with a work-life balance to volunteer more time away from personal lives on a consistent basis. However, as outlined in Part I above, attorneys in the U.S. are increasingly seeking meaningful *pro bono* opportunities to fulfill their professional ethical obligations. Additionally, law

⁵⁶ Adam Liptak, *When Rendering Decisions, Judges Are Finding Law Reviews Irrelevant*, NY TIMES (March 19, 2007) available at <http://select.nytimes.com/2007/03/19/us/19bar.html>; see also WILLIAM M. SULLIVAN ET AL., *EDUCATING LAWYERS: PREPARATION FOR THE PROFESSION OF LAW 6* (The Carnegie Foundation for the Advancement of Teaching, 2007).

firms themselves are trying to demonstrate their commitment to *pro bono* service. Not only are firms trying to do this simply because it is the right thing to do and/or as part of marketing or public relations efforts, but also because highly desirable law student recruits are increasingly comparing law firms based on things like availability and support for *pro bono*.⁵⁷ At the same time, IPR and other specialty lawyers are especially hard pressed to find meaningful *pro bono* opportunities and often thus do less of it. This means that firms with substantial numbers of IPR or corporate attorneys may find it harder to meet *pro bono* obligations and challenges than those with predominantly litigation focused attorneys. Accordingly, ELC has had great success in creating a network of quality IPR and corporate attorneys that can count their ELC hours towards *pro bono* obligations and challenges.

ELC helps IPR and corporate attorneys, and their firms, meet and exceed their *pro bono* obligations by creating meaningful *pro bono* opportunities that are easily accessible and narrowly tailored to the attorneys' core areas of expertise. By primarily providing services for individuals of limited means or from minority populations as well as non-profits focused on social causes, ELC can ensure that its supervising attorneys' hours count as *pro bono* under most current definitions. To date, local attorneys, firms, and bar associations have been very supportive of ELC.⁵⁸ Pro bono coordinators at the firms and bar associations in particular have concurred that ELC has allowed them to tap more fully the *pro bono* potential of their IPR and corporate attorneys. Nearly all of the attorneys who have volunteered have reported enjoying the experience and have signed up to continue on more projects. The number of attorneys willing and available to supervise teams also allows ELC staff to rotate attorneys in and out of active duty so as to forestall any potential fatigue of specific attorneys. The nature of the supervision and legal services are also such that they are easily manageable, as discussed further below. Finally, supervising attorneys also benefit by being able to simultaneously provide *pro bono* services to the community and develop relationships with entrepreneurs and organizations that later may become regular fee paying clients of the attorneys and their firms.

This last point raises the issue of where the line is between services that ELC should provide and those properly left to the local practicing bar. Another way of looking at the issue is to determine whether the ELC would be competing with the local bar for clients. Further, if the ELC takes on clients or projects that could be served by the local bar in its normal (i.e., fee paying) capacity, then questions could be raised as to whether these are the proper sorts of activities for which university resources should be used. The key, then, is to determine which kinds of clients and/or projects would likely *not* be adequately served by the local practicing bar, primarily because of financial limitations of the clients and the economics of law practice. While a fuller description of the different

⁵⁷ Zusha Elinson, *Stanford Students Grade Firms on Diversity*, THE RECORDER (October 12, 2007) available at <http://www.law.com/jsp/article.jsp?id=1192093401814>; Law Students Building a Better Legal Profession available at <http://refirmation.wordpress.com/> and <http://www.betterlegalprofession.org/>.

⁵⁸ A list of firms and associations that provide attorneys to ELC is available at <http://www.law.washington.edu/Clinics/Entrepreneurial.html>.

kinds of ELC services and clients is given below for different types of entrepreneurship, a brief description of the core service that ELC seeks to provide is as follows.

ELC's primary service is a form of diligence analysis for the client's eyes only. As outlined in Part I above, entrepreneurs often are unable to afford to consult attorneys or other business advisers when they launch their ventures. Even when they do, they may only engage an attorney or consultant for a narrow question, rather than for a comprehensive analysis of their business vision. Yet, so many legal issues can be better taken into account in the planning stages of a business, instead of after the business is up and running. Entrepreneurs often do not know what they do not know, and are tightly focused on their particular expertise or vision. This means that they really need experienced attorneys and consultants to help them vet the business idea from all angles. An organized comprehensive assessment of the legal and business issues that can confront the entrepreneur and her business can be time consuming but well worth it. In many cases, what the entrepreneur needs is a basic tutorial on IPR or other business law that is tailored to her business vision. First time entrepreneurs may not even have a formal business plan. By guiding the entrepreneur through a standard SWOT analysis (strengths, weaknesses, opportunities, threats), an ELC team can help the entrepreneur create a formal business plan. Thus, the core ELC service is a legal and business "audit" that results in a confidential report outlining the relevant legal and business issues raised by the prospective venture and suggesting courses of action as the venture moves forward.

The benefits of this core legal audit service are manifold. For attorneys the main benefits are its manageability and complementary – rather than competitive – nature in relation to the practicing bar's fee paying services. As distinguished from litigation, major transactional deals, or patent prosecution, the legal audit can be done according to the schedule of the attorneys, students, and client, and within one academic quarter.⁵⁹ This means that the attorney only needs to commit to one academic quarter at a time. While in some cases the participants are unable to complete the audit in one quarter, the additional time needed to complete the project is minimal. In any event, the commitment to supervise an ELC audit will be nothing like the long term, time intensive commitment involved in IPR litigation, patent prosecution, or a major transactional deal. Even during the academic quarter in which the audit is performed, supervising attorneys generally only spend around 10 hours on the project.

Equally important, the ELC audit and its general focus on custom tutorials on fundamental IPR concepts tailored to the client's business vision takes a standard component of counseling first time entrepreneurs that is not the best use of a practicing attorney's time and transfers it to a student. For the student, on the other hand, this can be a very useful exercise as it may be the first time she gets to counsel a client as to the important points of IPR law. From an economic perspective, it is also not a good use of resources for a law firm partner – billing anywhere from \$200/hr and up – to spend an

⁵⁹ The University of Washington adheres to an academic quarter system, with the instruction period in each quarter lasting about 10 weeks. Schools on a semester system generally have 14 week semesters. Consequently, the ELC legal audit can be performed within a semester based system as well.

hour or so explaining “IPR 101” to a first time entrepreneur. It may not even be a good use of an associate’s time, as they will likely be billing at a minimum of \$100/hr themselves. At best, the exercise could be a useful training device for a first year associate, albeit an expensive one for the client. Accordingly many firms will write down time spent in these kinds of basic tutorials or counseling sessions as client development costs for entrepreneurs who do not have significant wealth (including middle or upper middle income individuals). Firms are limited in the number of these sessions they can write down, however, not only because hours spent on these sessions are hours taken from revenue producing tasks, but also because a significant number of the entrepreneurial ventures will not launch. The firm can hope that the entrepreneur will someday try a different venture, and return to the firm for fee paying services, but if not, then the investment of the low or no cost counseling session does not even result in fee paying work down the road.⁶⁰ Thus, the return on investment for these sorts of *gratis* counseling sessions may not be as high as other kinds of client development activities, and hence not a good deal for the firm. As mentioned above, firms sometimes also offer alternative compensation arrangements to promising, but cash poor, prospective clients. But these are generally predicated on the expected ability of the client to pay the accrued fees at a later point in time – such as when a financing round is completed – and so only make sense for the most promising ventures. Preferably, these ventures would also be further along than the “idea on a napkin” stage, although firms may take on an experienced serial entrepreneur under an alternative compensation arrangement in the pre-business plan stage.

Accordingly, attorneys benefit from the ELC audit service in a few specific ways. When ELC has identified and screened the client, the supervising attorney can then work with that client on a *pro bono* basis, which has immediate benefits as described above, rather than on the vague calculus of *gratis* client development. Sometimes, the attorneys or firms have identified the client and then refer them to ELC, rather than either turn them away entirely or risk spending valuable client development hours on a client that is at too early a stage in their venture to assess the likelihood of successful launch. In either case, the attorney and firm can essentially “outsource” the most time consuming “IPR 101” counseling function to a competent IPR trained student, while still developing a relationship with the client and providing their valuable experience to both the client and student. This dynamic in turn leads the ELC staff to seek very early entrepreneurs who are potential “diamonds in the rough” or “not ready for prime time” as they are the least likely to be able to engage an attorney on either a fee paying or alternative compensation/client development basis. Of course, this also underscores the perception and reality of the ELC *complementing* and not *competing* with the local practicing bar. ELC helps the local IPR bar fulfill its *pro bono* obligations to the community by coordinating a venue and structure in which attorneys can direct students as the latter

⁶⁰ Firms engage in many forms of client development activities that are not billed to a client and may not result in any, or many, fee paying engagements. So there is nothing fundamentally wrong with giving away basic IPR and entrepreneurship counseling sessions in the hopes that some of the recipients will launch ventures that bring fee paying work to the firm. The point instead is that firms can only afford to engage in so many non-fee paying activities overall, and these must be spread across a range of activities, not just these kinds of counseling sessions.

strive to polish diamond-in-the-rough early stage entrepreneurs who are then more likely to successfully launch a venture. Equally important, the audit can uncover fatal problems for the venture sooner than later and save everyone – especially the entrepreneur – what might become significant wasted time and efforts.

Students also specifically benefit from the ELC audit exercise, beyond the general benefits of client interaction and guided practice experience that they would receive in any law school clinic. Because the audit is designed to analyze the client's entire business vision, the student gets to participate in the kind of top down, comprehensive legal analysis and counseling that is often only the province of senior associates and partners at law firms. Junior associates, by contrast, are often only given narrow tasks related to a litigation or transactional matter that make it hard for the associate to see the big picture of even that litigation or transactional matter, let alone the client's overall business strategy. The ELC audit exercise allows students to experience what it is like to "be there at the beginning" as a new venture takes shape and indeed help mold its contours. Students receive a far better understanding of how to create comprehensive legal strategies for ventures than they would receive if they worked on only a narrow task for a specific matter on behalf of a larger client. In this era of increasingly complicated IPR issues and landscapes, IPR practices and firms that might traditionally have been narrowly focused on IPR procurement or litigation are now promoting their ability to help clients create just such comprehensive IPR strategies – offensive and defensive – as well as structure complex IPR and technology transactions. IPR portfolio management, freedom to operate analyses, and even more exotic developments such as IPR securitization, pools, and auctions are becoming standard practice areas for IPR attorneys. The ELC audit process allows the students to learn about many of these under the guidance of the Faculty Director and supervising attorneys and in a way that applies them to real world situations. Accordingly, students have given very high marks to the ELC, with some even reporting that firms they interviewed with for summer associate or permanent positions were very interested in their work with the Clinic.



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Clients benefit from the specific structure of the ELC audit in multiple ways as well. For many, the experience is eye-opening as they begin to see numerous issues of which they were formerly unaware. Thus, while a number of ELC clients seek out the clinic because of a specific issue or legal question, they find that the audit process puts that issue into a broader context and makes them feel more in control of the legal aspects of their venture. Even those who are resistant to the idea of the audit at first are nearly always glad that they went through it.⁶¹ They also enjoy the greater amount of time that they can spend with students, in contrast to their experiences with practicing attorneys who, quite understandably, are either billing for the time or trying to minimize it if the consultation is on a *gratis* client development basis. At the same time, they have the security of knowing that seasoned attorneys and faculty members are supervising the students. Further, the time spent with supervising attorneys or faculty is generally far more productive because the students have been able to address the basic issues and so attorney or faculty consultations can stay focused on the more advanced, nuanced issues of IPR law and strategy. Finally, as mentioned above, clients get to learn how lawyers work and how to manage their legal counsel. They can begin to formulate the manner in which they will take in legal advice, including legal risk analysis, and blend it into other assessments of business risk and objectives such that they can make what are ultimately always business decisions for the venture.

* * *

The foregoing is only intended to outline the general benefits of all clients in the ELC, but each specific type of entrepreneur/venture receives some specialized version of the core audit, and, in some cases, additional services as well. Accordingly, the next few sections outline how the ELC services are tailored for the three different kinds of entrepreneurial ventures.

B. Services for Low-Income or Disadvantaged Microentrepreneurs

At first blush, low-income or disadvantaged microentrepreneurs seem to be simultaneously the most deserving of low or no cost legal services and the least likely to have IPR issues. Neither of these is quite true. Undoubtedly, individuals of limited means and/or suffering from the legacy of ethnic or minority oppression deserve some help in overcoming these obstacles to their future success. Increasingly, this help is seen as more lasting when given in the form of property and/or economic opportunity, as opposed to welfare or hand-outs.⁶² As discussed in Part I, economic opportunity in the form of entrepreneurship training and financial assistance may produce the best results in raising incomes and standard of living in traditionally disadvantaged communities. Yet, as also discussed above, microenterprises are generally for-profit ventures, and so their proprietors may well end up doing quite well financially. Thus, without restating the

⁶¹ The audit is also a “gateway” service of the ELC in that, except in very rare circumstances, all clients must go through the audit first before having access to any other ELC services.

⁶² See, e.g., Henry Louis Gates Jr., *Forty Acres and a Gap in Wealth*, NY TIMES (November 18, 2007 at Op-Ed page).

analysis of Part I, suffice it to say that low or no cost legal services to low-income or disadvantaged microentrepreneurs are generally viewed as advantageous and qualify as *pro bono* activities, even though in some cases this may not be true.

Likewise, while it is true that most microenterprises will not develop or use patentable or patented inventions (other than as embodied in commercially available products), it would be a serious mistake to conclude that microentrepreneurs do not need IPR counseling. Every business will have a name and some form of business identity or brand. The fact that many microenterprises will employ generic or descriptive business names – e.g., “Ray’s Pizza” – may not be a reason to conclude that these businesses need little in the way of even trademark counseling. Instead, these choices of names and the frequent lack of protectable branding and trade dress among these types of companies may be symptoms of the *failure* of competent trademark counseling to the founders of these businesses. Indeed, once the signs are painted and the awning is up, how many small businesses can afford to change all of this, even if they later discovered that the name and trade dress are unprotectable? Stepping over to copyright, how many microenterprises are counseled as to their possible copyrights in things like brochures, business literature, menus, designs, manuals, or images? Even arts and crafts microenterprises like art studios, clothing and jewelry designers, and musicians appear to rarely obtain competent copyright (or trademark) counseling.⁶³ Further, while many microenterprises will in fact develop or obtain proprietary methods or information regarding the production and delivery of their products or services, relatively few will receive competent counseling as to protecting these things as trade secrets or patents. Finally, as the scope of patentable subject matter is perceived to be expanding in the U.S. and elsewhere, more microenterprises may find themselves either developing patentable inventions, or infringing other’s patents, especially in the area of business methods.

As the foregoing suggests, microentrepreneurs need counseling not only regarding their proprietary or “offensive” IPR positions, but also with regard to their freedom-to-operate or “defensive” IPR positions. Thus, for example, while “Ray’s Pizza” may seem merely descriptive – and thus unprotectable as a trademark by anyone – another pizza entrepreneur may already have engaged in enough branding around the name so that he can show secondary meaning in the local market and thus claim at least state level common law trademark rights. This may put new pizza entrepreneurs in the community in the position of facing a trademark infringement suit if they choose to name their new ventures by the same name – even if one of them is actually named Ray, and even if the purported owner of the trademark is not.⁶⁴

⁶³ This observation is based on: i) conversations with organizations that provide low or no cost IPR advice to artists, such as Volunteer Lawyers for the Arts in New York City and Washington Lawyers for the Arts in Seattle; ii) personal experience with artists from my 12 years as a singer-songwriter in the Boston and New York areas; iii) my six years as General Counsel of Rhizome.org, the premier non-profit new media and digital arts organization; iv) my substantial teaching and public speaking experiences with students and audiences comprised of artists; and v) interactions with the artists who have become clients of the ELC.

⁶⁴ See, John Tierney, *In a Pizza War, It’s 3 Rays Against the Rest*, NY TIMES (March 25, 1991) available at <http://query.nytimes.com/gst/fullpage.html?res=9D0CE7D8123FF936A15750C0A967958260&sec=&spon=&pagewanted=print>.

Accordingly, microentrepreneurs need competent IPR counsel able to at least issue spot across all areas of IPR – and including “fringe” areas of IPR such as unfair competition, antitrust, publicity rights, and privacy rights. Such counsel must also be able to at least counsel as to the three facets of IPR practice: procurement, litigation, and transactional. Ideally, this counseling would occur before the business is even launched. It should also include a coherent IPR strategy guiding the foreseeable future development of the venture. In this way, the microentrepreneur’s practical *and* aspirational goals are critical for the attorney to know. An entrepreneur who truly seems to desire to operate only one or two stores will likely have a different long term IPR strategy than one who has visions of regional, national, and perhaps even international expansion.⁶⁵ This kind of representation requires a fairly sophisticated IPR practitioner however. It may not be feasible for an attorney with only a glancing familiarity with IPR and related areas.

Prior to the launch of the ELC at the University of Washington, law clinics around the country that provided legal services to microentrepreneurs were largely small business clinics that focused on basic business formation, financing, employment, and commercial lease issues.⁶⁶ Of course, these services are critical to microentrepreneurs and their ventures, and so the ELC also provides them as one of its three core service areas (the other two are IPR and tax). But, a fundamental purpose of this Report is to demonstrate that the provision of low or no cost quality IPR counseling is both necessary and feasible for the full flowering of a robust regional entrepreneurship-based economy. What entrepreneurs primarily do is harness various resources in service of a novel way of delivering a new or existing product or service.⁶⁷ They also operate and innovate in areas of uncertainty and risk. Accordingly, the core attributes or assets that the entrepreneur brings to the venture may not be labor, manual skills, capital, or even the product or service idea itself, but instead the entrepreneur’s business vision, contacts, and ability to bring together the resources needed to develop the venture. Yet, if the latter are the primary attributes or assets of the entrepreneur, then the only practical way to protect them are secrecy and legal mechanisms based on IPR and related areas. Therefore, small business clinics that fail to address meaningfully the means to protect the entrepreneur’s core proprietary attributes and assets risk leaving the entrepreneur vulnerable in just the very areas that constitute her core value and contributions to the venture.

Despite the arguments above for using full, regular ELC teams for microentrepreneurs – in this case to ensure that the latter receive IPR advice from specialists – it may not always be necessary to do so. In some cases, supervising attorneys may feel that the client’s business vision will not be complex enough to warrant using a team of up to 10 students and supervisors combined for the legal and business audit. While no client has yet complained about receiving the attention of this many professionals, admittedly the deployment of a full team in some cases may be overkill. At the same time, there appears to be an increasing convergence of IPR and business law specialists. In part this may be because IPR is better understood to represent a core business asset across all business

⁶⁵ See, e.g., *id.*

⁶⁶ See Appendix 1.

⁶⁷ See, e.g., Patrick J. Murphy *et al.*, *A conceptual history of entrepreneurial thought*, 12 J. MGMT. HIST. 12 (2006).

types now. This cuts two ways: first, business lawyers have become aware that they must have at least some threshold level of IPR knowledge to spot IPR issues for their clients (even if they then refer the clients to IPR specialists if the issue turns out to be material); and second, IPR lawyers have become aware that they must understand the role of IPR in their client's business strategies, and thus approach IPR counseling as a strategic portfolio management issue, rather than as a standalone niche aspect of the client's overall business plans. Accordingly, as IPR comes out of the shadows of niche, specialty areas of legal practice, there will likely be an increase in the number of general practice business attorneys who will have a reasonably sophisticated knowledge of it. Flipping this around, it seems that training the next generation of general practice business attorneys to include IPR as a core area of expertise will do both these attorneys and their clients well.

Thus, the ELC is exploring flexible team models to learn both what is possible and what is best for clients, students, and supervising attorneys. This flexible approach also helps the students see different models of representation, as they will be deciding what form of practice environment they want to work in after graduation. Some will gravitate to the largest firms, others to small or mid-sized firms, while others to starting their own solo practice. Of course, many students may find they start in one sort of practice environment and move to another later on. Further, many law students today enter both law school and law firms after graduation with the express goal of ultimately becoming in-house counsel to a business. This path is well served by immersing oneself in all aspects of business law, including IPR. The ELC seeks to accommodate, and even encourage, students who want to "cross train" across the areas of corporate law, securities law, commercial law, IPR, and tax law. Finally, a flexible approach that allows some instances where the team consists of only one law student, one supervising attorney, and perhaps one MBA student, also allows for greater distribution of clinic personnel resources. While the ELC currently has adequate personnel to staff teams, there could always come a time when it does not. As a model for other clinics as well, it is helpful for the ELC to explore multiple staffing configurations as not all other existing or prospective clinics in various locales around the globe will have the same access to qualified supervising attorneys or students.

However the team staffing is set up, the most important IPR counseling for microentrepreneurs beyond the basic "IPR 101" explanation must focus on how the entrepreneur can control IPR and proprietary information ownership. In other words, while an "IPR 101" conversation can help the entrepreneur understand the differences among patents, copyrights, trademarks, and trade secrets, it often fails to convey to the entrepreneur how to structure relationships with others involved in the venture such that ownership – or at least licenses – to key IPR and information is transferred to the entrepreneur. "IPR 101" discussions of trade secrets law should naturally flow into a discussion of *how* to preserve secrecy when the entrepreneur discloses the ideas or information to others – *e.g.*, through the execution of a non-disclosure agreement (NDA) or confidentiality agreement. However, the entrepreneur needs to be guided through

standard forms of NDAs and confidentiality agreements,⁶⁸ as well as counseled as to what kinds of “fall back” positions they can establish if an outside party refuses to sign an NDA. For instance, a verbal requirement of assent that the outside party acknowledges that the information to be disclosed by the entrepreneur is confidential may be challenging to authenticate in court, but is nonetheless still better than nothing. At the very least it forces the outside party who may have misappropriated the disclosed trade secret to commit perjury in subsequent litigation by having to lie about the conversation or else concede the existence of the verbal confidentiality agreement. This kind of counseling reaches beyond mere doctrinal “IPR 101” discussions, however, and pushes the ELC to train students in these kinds of practical counseling tips, as well as use seasoned supervising attorneys who can guide the students through this kind of practical counseling.

This practical counseling also reaches beyond doctrinal “IPR 101” discussions because the entrepreneur must be counseled as to how to think about maintaining secrecy with regards to inside parties such as employees and partners. This is further complicated by the frequently blurry lines between employees and partners in small ventures. Thus, practical discussions of establishing and maintaining trade secret status for valuable ideas and information may need to be integrated with a discussion of the law governing sole proprietorships and general partnerships, which can be formed without the entrepreneur’s full understanding or intention of doing so.⁶⁹ Where the other inside party is properly an employee, then the entrepreneur should have the employee sign both an NDA/confidentiality agreement as well as an IPR assignment agreement,⁷⁰ or a single document that incorporates clauses covering both of these. If the other inside party is properly a partner instead, then it may be odd to have the partner execute both these agreements. As a partner, the other party owes the entrepreneur some duties including confidentiality. Further, if the other party is a partner, then they will likely not be willing to assign any IPR developed in the course of the partnership to the entrepreneur as an individual. Rather, at most, the other partner might consent to assigning it to the partnership. In the alternative, the IPR might already be jointly owned by the partners if they all had some role in its creation.⁷¹ Yet, business partners and joint owners of IPR generally have the full right to assign or license the partnerships assets or the IPR, as applicable, without the permission of the other partner(s). Accordingly, a partnership agreement is highly advisable to control confidentiality, disposition of partnership assets (including IPR), and other IPR management and control issues. Joint owners of IPR who may not necessarily also be business partners should also execute a formal agreement governing management and disposition of the jointly owned IPR.

⁶⁸ This should include short, one-page versions that may sacrifice some protections for the entrepreneur but may be necessary for outside parties who may be nervous about signing anything, as well as longer versions that offer fuller protection to the disclosing entrepreneur.

⁶⁹ See, e.g., REV. CODE WA § 25.05.055 (“Except [where the association has been registered as another form of business entity], the association of two or more persons to carry on as co-owners a business for profit forms a partnership, whether or not the persons intend to form a partnership.”).

⁷⁰ For a discussion of the latter, see Part II(D) below.

⁷¹ The rules for joint ownership vary among the different areas of IPR.

The foregoing analysis can apply equally well where the asset at issue is a copyright, trademark, or patent. Depending on the exact circumstances and business plan of the entrepreneur, the ownership, use and/or control of subject matter governed by areas similar to IPR such as publicity rights, competition law, and privacy may need to be analyzed. Finally, the confusingly related, but differing, domains of federal and state trademark law need to be carefully worked through with the entrepreneur. This is perhaps even more important from a defensive perspective, with the continued encroachment of national and international chain goods and service providers on neighborhoods formerly served primarily by local mom-and-pop firms. The large chains have shown a willingness to sue local shops over any use of marks, trade dress, or other indicia that could be interpreted to show an unauthorized affiliation or endorsement with the chain organization. An additional layer of confusion for the entrepreneur can be added in states that require registration of a company's name or trade names separate from listing the name on incorporation or limited liability company formation filings. In some cases this may also serve as a state *trademark* registration, but in others it is simply a mechanism to allow the state to find the firm behind a trade name and/or to prevent two firms from having exactly the same name, similar to the name disclosure in business entity formation filing documents.



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In sum, the ELC counsels microentrepreneurs on IPR issues to an extent that might surprise those who assume that these businesses essentially have no IPR. ELC provides advice on how to structure relationships with parties both inside and outside of the venture. This includes relationships with professional service providers such as lawyers, and includes considerations as to whether professional responsibility obligations of these service providers are sufficient to protect valuable ideas and information, or whether express NDAs or confidentiality agreements are needed for full protection. ELC may help microentrepreneurs with IPR procurement such as registering copyrights and trademarks, but does not currently prosecute patents on behalf of clients. This is due to a combination of factors, discussed further in Part II(D) below. However, ELC will help guide an entrepreneur through the process of filing a provisional patent application in

cases where time is of the essence, yet the decision to commit to a full patent application is not possible.

C. Services for Social Entrepreneurship Non-Profit Organizations

Social entrepreneurship is a relatively new phenomenon; or perhaps just a new name for an older phenomenon.⁷² For some it may simply be the newest buzz phrase for those who want to “do well by doing good” as the old expression goes. This Section of the Report, however, does not focus on for-profit social entrepreneurship ventures – which would be treated by the ELC as either microenterprises or technology start-ups, as applicable. Instead it focuses on social entrepreneurship non-profits. As mentioned above, non-profits are not necessarily either charitable organizations or cash starved entities. There are both non-profit firms providing valuable services for pay similar to for-profit businesses and well endowed private foundations whose mission is to fund other non-profits. Because the ELC tries to concentrate its services on persons or entities of limited means so that its supervising attorneys can count their ELC hours as *pro bono*, ELC generally will not take on non-profit clients who either receive substantial revenues (including through grants) or are well endowed.

At the same time, ELC has worked with individuals and groups who do not yet know whether they want to establish a venture on a non-profit or for-profit basis. Provided that these sorts of individuals or groups neither consist of wealthy individuals nor have already received substantial outside funding (or funding commitments), then they are actually ideal ELC clients. ELC’s core legal and business audit service is the perfect mechanism for such individuals or groups to deliberate over what sort of structure the venture should adopt. However, this means that students and supervising attorneys need to also have some expertise in counseling on non-profit organization law and governance, as well as tax exempt status filings and compliance.⁷³ These areas are beyond the scope of this Report, but this brief discussion is included for the purpose of explaining why ELC is exploring the option of having teams dedicated to serving non-profit clients. Such teams might consist of either the full complement of students and supervisors or the smaller one student/one supervisor model currently used with some microentrepreneur clients.

One mistake that is often made regarding non-profit organizations is that they need neither business plans nor professional services. This is increasingly understood to be incorrect, especially in the field of social entrepreneurship where aggressive research programs to create and deploy innovative solutions to social problems need careful planning and management. And, of course, where there is innovation there are potential

⁷² See, e.g., Ashoka, “What is a Social Entrepreneur?” available at http://www.ashoka.org/fellows/social_entrepreneur.cfm.

⁷³ A common mistake of those interested in establishing non-profit organizations is that by incorporating as a non-profit corporation automatically makes the entity tax exempt. In the U.S. it does not. Incorporation is a matter of state law and does not even necessarily establish the tax exempt status of the corporation for state tax purposes. It certainly does not gain tax exempt status with regard to the federal Internal Revenue Service.

IPR issues. Further, as in any other venture that seeks to operate in the world and needs to establish awareness of the venture among actual or potential partners, customers, clients, benefactors etc., social entrepreneurship firms need to build and control a brand identity protectable by trademark. Thus the ELC offers IPR counseling to social entrepreneurship non-profits just as it would to other kinds of enterprises.

The nature of this IPR counseling can differ from that for microenterprises or start-ups that will operate on a for-profit basis. While trademark counseling will likely be similar to that described for microenterprises above, counseling in the other areas of IPR can involve important twists. First, counseling as to patents generally focuses more predominantly on freedom-to-operate analyses. This was the case with ELC's work for PATH, the Seattle-based international, non-profit organization that creates sustainable, culturally relevant solutions, enabling communities worldwide to break longstanding cycles of poor health.⁷⁴ PATH collaborates with diverse public- and private-sector partners to help provide appropriate health technologies and vital strategies in poor or disadvantaged communities. Because of this, however, PATH needs to ensure that the technologies it develops and/or deploys will not infringe patents held by others. While PATH is a relatively well-funded organization, every extra dollar it spends for professional services such as expert IPR counseling is a dollar taken away from delivering on its charitable missions.⁷⁵ Accordingly, ELC has provided freedom-to-operate and other patent landscape analyses to PATH. There may be some cases in which ELC would advise a non-profit to pursue so-called "defensive" patenting in which the patentee obtains a patent on its technology simply to prevent others from patenting the technology, or something very similar, and then attempting to block the non-profit's use of the technology. Non-profits and government agencies who wish to assure that a technology they develop remains freely available may engage in such defensive patenting and then make no or low cost non-exclusive licenses available to all comers. In the event that the non-profit does want to patent its inventions, it must then take care to put in place proper patent assignment and NDA arrangements as discussed in Part II(D) below and Part II(B) above, respectively. Because many non-profits that engage in research receive government funding for that research, the non-profit must also be aware of the special conditions under the Bayh-Dole Act for inventions developed in total or in part based on federal funding.⁷⁶

Trade secret counseling can provide a different challenge in the social entrepreneurship non-profit environment. On the one hand, trade secrets may seem the antithesis of the open dissemination of solutions to social problems that is the touchstone of most social entrepreneurship. On the other hand, it may be that trade secrets and treatment of information and methods as proprietary and confidential may be needed as the non-profit develops its goods and services, such that other individuals or for-profit firms cannot misappropriate or misuse the information or methods. This is partly a defensive IPR rationale and partly an expediency based on the fact that some information collected and held by the social entrepreneurship non-profit may be sensitive, personal data. Like the

⁷⁴ www.path.org.

⁷⁵ See PATH, "Our Finances", available at <http://path.org/finances.php>.

⁷⁶ See Part II(D).

case of patents, if the non-profit wants to hold some methods or information as trade secrets or other proprietary/confidential information, it must put in place assignment and NDA agreements as described in Part II(B) above. The complication here is that some employees of non-profits may be less agreeable to the use of trade secrets and other proprietary/confidential information mechanisms in the social entrepreneurship setting – including the concomitant demand that they assign any rights to know-how they develop to the non-profit and/or accept what they might see as the equivalent of a gag order in the form of an NDA or confidentiality agreement.

Copyright counseling will also generally follow the analysis for defensive strategies rather than offensive ones. Managers of non-profits also often need to be disabused of the notion that just because they operate in a non-profit setting their activities with regard to others' copyrighted material somehow always constitutes "fair use."⁷⁷ They do not. Non-profit and educational institutions can be liable for copyright infringement in many cases, including where the allegedly fair use instead serves to diminish the copyright owner's market such as in the distribution of unauthorized copies of entire copyrighted works. Additionally, in the likely event that the non-profit wishes to establish copyright protections over some materials created for it by employees, it should make clear to those employees which materials they create will be considered as within the scope of their employment and hence works-for-hire.⁷⁸ Similarly, if the non-profit will use outside consultants to create copyrightable works, it should determine whether it needs to own the copyrights to such works. If so, it will need to try to establish the work as a work-for-hire or secure the assignment of the copyright to the work if it cannot be made a work-for-hire, both by means of a written agreement.⁷⁹ Copyrights can be assigned or exclusively licensed only through a written agreement, and non-exclusively licensed through a written or verbal agreement.⁸⁰

Finally, social entrepreneurship non-profits will also need to be especially careful to watch for situations where they use quotes, images, or other devices that may indicate endorsement or connection with other individuals or organizations. In the case of individuals, especially famous ones, the non-profit may run afoul of publicity rights or even invasion of privacy issues if consent is not clearly obtained from the individual for the use in question. In the case of organizations, the non-profit may infringe trade marks, trade dress, or even simply be liable under § 43(a) of the Lanham Act in the U.S. for improperly suggesting/claiming endorsement by, or affiliation with, the other organization.⁸¹ Again, managers of non-profits often wrongly assume that any of their activities with regard to publicity rights or trademarks is somehow excused under a version of copyright law's fair use doctrine. Neither state publicity rights nor federal or state trademark law have fair use doctrines that work the same way as that in copyright law. Whereas fair use in copyright excuses some relatively minimal unauthorized use of

⁷⁷ The statutory provisions for fair use are set out in 17 U.S.C. § 107.

⁷⁸ 17 U.S.C. §§ 101, 201.

⁷⁹ There are enumerated set of situations under the Copyright Act in which a hiring party can try to establish a work as a work-for-hire when it is created by an outside (non-employee) party. *See id.*

⁸⁰ 17 U.S.C. §§ 101, 204(a).

⁸¹ The Lanham Act is codified at 15 U.S.C. § 1051 *et seq.* Section 43(a) is codified at 15 U.S.C. § 1125(a).

copyrighted works, especially if the use is in a different form or venue from that which the copyright owner has tried to exploit, the laws governing publicity rights and trademarks primarily have an unauthorized use allowance only for when the image, names, or marks are being used to identify the person, product/service, or mark itself. Such “nominative use” should be used only to the extent necessary to accomplish such identification – gratuitous use beyond this will not be excused. Trademark law also has a doctrine called “fair use” but it is quite different from that of both copyright fair use and even trademark law’s nominative use. Trademark fair use arises when a mark holder has included words in a mark that competitors will also need to use simply to describe the products/services, or attributes of products/services, that they all produce. For example, just because a coffee company (now owned by Starbucks Coffee Company) has claimed “Seattle’s Best Coffee” as its mark, does not prohibit other coffee companies in Seattle from using a tagline along the lines of “Voted Seattle’s best coffee by . . .” (presuming this is true and simply descriptive). It may not try to use other marks or indicia such as specific typefaces or colors that Starbucks owns which are enforceable trademarks or key aspects of those trademarks or trade dress for Seattle’s Best Coffee.

In sum, the ELC counsels non-profit social entrepreneurs on IPR primarily from a defensive perspective. The main exception to this is trademark counseling which includes offensive counseling to help the non-profit build and protect its brand. As social entrepreneurship ventures increasingly move towards developing innovative technology based solutions to social issues, the degree of IPR counseling sophistication across all areas of IPR required has also risen. Accordingly, most ELC non-profit clients can benefit from working with a full team through the legal and business audit and beyond. Further, because many social entrepreneurship non-profits will remain financially constrained into their foreseeable future, the ELC may choose to provide ongoing legal services to them without creating competition with the local practicing bar. Indeed, many of these non-profits may remain dependent on *pro bono* legal services indefinitely and so do not represent possible fee paying clients to any lawyers. ELC provides a service to both the organizations and to local attorneys by screening these non-profits as clients and then coordinating *pro bono* legal work for them by student teams and supervising attorneys.

D. Services for High Tech Entrepreneurs

High tech entrepreneurs may seem to be the most likely to have IPR issues and the least likely to deserve low or no cost legal services. However, just as the reverse was not exactly true for microentrepreneurs, this statement about high tech entrepreneurs is not always true either. To see why this is so, it is important to flesh out what we mean by “high tech entrepreneur.” First, as discussed in Part II(B) above, entrepreneurs are not necessarily the creators or inventors of the new innovations or technologies that will be commercialized by the venture. Entrepreneurs *qua* entrepreneurs simply recognize a business opportunity and coordinate the resources needed to exploit that opportunity. As also noted above, this insight into the existence of an underserved business niche, as well as the connections and ability to effectively bring together the necessary resources, can be

proprietary and confidential as well. In many ways these skills are the entrepreneur's stock in trade.

Thus, a "high tech entrepreneur" is an entrepreneur who focuses on business opportunities created by innovations in high technology areas such as digital information technologies (IT), biotechnologies, and nanotechnologies. This means that the high tech entrepreneur is not necessarily as wedded to any particular version of an emerging technology as the inventor is, and indeed can put together a venture to serve a business niche with any of what are often multiple, distinct versions of an emerging class of technology. For example, the high tech entrepreneur who wants to deliver products in the emerging field of high definition television can choose from different technology platforms to do so. Indeed, this is where the entrepreneur's skills as an entrepreneur really shine: the "winning" technology platform in the marketplace is usually not the most technically advanced or elegant one, but rather the one that is used to develop cost-effective goods or services that succeed in the marketplace through superior sales, marketing, distribution channels, and partnerships with complementary goods/services providers.



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Accordingly, high tech entrepreneurs who are seeking primarily to serve a business need (rather than commercialize a predetermined invention), and thus are willing to consider a range of technological solutions to do so, need not be as concerned about IPR per se as inventors or authors need to be. Inventors *qua* inventors and authors *qua* authors have nothing to sell once they have completed an invention or work other than whatever exclusive or proprietary rights they have obtained to use that invention or copy that work, as applicable.⁸² Thus, without some forms of IPR, the inventor and author are left to sell their ingenuity and creativity as a form of labor to an employer, such as an entrepreneur.

⁸² Of course, they can sell a physical artifact embodying the invention or manuscript that fixes the work in a tangible medium. But generally neither of these will be as commercially valuable as the exclusive rights to work the invention or produce copies of the work, which are solely created and administered through the IPR system.

The high tech entrepreneur, on the other hand, can choose among competing IPR protected platforms or even choose to make a commodity technology play off a non-IPR protected platform, say a generic version of a high tech drug/biologic, or low cost laptop computer assembled from “off the shelf” components.⁸³ This makes him less dependent on IPR than might be expected at first blush.

At the same time, while a successful entrepreneur may ultimately make substantial amounts of money, most first time entrepreneurs are of average wealth to begin with and must begin their ventures on the proverbial shoestring. In fact, one of the skills of an entrepreneur is how to ramp up a business from almost nothing. Many ventures are even started “on the side” while the entrepreneur is employed by someone else. Accordingly, high tech entrepreneurs can have a range of IPR issues from minimal to quite sophisticated. At the same time, these entrepreneurs may range from struggling grad students with little income or wealth – and thus have nothing to start the business with other than an idea and “sweat equity” – to successful serial entrepreneurs who can largely bankroll their latest venture themselves, including the costs of employees and office/lab space. Thus, there is no single profile of high tech entrepreneurs as to their IPR or financial needs.

While the high tech entrepreneur *qua* entrepreneur is generally looking at an underserved market niche that he thinks can be served by goods or services based on the application of some subset of a class of emerging or existing technologies, the inventor who wants to commercialize his invention is thereby limited to developing and/or promoting applications of his invention. He therefore has a much greater stake in protecting that invention and applications based on it, which means that IPR issues will be a high priority in almost all cases. Further, unless the inventor is also a good entrepreneur, his best financial path may be to assign or license the invention to an entrepreneur or organization skilled at commercializing inventions in the particular field or art of the invention. In this case, IPR issues are paramount for the inventor. Even where the inventor also seeks to be his own entrepreneur, he will likely be fairly committed to his own inventions and so does not have the IPR flexibility of the non-inventing high tech entrepreneur. In some cases, of course, the non-inventing high tech entrepreneur simply becomes so enamored of an invention that he can be as committed to it as its inventor (and possibly more so if he invests substantial resources into developing it). It may also be that the entrepreneur cannot envision any other means of achieving his business vision. In all of these cases, the importance of IPR protection for the invention becomes critical to the entrepreneur.

⁸³ These “off the shelf” components may themselves be patented, but so long as they are commercially available on a non-conditioned sale basis, then the doctrine of patent exhaustion applies and the entrepreneur’s assemblage of them into a larger device is not really impacted by any patents on the components (other than combination patents which cover the combination of the component with other elements to create a device similar to the entrepreneur’s proposed device). The point is that the entrepreneur’s combination of the off the shelf elements may result in no new patentable invention, and thus there is no IPR brought into play at the level of the device. The entrepreneur may have some cost saving manufacturing methods that he will protect by trade secret, but this does not change the fact that he is competing with a generic commodity play rather than a proprietary premium play in the marketplace.

An extra wrinkle in what so far amounts to at most a two player scenario – inventors and entrepreneurs, or perhaps one person doing both – is that inventors are frequently employed by others at the time of invention, including public and private entities. There certainly are still many independent inventors, but with both the nature of technological innovation requiring substantial financing and equipment, and the large numbers of researchers employed by public and private organizations, probably the majority of inventions will arise in employer labs, rather than in the proverbial garage. This complicates the scenario as now the inventor’s inventions may be owned by the employer instead, as will be discussed in the paragraphs below.

Yet, even where the employer owns the invention, this only pushes the problem of how to commercialize the patented invention to the employer rather than inventor. Where the employer is a private corporation with the wherewithal to commercialize the invention itself, then the questions revolve around economic analyses of the costs and benefits of choosing a commercialization pathway. Specific factors will be the likelihood of a retail market and the price points that market will be able to afford, as well as the costs to scale up a manufacturing operation and/or delivery system for products or services and the costs of goods sold or services produced. In some cases, the company may decide not to even file for patent protection on the invention – except possibly solely for defensive purposes. Or, if it has obtained a patent, either do nothing with it or license it out.

Where the employer is an educational institution or government entity, it has essentially no direct commercialization capacity and thus must assign or license inventions for commercialization by the private sector. Non-profits can occupy a middle ground because some like PATH or Institute for One World Health⁸⁴ are very much in the business of developing and delivering products or services to the marketplace, albeit on a non-profit basis. Part II(C) above discussed the IPR issues of such social entrepreneurship ventures and the services that ELC provides to them. Many non-profit research institutions do not deliver products or service to the marketplace, but rather operate more like educational or government research facilities. The private sector entities that commercialize the inventions arising from educational, government, and pure research non-profit labs are either established corporations or high tech entrepreneurs and their start-up companies.

The upshot of all of the foregoing is that there are three major conceptual categories of players in high tech entrepreneurship: 1) inventors and research labs; 2) high tech entrepreneurs and start-ups; and 3) established corporations. A fuller discussion of the high tech entrepreneurship/commercialization landscape would also include venture capitalists and other technology financiers. However, because ELC does not work with VC- or even angel-backed start-ups – who can afford to pay counsel – the important role of financiers in IPR decisions is of less concern for ELC and this Report.⁸⁵

⁸⁴ <http://www.oneworldhealth.org/>.

⁸⁵ Of course, ELC does counsel non-funded entrepreneurs and their ventures about what to expect when professional financiers such as VCs enter the picture. For that matter, ELC also advises early stage entrepreneurs and their firms about what to expect from partnerships, mergers, or acquisitions with or by established corporations, and even in other “exits” such as IPOs or bankruptcy/dissolution.

As mentioned above, the role of entrepreneur and inventor can be, and frequently are, combined in one person.

Among these players, established corporations can afford counsel, and indeed often have in-house counsel, and so do not qualify for ELC services. Inventors may qualify for the ELC to the extent that they are not wealthy; preferably they should be of limited means. However, the assessment of financial need of inventors should also take into account that they would need to hire specialized lawyers such as patent attorneys who generally charge higher fees than general practice business lawyers. So even where an inventor of middle class means might be able to pay a general practice attorney for basic services such as setting up a corporation or leasing office space, he may not be able to afford to pay patent attorneys. This is true both because the payments to patent attorneys will likely be cumulative on top of fees for standard legal services and because patent prosecution can be such a long and expensive proposition – often reaching into the tens of thousands of dollars to obtain a single patent. ELC takes all of this into account when assessing whether a candidate qualifies for ELC services. The analysis for entrepreneurs is quite similar.

In the end, the main consideration for ELC in screening for-profit inventors and/or entrepreneurs for ELC services is whether they have reasonable access to, and can afford, appropriately sophisticated legal services. This could be through the inventor's or entrepreneur's own finances, the willingness of a lawyer or firm to structure alternative compensation structures as discussed above in Part II(B), or the funding provided by other parties such as angel or VC investors. This screening criteria helps the ELC stay on track with its three goals of: i) complementing rather than competing with the practicing bar; ii) providing relevant opportunities for supervising attorneys that qualify as *pro bono*; and iii) supporting the University's own mission to provide services to the community. Additionally, ELC provides services for inventors and high tech entrepreneurs to aid the continued economic development of the Puget Sound region, which is largely focused on the high tech sector.⁸⁶

ELC's IPR counseling for inventors and high tech entrepreneurs follows much of the same basic outlines of that provided to microentrepreneurs as set forth in Part II(B) above. However, for inventors and high tech entrepreneurs the ELC, not surprisingly, needs to offer an additional emphasis on patents. Further, similar to the discussion of IPR counseling for microentrepreneurs, a basic "IPR 101" session for the inventor or entrepreneur will not help them understand some of the most practical and important factors in assessing what their patent strategies might be. For example, the "IPR 101" explanation of what constitutes patent eligibility and patentability for inventions does not tell the entrepreneur who owns either the invention or any patent that later arises from it. At the very least, the entrepreneur needs to be introduced to the rules of determining

⁸⁶ See Washington Economic Development Commission, *Enhancing Washington State's Economic Future: Commercializing Technology Developed in Our Research Institutions*, available at http://cted.wa.gov/CTED/documents/ID_3320_Publications.pdf.

inventorship under U.S. patent law.⁸⁷ Yet, even this is insufficient because of the severability of inventorship and ownership under the U.S. system.⁸⁸

In particular, inventors who are employed by another may have assigned inventions done in the scope of that employment to the employer, either through operation of the common law “hired to invent” rule or by express written agreement.⁸⁹ However, if there was neither an express written assignment of patentable inventions nor a hired to invent situation, then the employee will not have to assign the invention. If instead the invention was made on the employer’s time or with the employer’s resources, and again absent an express written assignment, then the employer will have a “shop right” which allows it a non-exclusive license to practice the invention.⁹⁰ If there is no written assignment and the inventor-employee was not hired to invent, and did not use employer time or resources, then he owns all the rights to the invention. Accordingly, most employers who expect inventions to be made by employees and who have competent IPR counsel will have those employees execute invention assignments as either part of an employment agreement or as a stand alone contract. Because of some perceived abuses of employee IPR assignments – *e.g.* requirements to assign inventions created by the employee even before or after the term of employment – some states in the U.S. passed laws restricting the permissible scope of assignment agreements.⁹¹ At bottom, inventors and those who employ them need to understand that there are three different sorts of things that can be owned and/or conveyed along the way to a patent. The first is the invention as potentially patentable idea or trade secret. The second is the patent application that has been filed with the USPTO. The third is the patent that finally issues.

As if these three stages did not present enough complexity on their own, transfers of rights at each stage can also be done in three different ways: A) assignment; B) exclusive license; and C) non-exclusive license.⁹² When these transfers are accomplished through a written agreement, then there is significant ambiguity as to whether the transfer – and any disputes over it – should be treated as a matter of federal patent law or state contract law. Under the U.S. Supreme Court’s recent opinion in *MedImmune, Inc. v. Genentech, Inc.* it

⁸⁷ 35 U.S.C. § 116.

⁸⁸ 35 U.S.C. § 261.

⁸⁹ See *United States v. Dubilier Condenser Corp.*, 289 U.S. 178 (1933). Employment situations expressly subject to the policies set forth in employee handbooks or similar codifications can also legally impose IPR assignment obligations, so long as such obligations is clearly stated in the written policies.

⁹⁰ See *id.*

⁹¹ See, *e.g.*, Rev. Code WA § 49.44.140 (voiding agreements to assign employee’s inventions made outside of work hours, without employer’s facilities or resources, and outside the scope of employer’s business and research performed by employee as part of employment); CA Labor Code §§ 2870-2872.

⁹² There are further nuances as well. An exclusive license can be interpreted as conveying all rights save bare ownership to the licensee such that the licensor cannot even practice the invention anymore. In this case, courts may treat the conveyance as effectively the same as an assignment. See, *e.g.*, *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 240 F.3d 1016 (2001). However, in many cases the licensor wants to retain the right to practice the invention. In this case, some licensing attorneys will use the term “sole license” instead, indicating that the licensee is the only person/organization that will receive a license to practice the invention, while avoiding any language that may suggest the licensee has exclusive rights even as against the licensor. Further nuances include exclusive licenses in a defined field of use, such that the patent owner/licensor can effectively grant multiple “exclusive” licenses under a single patent.

seems that assignments and licenses should primarily be interpreted as contracts governed by state law.⁹³ At the same time, assignments, and most likely exclusive licenses, must be recorded with the USPTO.⁹⁴ There is nothing inconsistent with a federal requirement to record a transaction that is governed by state law. As seen in the arguments in *MedImmune v. Genentech* and other patent licensing cases, however, there has been substantial dispute as to whether patent licenses should be considered as governed by federal patent law or state contract law.

Currently, the ELC does not prosecute patents for its clients. At most it may assist the inventor to prepare and file a provisional patent application.⁹⁵ While some IPR clinics in the U.S. prosecute full patent applications for their clients, the ELC has held off for a few important reasons. First, patent prosecution work is the core fee paying service provided by many patent attorneys. To provide this service through the ELC could bring the ELC directly into competition with the local patent bar. Further, because of ELC staff's close connection with the local patent bar, including the Washington State Patent Lawyers Association,⁹⁶ it has in all appropriate cases been able to refer out a client to competent patent counsel. Further, in situations where the client was truly unable to afford the full cost of the patent attorney's time to prosecute the patent, the attorneys have entered into alternative compensation arrangements with the client.⁹⁷



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⁹³ 127 S. Ct. 764 (2006).

⁹⁴ 35 U.S.C. § 261.

⁹⁵ 35 U.S.C. § 111(b).

⁹⁶ <http://www.wspla.org/>.

⁹⁷ This circles back to one of the ELC's key services for clients: counseling the client on how to interact with legal professionals. In many cases, inventors and entrepreneurs who have not interacted much with lawyers are rightly concerned that they will quickly get caught in a trap of expensive legal bills that will swamp them and their venture's limited finances. By helping to explain ways to manage the attorney-client relationship, the ELC performs a valuable service in facilitating the development of successful ones. At the same time, local attorneys appear to value referrals from the ELC and thus seem to be extra vigilant in maintaining the highest standards of professional responsibility and fairness to clients referred from the ELC.

Second, the length of time it takes to prosecute a patent means that an ELC student who starts an application is essentially guaranteed to not be able to see it through issuance. While the problem of legal services that run longer than a standard clinic enrollment is common in litigation based clinics, this seems to be a matter of necessity for students to get any experience with litigation in a clinical setting, rather than that it provides an optimal arrangement. Thus, if ELC students can get the experience of counseling clients as to IPR matters and strategy, including some assessment of the patent eligibility or patentability of the client's invention, in a single academic quarter, then this will provide a full picture of at least some aspect of patent practice, rather than simply seeing a slice of other aspects.

Third, patent prosecution focused students will most likely obtain at least a second year summer associate position with a firm in which they can work on patent applications and prosecution. By contrast, they may not have much significant client time in that position and will almost certainly not be able to actively participate in the kind of initial and global client counseling and strategizing that they can do in the ELC. Fourth, patent prosecution services could well tap out our supervising attorneys, who would then be taking on an open ended prosecution that could drag on for years on top of their regular fee paying work. Clinics that have traditional executive directors who take responsibility for the client caseload can engage in patent prosecution, but such clinics cost more because of the nature of the full time clinic director and have a relatively low cap on how many clients they can take on. At the same time, none of these arguments mean that the ELC will never prosecute patents; rather just that the ELC staff would have to satisfy themselves that any such work would not run afoul of any of the concerns stated herein.

In sum, ELC serves low to middle income inventors and high tech entrepreneurs similar to how it serves microentrepreneurs, but with an increased focus on patents. If the ELC served only, or even primarily, middle income inventors and/or high tech entrepreneurs, then legal services provided by supervising attorneys would not qualify as *pro bono*. However, definitions of *pro bono* as drafted by organizations such as the Pro Bono Institute generally allow all legal services provided through a non-profit or educational legal services entity to qualify as *pro bono* even if some minority of the clients are not "persons of limited means." Further, as discussed above, because of the significant extra level of expense of patent counsel over and above the regular business and IPR law expenses of other kinds of entrepreneurs, even persons of middle income will likely not be able to afford the legal services they need to start their business. Accordingly, by carefully screening the mix of clients, incomes/assets, and legal services needs, the ELC can maintain its ability to offer supervising attorneys qualified *pro bono* activities that are appropriate to their specialization in IPR law. At the same time, ELC students get to interact with at least some bona fide high tech ventures, rather than exclusively "mom and pop" microenterprises. Finally, the ELC can further two different aspects of the University of Washington's, and the Clinical Law Program's, public service mission: helping disadvantaged members of the community and facilitating economic development by supporting both ordinary entrepreneurship and high tech entrepreneurship.

E. Services for TechTransfer at University of Washington and its LaunchPad Spin-off Initiative

As mentioned in the foregoing sections, regional economic development can benefit greatly from anchor universities and research institutions that can spin off technologies to local start-ups and private sector commercializing entities. However, these institutions are equally likely to license out promising technologies to established companies located elsewhere. Where federal funding is involved, then under provisions of the Bayh-Dole Act the university is supposed to give preference to small businesses when licensing the patented inventions. But these small businesses could be located anywhere in the country. While any licensing that results in a successfully commercialized product means that the university will receive royalties or other license compensation, and hence there will be a derivative trickle down economic benefit to the community, the region would benefit even more if the commercialization activities also occurred locally. Accordingly, many regions are focusing more than ever on encouraging their local research institutions to increase their patenting and licensing activities, together with trying to find ways to facilitate local commercialization of the technologies. Washington State is particularly focused on increasing successful local commercialization of research emanating from the State's premiere research institutions such as UW.⁹⁸ Successful local commercialization, in turn, is dependent on whether there are willing and able local companies to take a license and develop the technology into deliverable products or services.

In many cases, cutting edge university research results require entire new companies that can formulate new kinds of business plans or models around pioneering research/technology. Existing companies in all likelihood already have business plans and models built around existing technologies/research. They may be able to add the new research/technology to their business plan, or modify their core business plan to focus on the new research/technology, instead. But in many cases, a brand new start-up can offer the best chance for early stage research results to be developed through proof-of-concept stage.⁹⁹ Where a new company is required, the university can play a entrepreneurial coordination role by bringing together the research faculty inventors, outside entrepreneurial management, and funders such as angels or VCs, to create what can best then be thought of as a spin-off from the university. Unfortunately, the term "university spin outs" has been used to describe a number different things. Sometimes, the term is used simply to describe a license of patents to an outside venture. This is not really a "spin off" though, if the university had no role in establishing the venture – there is nothing "spun off" from the university as a license is simply a license.¹⁰⁰ Other times it

⁹⁸ See Washington Economic Development Commission, *Enhancing Washington State's Economic Future: Commercializing Technology Developed in Our Research Institutions*, available at http://cted.wa.gov/CTED/documents/ID_3320_Publications.pdf.

⁹⁹ Granted, the start-up may well then have to eventually sell or license the developed technology to a large established firm, or partner with that firm, for manufacture and distribution of the retail products/services.

¹⁰⁰ The term "spin off" arose in the private sector context when a firm would cleave off an entire unit or business division and move the people and assets into a new legal business entity. In some cases the parent company owns all or part of the equity of the new entity; in other cases it may own the equity only

may be used to describe a situation where a whole technology platform is licensed through a combination of patent, know-how (or trade secret), copyright, confidential information, and sometimes even trademarks to an outside venture. This is more plausibly a “spin off” – of the technology at least – but is better considered to be simply a standard full fledged technology transfer deal.¹⁰¹ Thus, the ELC and this Report consider a university “spin off” to be all and only those situations where the university actively plays an entrepreneurial coordination role to facilitate the creation of a new entity specifically to commercialize a university technology.

These distinctions have great practical importance because they bear on how and whether university tech transfer offices (TTOs) can or should execute on their missions to license out university research for commercialization. Currently, it is difficult enough for TTOs to evaluate all faculty invention disclosure forms, select some to file patent applications on, and then try to find a licensee. The TTO case manager has to make at least three very difficult calls: 1) is the “invention” patentable?; 2) if it is patentable, can it be developed into a product or service that will have a decent market?; and 3) even if (1) and (2) are answered in the affirmative, is there a willing and able private sector firm who can take the patented invention from its likely status as early stage academic research result all the way through to a saleable product or service in the marketplace? Adding on a role for the TTO to actually help develop a suitable start-up commercialization entity can quickly extend beyond already taxed resources at most TTOs. Nonetheless, many universities – encourage by state or local governments and economic development agencies – are attempting this extra role. The resource demands of these sort of initiatives provide a great opportunity for university law and business clinics such as the ELC to step in and assist.

The ELC has just partnered with the LaunchPad initiative at UW TechTransfer to facilitate university spin offs.¹⁰² Many of these spin offs will include some participation by the faculty researcher who developed the technology. ELC has dedicated a team to work as a kind of consultant to TechTransfer and LaunchPad to help advise faculty inventors who are considering working with LaunchPad to create a university spin off to commercialize the inventor’s technology. ELC’s core business and legal audit service work perfectly for this purpose. Essentially, TechTransfer and LaunchPad get to leverage their limited resources by handing off much of the early stage venture counseling to the ELC team. At the same time, the faculty researcher will be able to more fully discuss

temporarily as the plan is to sell off all its ownership position in the entity (as a vehicle for selling off the unit essentially).

¹⁰¹ It is not clear that a simple patent license should be deemed “technology transfer” as an entire technology or platform is rarely captured by a single patent, or even a handful of patents. Instead, a technology or platform nearly always contains enabling know-how and other information that extends around and beyond the patents.

¹⁰² For information on LaunchPad, see UW TechTransfer, Starting a Company: Working With UW TechTransfer: LaunchPad Initiative, *available at* http://depts.washington.edu/techtran/uwcommunity/uw_starting_working_with_techtran.php#launchpad. For more information on forming companies around UW technologies, see UW TechTransfer, Business Development Opportunities, *available at* http://depts.washington.edu/techtran/externalcomm/exbiz_business_development_how_start.php.

their visions for, and questions about, their technology and its commercialization than in the case where there is only one TTO case manager available to them. In particular, the capacity of the law students to engage in “IPR 101” discussions with the faculty inventors really shines in this context. Often, what the faculty inventor really needs to understand is the differences among: a) cool science; b) patentable inventions; and c) commercialized products/services. The ELC team can take the time needed to really guide the faculty member through the business and legal issues involved in taking the faculty member’s specific technology through establishment of IPR rights all the way to marketing/distribution of a product or service in the marketplace.

In the right circumstances, and with the consent of all involved parties, the ELC LaunchPad team might assist UW and the faculty member in setting up the legal entity for the spin off and assisting in some other basic legal and business establishment matters. However, both LaunchPad and ELC must avoid acting improperly in conflict of interest situations, and indeed should avoid them altogether. For example, because the faculty member’s invention, and patent or other IPR attaching to it, is likely owned by the UW under the UW’s standard faculty IPR policy,¹⁰³ then TechTransfer is the UW agent or unit responsible for managing such inventions and their associated IPR on behalf of UW. Accordingly, when a faculty member establishes an outside entity to commercialize the invention, that entity must negotiate and execute a license with UW for the IPR covering the invention. TechTransfer cannot be an agent of both the UW and the external entity in that case, of course, and so TechTransfer must advise that entity (and the faculty member) that it should retain its own counsel to advise it with response to the potential license. Because ELC is also a UW agent, it cannot represent the external entity against the UW either.

This point is exactly where other university IPR or business clinics who have wanted to assist faculty members ran into a conundrum. They perceived the main need of the faculty member to be the negotiation of the tech transfer license and attempted to find a way to advise the faculty member (and any external company established to take the license) without acting improperly in a conflicted situation. This is impossible, from a professional responsibility perspective, *unless* the university, faculty inventor, and outside prospective licensee entity (if any) all executed conflict waivers. Even if all the parties were willing to execute such waivers, it would probably still not be worth the potential concerns over such arrangements, not to mention that the reason conflicts of interest are problematic is because not all the parties may wind up receiving appropriate counsel. Even if everyone signs the waivers, this does not mean that this is the right thing to do or that the parties are in fact making the right decision on their representation. Further, for law students who want to participate in tech transfer licensing activities, schools like UW have established externship programs with not only UW TechTransfer, but also the tech transfer units of other non-profit research institutions in the Puget Sound region. So it is not necessary for them to get this experience in the ELC. UW Law School also has externships with the Washington State Attorney General’s Office on campus, which handles all legal issues for UW as general counsel (UW is a state agency

¹⁰³ University of Washington, “Patent, Invention and Copyright Policy,” *available at* <http://www.washington.edu/faculty/facsenate/handbook/04-05-07.html>.

and so represented by the Washington State Attorney General just as any other branch of Washington State government would be). Accordingly, UW law students can also gain direct practice experience with UW IPR issues through that externship.¹⁰⁴ At some point in the future, ELC might also take on a non-profit research institution as a client for which tech transfer issues could arise (based on that institution's own IPR). In fact, as discussed below, ELC is currently part of the Clinical Translational Science Award (CTSA)¹⁰⁵ from National Institutes of Health (NIH) granted to the Institute of Translational Health Science based at UW, which includes a consortium of other regional health sciences research institutions.¹⁰⁶ This project may well allow ELC's dedicated CTSA team to advise consortium members on tech transfer issues.

Primarily, however, ELC's partnership with LaunchPad at UW TechTransfer centers on the ELC teams helping LaunchPad case managers to analyze and counsel on potential spin-offs involving UW technologies, IPR, and faculty. If faculty members contact ELC about technology they believe they have developed at UW, ELC will direct the faculty member to LaunchPad and TechTransfer. Once TechTransfer has secured the appropriate Record of Invention disclosure from the faculty member,¹⁰⁷ and if it decides that an ELC team would be useful in working with it and/or the faculty member in deciding whether and how to commercialize the invention, then it will request an ELC team. The ELC will then do its best to make an appropriate team available and commence work on behalf of TechTransfer and LaunchPad. It is clearly disclosed to faculty members that the ELC team is not engaging in an attorney-client relationship with them, nor acting as any kind of consultant or agent to them. ELC's sole client is UW TechTransfer. While this kind of scenario may seem odd or unusual, it is no more odd than situations in corporations where employees can talk to the company's attorneys about issues relating to their work at the company. Company counsel of course has to disclose that it is not acting as the employees' counsel in this situation, and that if anything adversarial, or potentially adversarial, arises, then the employees should retain their own personal counsel. In the ELC-LaunchPad partnership, both ELC and LaunchPad staff are involved throughout the process, which should help minimize any false impressions that ELC is actually working on behalf of the faculty member and her prospective outside venture.

¹⁰⁴ I act as the faculty supervisor for almost all students who are accepted for the UW AGO externship. I also have a special confidential consulting relationship with the UW AGO so as to be able to offer additional guidance and expertise to both student externs and the AGO on UW IPR matters.

¹⁰⁵ <http://www.ctsaweb.org/>.

¹⁰⁶ See University of Washington School of Law, "Law School Clinic to Work with New UW Health Science Research Institute" (October 25, 2007) *available at* http://www.law.washington.edu/News/Articles/Default.aspx?YR=2007&ID=ELC_NIH_grant; University of Washington, "NIH funds University of Washington Institute of Translational Health Sciences," (September 18, 2007) *available at* <http://uwnews.washington.edu/ni/article.asp?articleID=36634>;

¹⁰⁷ University of Washington, TechTransfer, "Start Working With Us/Report an Innovation," *available at* http://depts.washington.edu/techtran/uwcommunity/uw_report_innovation.php.



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Once this framework is properly established, the ELC work for LaunchPad then proceeds similar to ELC's other high tech entrepreneur projects. The notable exception is that ELC will not discuss ownership of the faculty member's IPR as it would discuss ownership issues with other entrepreneur clients. Of course, ELC will discuss ownership issues moving forward for the proposed venture as to new IPR that may be created within the new venture and completely separate from the faculty member's UW research activities. ELC will also especially hone in on explaining to the faculty member that university research and the patents that arise from it are usually so early stage that any commercializable products or service that emerge from the translational and/or commercialization R&D process may not be adequately covered by the existing patents or applications filed by UW. Thus, the spin off may well need to file new patent applications as the translational and commercial R&D phases unfold.

Currently, the ELC-LaunchPad initiative is just completing its first year. So far the projects have proceeded exceptionally well, with all parties feeling that there are substantial synergies and added value through the partnership. No major issues have developed at this point. One question may be that if the partnerships grows and multiple ELC teams are working with LaunchPad, whether that will change ELC's overall ability to qualify supervising attorneys' hours as *pro bono*. To some degree this will depend on the evolving definitions for *pro bono* promulgated by groups such as the Pro Bono Institute. At the same time, ELC could separate the LaunchPad projects and teams from the rest of the ELC. This should maintain the *pro bono* status of the attorneys supervising regular teams, even as it would eliminate the opportunity for supervisors of the LaunchPad projects to qualify their hours as *pro bono*. On the other hand, those attorneys, and the ELC-LaunchPad teams, are still providing an extremely valuable service to both UW and the State of Washington. Thus, even if the hours do not qualify as *pro bono* for purposes of bar association or third party assessments, they can still be promoted as public service.

Along similar lines of customized versions or uses of ELC teams, ELC was part of a successful grant proposal to NIH's CTSA program to promote "bench to bedside"

development of therapeutics from basic health sciences research conducted by a consortium of Puget Sound region health sciences research institutions.¹⁰⁸ The Institute for Translational Health Sciences (ITHS) is based at the UW School of Medicine, although it also includes Children's Hospital and Regional Medical Center, Fred Hutchinson Cancer Research Center, Seattle Cancer Care Alliance, Group Health Cooperative Center for Health Studies, Benaroya Research Institute at Virginia Mason, and the Northwest Association for Biomedical Research. The purpose behind the NIH's CTSA project is to seed a number of consortium sites around the country to serve as discovery engines that can rapidly translate research into prevention strategies and clinical treatments. One of the key challenges is for basic science researchers to better understand the translational work that needs to be done to move basic science research results to testable products, as well as for translational researchers to better understand the legal and business realities of the commercialization pathway. Therefore, part of the CTSA project is to support education and training opportunities for health science researchers to better understand the commercialization pathway. I have also committed to help the ITHS implement commercialization education programs including as both a classroom instructor and through supervising the ELC team that will be work with ITHS researchers who develop breakthroughs that might be commercializable. The ELC team role has two different parts. The first is primarily tailored education and is well captured by the ELC students' ability to guide clients through "IPR 101" discussions customized to the researcher's field and scientific breakthrough. The second is oriented around helping the researcher plan a commercialization strategy, and possibly assisting in its implementation. The first ITHS CTSA projects will likely commence in early 2008.

F. Summary of ELC Services and Role in Puget Sound Economic Development

ELC has taken a holistic approach to facilitating economic development in the Puget Sound region appropriate to UW's mission as a state institution. It offers critical early stage law and business counseling to: i) microentrepreneurs, especially those with low incomes or trying to start a business in a disadvantaged community; ii) non-profits who seek to deliver services to the poor and disadvantaged in the region and beyond; iii) high tech entrepreneurs of low or middle income who seek to build desirable tech companies in the region that can provide high paying, skilled jobs; and iv) the UW and its tech transfer mission, especially with regard to its increased emphasis on assisting faculty members to create spin off companies in the region based on their UW research. It has partnered with other organizations in the region that are also interested in innovation and economic development such as Washington Research Foundation and Washington State Patent Lawyers Association. It has also successfully requested and received funding from foundations focused on entrepreneurship and economic development, including the Herbert B. Jones Foundation, Coleman Foundation, and Washington Law School Foundation.

Due to its pioneering "clin-ship" model, ELC is able to scale far beyond traditional law school clinics which are limited by the case load that a single clinic director can take on. Currently, ELC deploys five teams per year that each can serve one or two clients per

¹⁰⁸ See *supra*.

academic quarter during the regular academic year.¹⁰⁹ This results in a capacity to serve anywhere from 15 to 30 clients per regular academic year. The actual number varies according to whether some clients continue with ELC beyond the core legal audit stage to receive some basic legal services in additional academic quarters. Based on the enthusiastic response of practicing lawyers in the community to supervise teams, there is at this time no clear limit to the scalability of ELC. At some point, ELC will run into constraints based on the number of qualified attorneys in the region and/or the ability of ELC staff to coordinate the orderly flow of students, supervisors, and clients through the process. At the same time, based on the substantial number of highly qualified attorneys in the region, it is equally likely that ELC would run out of entrepreneur clients before it ran out of attorney supervisors. Or, ELC will tap out the number of students at UW Law School and Business School who are willing and able to participate in the clinic. Of course, these are the sorts of problems that are actually good problems. If local entrepreneurs and research faculty are being adequately counseled, then the ELC and the local professional community have completely fulfilled their obligation to the region. If UW Law School and Business School are able to provide a slot in the ELC for every interested and qualified student, then the schools will have completely discharged their duties to these students. If every qualified and interested local corporate, IPR and/or tax attorney is able to provide *pro bono* services that are appropriate to his or her expertise through the ELC, then the clinic will have also furthered the public good in a very significant way, while providing a valuable service to attorneys and their firms.

The next stage of development in the ELC project is to harness the flow of entrepreneurs, students, and professionals to build a real-world based research program focused on innovation, entrepreneurship, commercialization, law and policy. Such a program would fit well into research and education initiatives promoted by funding organizations such as the Kauffman Foundation,¹¹⁰ as well as the needs of national, state, and local economic development agencies. It would further the entrepreneurship studies movement that continues to evolve and grow in the academy.¹¹¹ Most centrally to the sponsors of this Report, IPI and the USPTO, the proposed ELC research program will generate useful data and policy considerations for debates over IPR reform.

The need for empirical data with regard to IPR and entrepreneurship is significant, yet difficult to come by. In large part this is based on definitional problems of what constitutes an “entrepreneur.” As detailed in this Report, there are many kinds of entrepreneurs and virtually all of them will have to interface with some part of the IPR system. Yet, because of the very creativity and flexibility of the entrepreneurial mind, even perceived dysfunctionalities of the IPR system (e.g., “weak” or “over broad” patents) can lead to entrepreneurial opportunities. While some may want to categorize various flavors of entrepreneurship as “good” vs. “bad,” and/or “socially useful” vs.

¹⁰⁹ The UW academic calendar is based around a full year quarter system – Autumn Quarter (Aug. 16 – Dec. 15); Winter Quarter (Dec. 16 – March 15); Spring Quarter (March 16 – June 15); and Summer Quarter (June 16 – August 15). However, the Summer Quarter is generally not considered to be part of the regular academic year, and schools and departments can use it as other colleges and universities would use a summer term. ELC does not currently operate during the Summer Quarter, but may do so in the future.

¹¹⁰ www.kauffman.org.

¹¹¹ See, e.g., <http://www.ssrn.com/erpn/index.html>.

“socially harmful,” I believe that this is a very difficult and dangerous path that in fact will undermine the promotion of great entrepreneurship across the board.

Related to the foregoing, any entrepreneurship research programs that fail to take into account the broad universe of entrepreneurs and their interactions with the IPR system may well do a disservice to policy makers by generating skewed data as to what kinds of IPR reform or systems are “best” for entrepreneurs. Which is not to say that narrowly focused studies of particular entrepreneurial niches are inherently problematic, but only that if those studies are not couched in a broader framework of entrepreneurship writ large, then they may be dangerously misleading. As seen in the patent reform debates of the past few years, perspectives on what constitutes the “right” or “best” IPR reform depends heavily on industry affiliation (e.g., biotech vs. IT industries) as well as size and nature of economic players (e.g., start-up vs. established company). Further, it is not enough to try to take into account only high profile technology entrepreneurship fields like biotech or IT. “Entrepreneurship” certainly does not reduce to all and only “tech entrepreneurship.” Neither does “tech entrepreneurship” reduce to the two fields of “bio-entrepreneurship” and “high tech entrepreneurship.” (when the latter is used to capture entrepreneurship in the IT sector). As the new wave of clean and green technology innovation and commercialization shows, there is still much cutting edge research being done in fields such as materials sciences and mechanics. Likewise, there are emerging areas such as nanotechnology that have some overlap with biotech, IT, materials sciences, and mechanics, but are not necessarily reducible to some combination of those other fields.

Critically too, as much attention needs to be paid to entrepreneurship by small or first time players and research entities like universities as to already successful and/or serial individual entrepreneurs. Indeed, arguably it is the small inventor and/or entrepreneur who needs the most attention from policy makers – large established entities and/or wealthy serial entrepreneurs already have access to top lawyers and funding that can enable them to navigate through suboptimal IPR regimes. Small inventors and/or entrepreneurs cannot do this. Additionally, an IPR system optimized for established organizations and/or successful serial entrepreneurs may well *not* be particularly suited to small inventors or entrepreneurs. In other words, limiting one’s inquiry to what would help Bill Gates or Craig Venter launch a new entrepreneurial venture does not necessarily tell one what would help the first time inventor or entrepreneur of middle income who has little practical access to expert IPR attorneys. Neither does attempting to mine the recollections of already successful serial entrepreneurs in that, even if their recollections are not shrouded by the haze of memory, the situations they faced years ago are likely quite different from the current environment. Such historical accounts, together with historical accounts of specific technology niches, can be useful in their own way, but not as a substitute for empirical evidence as to what small inventors and entrepreneurs are faced with today. Further, a one time survey or study may quickly become dated. What is needed is an ongoing source of up-to-date information about inventors, entrepreneurs, and IPR.



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Thus, ELC's proposed research program will center on collecting data from clients and other inventors/entrepreneurs in the Seattle area on an ongoing basis. The nature of this study will be longitudinal to track not only what first time inventors and entrepreneurs are thinking and doing about IPR in the course of developing their first venture, but then also tracking how their views and actions may change over the course of that venture (include tracking how well the venture progresses) and even into follow-on ventures. ELC is ideally situated to conduct this study as it already has a steadily increasing flow of inventors and entrepreneurs interacting with it that will continue into the indefinite future. It also has access to inventor and entrepreneur focused ventures like LaunchPad, Center for Innovation and Entrepreneurship (UW Business School), Washington Research Foundation, Washington State Patent Lawyers Association, and Northwest Entrepreneurship Network. In this way, ELC will model teaching and research hospitals that expressly use patient cases as a means to advance not only critical student clinical training, but also clinical research.¹¹² ELC staff have also already contacted directors of other small business and entrepreneurship clinics around the country to lead a consortium of clinics engaged in similar law and entrepreneurship research.

One final point about the nature of the ELC experience for students is also necessary. As entrepreneurship educational and clinical programs continue to emerge around the country, students in them will need to be clear about a fundamental distinction as to what it is they will be learning and doing in them: are they training to *be* entrepreneurs or to *support* entrepreneurs? In most business or management school programs the emphasis, understandably, is on training students to *be* entrepreneurs. Of course, even in the business school environment, some faculty and students may emphasize an interest in acting as business consultants to entrepreneurs. Or they may be training to become venture capitalists or other bankers that may fund entrepreneurs. Even in the latter, though, the line can be blurred as sometimes venture capitalists who take very active

¹¹² ELC is also mindful of human subjects research issues and will comply with all applicable laws and policies regarding collection and use of personal information.

management roles in some of their portfolio companies, or who actively start entrepreneurial ventures that they will also invest in, are referred to as “entrepreneurs” in the media. Similarly, engineering programs that seek to educate students about entrepreneurship, generally focus on training the student to be the entrepreneurs.

Law schools, however, primarily train students to become lawyers, which means that law school entrepreneurship programs and clinics should be training students to *support* or counsel entrepreneurs, not to *be* entrepreneurs. It is not that no law students are interested in becoming entrepreneurs, or that entrepreneurship training would not be helpful even for lawyers considering how to start and run a law practice, but the majority of law students interested in entrepreneurship are interested in being lawyers to entrepreneurs, either as outside counsel, or if the venture grows large enough, in-house counsel. Further, law students who are interested in becoming entrepreneurs are best served by taking entrepreneurship classes at a business school, in addition to the core law school classes that they need to become a lawyer.

Ultimately, law students need not make a hard and fast decision about whether they are going to become lawyers or entrepreneurs – the two are not mutually exclusive. But they do need to be keenly aware of the distinction, especially as a professional responsibility matter, and make a clear election in any particular situation whether they are primarily acting as an entrepreneur or attorney. Certainly a lawyer who begins his own venture as sole owner can act as his own attorney. The issue really arises when a law student or practicing lawyer starts to work with a team of individuals who are starting a business. The tendency is for the student or attorney to be somewhat vague – to himself and to the others – as to what exactly his role is. Meanwhile, the other individuals almost always seem to be relying on the law student or attorney to (also) be the venture’s counsel. It will be hard for the attorney-entrepreneur to be objective about giving legal advice to the venture he is involved in though. The attorney-entrepreneur may also not have the legal expertise to act as general or specific counsel for any and all legal issues that may arise for the venture. He may not even be aware of many of these issues and thus cannot even spot them to then retain expert counsel in the area. In a sole ownership situation, the attorney-entrepreneur hurts only himself, which is not as problematic from a professional responsibility perspective. But, when other founders/entrepreneurs/owners are involved, the attorney’s possible malpractice may have dire consequences for which they did not understand the risk (relying on the attorney-entrepreneur to catch and deal with *any and all* legal issues that might arise). I have observed this to happen the most often with law students who often do not yet quite know what they do not know and are over eager to work with peers from other fields who are starting a venture.

* * *

In conclusion, the ELC supports economic development in the Puget Sound Region through a few different avenues. First, it provides direct legal and business counseling to local microentrepreneurs of low income or in disadvantaged communities. Second, it provides legal services to local non-profits that serve poor or disadvantaged communities in the Region and beyond. Third, it provides direct legal and business counseling to local

high tech entrepreneurs, who are part of Washington State's emphasis on the high tech sector for economic development. Fourth, ELC provides legal and business counseling to UW faculty researchers on behalf of UW TechTransfer and its LaunchPad initiative, supporting yet another key avenue of economic development emphasized by the Washington Economic Development Commission. Fifth, ELC provides hand-on clinical training for the next generation of IPR and other attorneys to support entrepreneurship in the Region. Sixth, ELC partners with CIE at the UW Business School and other entrepreneurship focused programs on campus to provide multi- and inter-disciplinary education and training experiences for students and faculty. All of this constitutes Phase I of the ELC project. The future of ELC lies in Phase II, in which the clinic and its faculty, staff, partners, and students will begin an ambitious research program focusing on the relationship between entrepreneurship and IPR.

PART III: USING THE ELC AS A MODEL FOR BUILDING EFFECTIVE LOW COST IPR & ENTREPRENEURSHIP CLINICS AROUND THE GLOBE

Now that the ELC and its clinic model is well past the proof-of-concept stage and has demonstrated its ability to work smoothly and effectively to assist a wide range of entrepreneurs with quality IPR counseling with very low overhead, other regions could consider adopting its model. The establishment of a similar clinic in regions that strive to promote entrepreneurship of all stripes can provide a spark to prospective entrepreneurs who hesitate to launch their ventures because of legal uncertainties and a lack of access to competent IPR counsel. So long as there is a legal academic institution or school with a faculty member who would be willing to oversee a full or part time director to coordinate activities of students, supervisors, and clients, the ELC model can be easily replicated. In developing markets, there may be a limited number of qualified attorneys to supervise teams. However, this will only mean that a clinic will not have the full scalability of ELC-type clinics. Further, in markets with IPR and legal systems that appear inadequate to support a robust entrepreneurial economy, an ELC-type clinic could use its research program to help entrepreneurs and their lawyers make the most of the system that does exist, as well as perhaps argue for reform of the legal system to better support entrepreneurship. This Part of the Report will outline the basic steps needed to replicate the ELC both around the U.S. and around the world.

In assessing the feasibility of establishing an ELC in a region, the three key elements are: i) an institutional home; ii) qualified supervising attorneys and/or expert faculty member; and iii) students with relevant background training. These three elements will be discussed in turn. The institutional home will most likely be a law school, although of course it is possible to run the program purely for the benefit of clients (and perhaps attorneys for fulfillment of their *pro bono* obligations) and omit the student clinical portion. The latter is more similar to a non-profit that serves entrepreneurs however, and will not be addressed further here.

Accordingly, the first task for establishing an ELC in a region is finding a local law school that has at least some faculty and students interested in entrepreneurship. Once a

school has been identified, a member of the faculty needs to be recruited to oversee the program. It should be stressed to the faculty member that this role will not involve that much of a time commitment and that he or she can go on with much of their current teaching and scholarship agenda. In fact, the school's administration can assist by allowing the faculty member to count their oversight of the ELC as the fulfillment of his or her service to the law school community (i.e., in lieu of committee work and similar administrative chores). The time commitment for the faculty member will mainly vary by the amount of time they want to spend on creating a classroom component for the clinic and whether they would like to supervise any of the student teams. The faculty member will also need to build relationships with the business or management school/department so as to secure management students and faculty supervisors for the teams. But to do bare bones oversight of just law supervisors and their student teams should only take up about 10 hours per month of the faculty member's time. So far, the law school has incurred no costs on its way to establishing an ELC. But it should allow the faculty member to hire a program coordinator who can administer what can become a complex coordination problem as students, supervisors, and clients are brought into the ELC and assigned to each other. If the faculty member has to do this administration by him or herself, then the job could take up to 10-20 hours *per week*. At the same time, it is possible to assign a secretary or other existing staff person to assist the faculty director in coordinating the clinic personnel and scheduling, in which case no new hiring would have to be done, but the administrative person would of course have less time to spend on other non-ELC tasks. The upshot is that the school will likely have to dedicate at least a .5 FTE administrative or professional staff person to work with the faculty member.

Once the law school, faculty member, and program coordinator (if any) are lined up, then the ELC staff must turn to creating a network of local qualified attorneys to supervise the teams. In urban areas with a reasonably well developed business and IPR law bar, this should not present much of a problem if positioned correctly. First and foremost, the law school and clinic staff must make it absolutely clear that the clinic will not encroach upon fee paying work for local attorneys. After that it could draw upon alumni of the school and other qualified local attorneys who have expressed interest in working with, mentoring, or teaching students. Additionally, it can help enormously if the local bar has a *pro bono* obligation.¹¹³ If so, then the ELC staff should work to ensure that some or all of the supervising attorney positions qualify as *pro bono* hours in that jurisdiction. Projects/clients that will not qualify to be treated as *pro bono* should either be kept to the appropriate levels so as to not jeopardize the overall *pro bono* activity status of the clinic, or should be separated off into a different branch of the clinic. It is also key to limit the number and length of supervisory projects for volunteer attorneys to avoid burn out. In smaller markets or rural areas there may be a real scarcity of qualified IPR attorneys.¹¹⁴ This will limit the extent of the possible network of supervising attorneys. At the same time, a law school and its interested faculty members could decide to have the faculty director of the clinic supervise more cases directly. Overall the scalability of the clinic will still be affected, but the clinic may still be able to serve a decent number of local

¹¹³ *Pro bono* requirements from selected jurisdictions are summarized in Appendix 3

¹¹⁴ For example, the entire state of West Virginia has fewer than 25 IPR attorneys, according to Michael Risch, Associate Professor of Law at West Virginia University.

entrepreneurs. Further, it is not inconceivable that the number of IPR attorneys has some rough correlation to the number of inventors and entrepreneurs in the region.

Accordingly, the number of supervising attorneys available may still be sufficient to serve the majority of local inventors and entrepreneurs. Finally, the existence of the clinic itself may have a positive effect on both the number of IPR attorneys (essentially by adding new qualified IPR attorneys to the community as clinic students graduate) and the amount of commercialization of innovation (as more qualified IPR attorneys are able to help inventors and entrepreneurs successfully commercialize innovation). Based on the volunteer nature of the supervising attorneys, the addition of the supervising attorney network from the local practicing bar adds no cost to the ELC, other than perhaps some catered functions or events for the attorneys, such as orientation, appreciation or award parties, etc.

The final element to be added is the students themselves. In some ways, students should be considered at the beginning. If there are too few students taking IPR courses and interested in entrepreneurship, then there is little point in fielding a clinic. One might hope to foster interest among students by creating the clinic, but such interest is more efficiently cultivated by offering practicums or other practice oriented courses short of a full blown clinic. Assuming the clinic is being explored based on sufficient student interest, then the clinic staff must develop criteria for student participation. As opposed to many of the traditional law school clinics whose relevant substantive law consists of topics either covered in first year mandatory law school courses or able to be taught within a few sessions of a classroom component of the clinic itself, an ELC will need students who have already taken at least a basic IPR class, such as Patent Law, plus an advanced counseling, patent prosecution, or transactional/licensing IPR course. The latter may be taken concomitantly with enrollment in the clinic.



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The additional benefit of instituting these pre- and co-requisites is that more clinic classroom time can be spent on lawyering topics, professional responsibility issues, “rounds” in which teams can appraise each other and the faculty director of their projects and progress, and guided reflection on the clinical experience. Successful completion of

the pre-requisite, and enrollment in or prior completion of the co-requisite, should be viewed as necessary but not sufficient for acceptance into the ELC. The ELC staff should devise additional decision criteria such as: student background in business, entrepreneurship, or relevant science, engineering, or technology; student grades and class rankings; interviews with the student; and students professed and/or demonstrated interest in working with entrepreneurs in her career after graduation. At UW Law School, far more students apply for the ELC than can be accommodated at the current time. Thus the ELC staff can be quite selective in admitting students. However, the goal is to keep growing the number of teams such that essentially all qualified students could be given a slot in the ELC at least once in their time at the law school. Other schools instituting an ELC may have far fewer interested, qualified students. However, assuming the school has any such students, the number of teams can then simply be established by the number of students able to staff them.

Schools adopting an ELC must also take care to verify what requirements the clinic and its students need to fulfill to qualify the students to assist in providing legal services to the public. In the U.S., most state attorney licensing bodies have an express provision for student interns, externs, or clerks to engage in a limited practice of law under close supervision of a fully admitted member of the bar.¹¹⁵ It is not entirely clear that the kind of supervised counseling that students give in the ELC rises to the definition of “legal services.” However, because it should still be considered legal advice on which a client might rely, and further because it would be best to characterize the client relationship as one of attorney-client, so that attorney-client confidentiality privilege rules may apply,¹¹⁶ the ELC treats students as providing legal services. Schools forming an ELC are strongly urged to treat their students as providing legal services and comply with all local rules for such student practice. Beyond this compliance with the local bar rules and practices, the clinic should also execute a formal agreement with the students explaining their role and obligations to the client and clinic. A critical component of such an agreement should be a clear confidentiality provision. UW ELC’s student participation agreement is attached as Appendix 4. Schools instituting an ELC that also enrolls business or other non-law students must engage those students’ participation in a different manner from that of the law students. The non-law students do not have to comply with state bar licensing requirements, but they also must then be made very clear that they cannot offer anything that sounds like legal advice, analysis, or counseling to clinic clients. Further, those students must also, of course, execute the student participation agreement. But in their case, the agreement is even more important as it will be the only legal obligation of confidentiality and care to the client – for law students, these obligations come as part of the legal engagement and attorney-client relationship itself.

¹¹⁵ See, e.g., Washington State Bar Association, “Rule 9 Legal Interns: Frequently Asked Questions” available at <http://www.wsba.org/lawyers/licensing/faq-rule9.htm>; Washington State Bar Association, Admission to Practice Rules: Rule 9. Legal Interns, available at <http://www.wsba.org/lawyers/licensing/apr9.pdf>.

¹¹⁶ Note that the existence of the attorney-client privilege in transactional or counseling settings – especially where non-lawyers are privy to the attorney-client communications at issue – is very much a matter of debate. The scope of attorney-client privilege is dictated by the law of the relevant jurisdiction where a clinic is to be established. Some jurisdictions may have no formal privilege at all, much less one for counseling and transactional settings.

Once all of the foregoing has been established, then the clinic can begin to screen and accept clients. Here the main criteria will generally be income and assets of the individual or entity applying for services, absence of active or threatened legal dispute,¹¹⁷ and a brief telephone or in-person interview to assess the individual's stability and seriousness around pursuing an entrepreneurial venture. The income and assets inquiry is especially important to clinics who wish to ensure that supervising attorneys can count their hours as *pro bono*. UW ELC has had no problems finding qualified, serious, and interesting clients. Many of them found their way to the clinic with little to no advertising on the part of the clinic. A good number were actually developed through my own personal connections in the community. In a number of other cases, clients approached me or the ELC based on our respective UW web pages. To the extent that ELC needs to reach out to find other clients, it will do so through various entrepreneurship focused non-profits in the Seattle area, as well as community organizations and economic development agencies. Other schools adopting the ELC model should be able to follow essentially the same path in client development. The screening and application forms for prospective clients are attached as Appendix 5.

In conclusion, the ELC clin-ship model offers a very low cost, yet effective, way to deploy an IPR and entrepreneurship clinic. Such a clinic can be used around the U.S. and around the globe to foster more robust entrepreneurial economies, and hence promote economic development through social justice. The ELC model is highly scalable, with little marginal cost for each expansion. It brings together expert IPR practitioners from the community to supervise law students who aspire to become IPR attorneys and work with entrepreneurs. By focusing on early stage counseling, and limiting regular legal services, the ELC model allows a better complementary rather than competitive relationship with the local bar. Further, the ELC model can provide local IPR practitioners with quality *pro bono* opportunities to fulfill their professional obligations that nonetheless fall within their core area of expertise. Finally, the ELC model can be the basis for ongoing empirical research on the interaction of IPR and entrepreneurship in its community. In turn, this research could be linked with that emanating from other clinics around the country and world to finally provide a far better picture of how entrepreneurs work with the IPR system.

¹¹⁷ Because the ELC model is based on legal and business planning and counseling, with perhaps some transactional services added on, the ELC will not accept any clients who have active or threatened legal disputes as part of their request of representation.

APPENDIX 1: U.S. SMALL BUSINESS CLINICS

Institution	Clinic Name	Service Focus
George Washington University (DC)	Small Business Clinic/Community Economic Development Center	Small business
Northwestern University	Small Business Opportunity Centre	General corporate & business
University of Chicago	Institute for Justice Clinic on Entrepreneurship	Entrepreneurship
University of Colorado	Entrepreneurial Law Clinic	Entrepreneurship
University of Tennessee, Knoxville	Small Business Clinic	Small business
University of Washington (Seattle)	Entrepreneurial Law Clinic (collaborative with Business School)	Entrepreneurship and economic development
Washington University (St. Louis, MO)	IP and Business Formation Legal Clinic	Small business

APPENDIX 2: U.S. IPR CLINICS

Institution	Clinic Name	Service Focus
DePaul University	Technology / Intellectual Property Clinic	Public interest litigation
Franklin Pierce Law Center	Intellectual Property Amicus Clinic	Filing amicus briefs in IPR litigation
Harvard University	Berkman Center – Clinical Program in Cyberlaw	Public interest litigation
Northwestern University	Small Business Opportunity Centre	General corporate & business
Stanford University	Cyberlaw Clinic	Public interest litigation
University of California Berkeley	Samuelson Technology and Public Policy Clinic	Public interest litigation
University of Connecticut	IP law clinic (collaborative initiative with Business School)	Economic Development; Business start-ups
University of Maine	IP Law Clinic	Business – Patents
University of Maryland	IP Law Clinic	High Tech Start-Ups
University of San Francisco	Internet/Intellectual Property Justice Clinic	Public Interest
University of Southern California	Intellectual Property Clinic	Public Interest
University of Washington (Seattle)	Entrepreneurial Law Clinic (collaborative with Business School)	Entrepreneurship and Economic Development
Vanderbilt University	IP and the Arts Clinic	Arts - IPR
American University	The Glushko-Samuelson IP Law Clinic	Public interest litigation; some patent prosecution
George Washington University	Small Business Clinic	Small Business
Washington University (St. Louis, MO)	IP and Business Formation Legal Clinic	Small Business

APPENDIX 3: RESOURCES ON *PRO BONO* OBLIGATIONS FOR SELECT JURISDICTIONS

Australia's National Pro Bono Resource Center *available at*
www.nationalprobono.org.au/target/

- Voluntary target of 35 hours

Article: *How and Why is Pro Bono Flourishing? A Comparison of Recent Developments in Sweden and China*, *available at*
<http://dspace.flinders.edu.au/dspace/handle/2328/1034>.

Article: *The Brussels Pro Bono Project*, *available at*
<http://www.mayerbrown.com/Brussels/community/article.asp?id=1573&nid=3609>

Article: *Pro Bono Publico – lawyers serving the public good in British Columbia*, *available at*
http://www.lawsociety.bc.ca/publications_forms/report-committees/docs/ProBono_02-06.pdf

Article: *The Politics of Pro Bono*, *available at*
<http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1002&context=uclalaw>

Legal Assistance for Africa and Middle East Refugee *available at*
http://www.amera-uk.org/objectives_history.html

Article: *Setting the Pro Bono Pace*, *available at*
http://www.imakenews.com/eletra/mod_print_view.cfm?this_id=698438&u=probono&is_sue_id=000141297&lid=b11&uid=0

- South African Law Society requires 24 hours of pro bono work

Article: *Legal Help on Hand for Poor Joburgers*, *available at*
http://www.joburg.org.za/2007/may/may9_legal.stm

- Describing a pro bono office set up in Africa

First European Pro Bono Forum, *available at*
<http://www.pili.org/en/content/view/523/269/>

IMPORTANT MEMORANDUM : PLEASE READ CAREFULLY

Failure to comply with Clinical Law Program policy may jeopardize your ability to participate in the clinical program

TO: All Students and Faculty in the Gates Hall Clinics
FROM: Clinic Faculty
RE: **CONFLICT OF INTEREST POLICY**
DATE: October 24, 2003 (Amended Sept. 24, 2007)

(Thanks to Peter Joy of Case Western U. Law School for allowing us to use his memo to students on conflicts of interest issues as a model for this one)

"Conflict of interest" is an issue that affects all lawyers regardless of the type of practice they have. As a legal intern in the clinic, we expect you to adhere to the standards of conduct applicable to lawyers in Washington. If you are certified as a Rule 9 intern, you are explicitly held to those rules. See RPC, Rule 9(c). While this memorandum briefly summarizes some of the more important provisions of the Washington Rules of Professional Conduct, you should read the Washington Rules carefully and completely. The Washington Rules of Professional Conduct are attached to this packet and are also found in all of the Washington Rules of Court books located in the clinic library, the Law School library, and on Westlaw and Lexis. You must speak with one of the clinical faculty immediately, if you believe that there is a potential conflict of interest for you in the clinic.

Conflict of Interest Rules

A conflict of interest exists whenever the attorney, any other lawyer with whom the attorney works, or any person represented by the attorney, has interests directly adverse or potentially adverse in any way to the interests of any other client of the attorney, the attorney's office or the attorney personally. Even if the attorney and other lawyers in the attorney's office take action most beneficial to all clients involved, the conflict of interest still exists unless certain steps are taken.

When a conflict or potential conflict of interest arises, an attorney usually has three possible options: (1) inform all interested clients of the present or potential conflict, inform the clients of the possible consequences of the conflict, and continue this multiple representation if the clients give the attorney informed, express (usually written) consent, see RPC 1.7(b)(4); (2) after informing the clients of the conflict, withdraw from representation of one of the clients if withdrawal will sufficiently cure the conflict; or (3) withdraw from the representation of both clients. A fourth option, establishing a

screening mechanism (building a "wall"), may exist in some situations.

Conflict of interest rules are designed to further attorneys' duty of loyalty to their clients and their duty to protect client confidences (RPC 1.6). In addition, the conflicts rules also ensure that the Clinic's resources are not wasted on cases where the Clinic would likely have to withdraw due to a conflict that cannot be cured.

RPC 1.7 (a)(1) and (2) provide that "[a] lawyer shall not represent a client if the representation of that client will be directly adverse to another client" and that "[a] lawyer shall not represent a client if the representation of that client may be materially limited by the lawyer's responsibilities to another client or to a third person, or by the lawyer's own interest." Each provision sets out an exception which requires full disclosure, written consent, and a reasonable belief that the relationship will not be harmed. RPC 1.9 contains a similar requirement as to representing a client in the same or a related case where that person's interest are materially adverse to the interests of a former client. In addition, RPC 1.10 provides that in most cases no member of a firm may represent a client, if one of the firm members cannot do so due to a conflict of interest.

The possibility of even an unintentional leak of client confidences requires the imputed disqualification of law partners and associates, spouse-attorneys, and even other lawyers in office sharing arrangements. See RPC 1.10. Because the clinics in Gates Hall share staff and space, we treat these clinics as one law firm. We therefore must carefully screen for conflicts of interest. For these reasons, the clinic must be extra careful to monitor potential conflicts among students with outside employment, future employment opportunities, or other relationships giving rise to conflicts. (Note that students in the Mediation Clinic do not represent clients. That poses an unresolved question as to whether we must treat the Mediation Clinic the same way as the client-representation clinics. We take the conservative approach of including the parties to mediations in our conflict checking procedures.)

Our Procedures to Avoid Conflicts

To protect ourselves from actual and potential conflicts of interest, it is essential that we all work closely together to monitor potential conflicts. The clinic staff and faculty will attempt to monitor potential conflicts based upon the information you provide to us. You may also be given more information concerning our cases during the quarter to check with your employer. Please consult with a clinical faculty member about any potential conflict situation as soon as you become aware of the potential conflict.

What You Should Do

1. Attached to this memo is a Conflicts of Interest form (Attachment D). If you haven't already turned one in, please do so immediately. If you start new employment while in the clinic, or if any other circumstances reported on the original form change, please complete a New Employment form(Attachment E). Remember that you should let us know of any interviews

you schedule with potential future employers.

2. Ask your employer if the employer's office, or any lawyers in the office, are opposing counsel or otherwise associated with any cases involving the clinic as opposing counsel. If the answer is in the affirmative, please speak with a clinic faculty member immediately. If the answer is in the negative, ask your employer to note your involvement in the clinic and to screen new cases for potential conflicts with the clinic.
3. If you believe that there is an actual or potential conflict because of where you work or worked, speak with a clinical faculty person immediately.
4. Be alert to conflicts of interest issues in performing your initial interviews. The name of the client, all other parties and opposing counsel are important to our conflict screening. Please supplement this information as new information becomes available.
5. If you have any questions concerning our conflict of interest policy, please speak with a clinic faculty person immediately.

What We Do When There are Actual or Potential Conflicts

When there are actual or potential conflicts, protection of the client's rights come first. The second most important consideration is the interest of the legal intern. That means we will decline to represent a potential client if the conflict cannot be resolved with the informed consent of all parties. If we already represent a client and the conflict presents itself due to an intern's employment, then consent or, where applicable, a "wall" may be pursued. Where consent or a "wall" are not possible, then withdrawal of representation or the termination of outside employment may be the only ways to avoid the conflict.

If a legal intern negligently or knowingly fails to identify an actual or potential conflict, that presents us with more limited options and may be a violation of the Washington Rules of Professional Conduct. Please follow the steps outlined in this memorandum, and we will competently and professionally avoid conflicts of interest.

If you have any questions about this memorandum, please speak with your clinic faculty member or raise those questions at a clinic class. If you are reluctant to discuss potential conflicts with your employer for any reason, please speak with a clinical faculty member immediately. Our aims are to protect each client's rights and enable you to participate in a clinic without jeopardizing your employment. As long as these goals can be pursued ethically, no one's interest will be adversely affected. Thank you in advance for your observation of these important procedures.



STUDENT CONFLICTS OF INTEREST FORM

[Use additional sheet if more space is required to answer any question]

1. **Printed First, Middle & Last Name** _____

2. **Clinic** _____

3. **Current Outside Employment (RPC 1.7, 1.10)**

(a) Outside Employer _____

(b) Address of Outside Employer _____

(c) Status with this employer: (i) Rule 9? Yes ____ No ____ (ii) Responsible for individual clients? Yes ____ No ____ .

(d) Area(s) of law employer handles _____

(e) Types of legal work employer handles _____

(f) Major clients of employer _____

4. **Past Outside Employment (RPC 1.9, 1.11, 1.12)**

(a) Past Outside Employer _____

(b) Address of Past Outside Employer _____

(c) Status with this employer: (i) Rule 9? Yes ____ No ____ (ii) Responsible for individual clients? Yes ____ No ____ .

(d) Non-confidential names of clients on whose cases you worked

D

(e) Are there past clients whose names you believe should be kept confidential?

Yes ____ No ____

5. **Office Sharing.** If you work(ed) for an attorney or attorneys who share office space with other attorneys, please list the names of the other attorneys:

6. **Future Employment.** (a) Firms, individual lawyers, or agencies with whom you are seeking employment and have obtained an interview (Names and addresses). Please update throughout the quarter.

(b) Firm, individual lawyer, or agency with whom you have accepted employment to begin in the future (Name and address).

7. **Lawyer Relatives (RPC 1.8(I))**

If your spouse, significant other, sibling, parent, or other close relative is a lawyer, please list his/her name and the name of his/her employer or partners:

8. **Volunteer Activities**

List the names of your volunteer activities that might create a conflict of interest (e.g. boards of directors which you assist, etc.)

9. **Student Mailing Address** _____

Email Address _____ **Phone No.** _____

Signature _____ **Date** _____

I, _____, acknowledge that:

- a) I have received, read and agree to abide by the provisions of the attached:
 - i) Acknowledgement and Acceptance of Ethical Responsibilities
 - ii) Washington State Admission to Practice Rule 9,
 - iii) Washington State Rules of Professional Responsibility and
 - iv) Clinic Conflict of Interest Policy Memorandum.
- b) I have received, accurately completed and submitted a Conflicts of Interest Form which I further agree to update should my circumstances change while a clinic intern; and
- c) I have been advised that any violation of my ethical responsibilities under Washington State Rules of Professional Responsibility and/or this Acknowledgement and Acceptance of Ethical Responsibilities can and may result in:
 - i) disciplinary action by the Washington State Bar Association and/or the University of Washington School of Law,
 - ii) an adverse affect on my ability to be admitted to receive a license to practice law, and/or
 - iii) my dismissal from the Clinic.

Print your Name: _____

Address: _____

Telephone: _____

Email: _____

Signature: _____

Date Signed: _____

ACKNOWLEDGEMENT AND ACCEPTANCE OF ETHICAL RESPONSIBILITIES

Introduction

The Clinical Law Program of the University of Washington School of Law (“Clinic”) is committed to providing high quality legal and dispute resolution services to its clients in a professional and ethical manner. As a law student intern in the Clinic, you will be expected to adhere to the standards of conduct applicable to lawyers in Washington, and in particular those governing the limits of student legal practice, conflicts of interest, client confidentiality, case calendaring and diligence.

All student interns are required to:

- 1) read and adhere to Washington State Admission to Practice Rule 9;
- 2) read and adhere to the Washington State Rules of Professional Responsibility;
- 3) fully and accurately complete and submit the Conflicts of Interest form; and
- 4) sign and submit this Acknowledgement and Acceptance of Ethical Responsibilities document with your supervising faculty member.

Failure to fulfill any of these requirements may result in dismissal from the Clinic.

Applicable Ethical Standards

All student interns are expected to abide by the highest ethical standards governing the practice of law. The conduct of student interns in the first instance is governed by the Washington State Rules of Professional Responsibility (Attachment A, RPCs). In addition, student interns are responsible for reading and abiding by the Rule 9 and the ethical rules of any agencies, tribal courts and other non-Washington courts in which they practice.

Under Washington State Admission to Practice Rule 9 (Attachment B), law students who have completed 90 law school credits are eligible to obtain a limited license to practice law under attorney supervision. This is known as a Rule 9 license. Rule 9 licensed students are afforded many of the privileges, and are bound by the responsibilities and obligations of an attorney admitted to practice in Washington. Rule 9(c) states:

A legal intern shall be authorized to engage in the limited practice of law, in civil and criminal matters, only as authorized by the provisions of this rule. **A legal intern shall be subject to the Rules of Professional Conduct and the Rules for Enforcement of Lawyer Conduct as adopted by the Supreme Court and to all other laws and rules governing lawyers admitted to the Bar of this state, and shall be personally responsible for all services performed as an intern.**

Upon recommendation of the Disciplinary Board, a legal intern may be precluded from sitting for the bar examination or from being admitted as a member of the Bar Association within the discretion of the Board of Governors. Any such intern barred from the bar examination or from recommendation for admission by the Board of Governors shall have the usual rights of appeal to the Supreme Court.

Many students who are not Rule 9 licensed also participate in the Clinic. Students in our Federal Tax Clinic practice under the authority of the IRS. 2Ls practice before administrative agencies (state and federal) that permit advocacy by non-lawyer representatives. Mediation Clinic students need not be licensed because in their role as mediators they are not engaged in the practice of law. **When this document and other Clinic materials refer to “student intern(s)” the term includes all law students enrolled in a clinic whether Rule 9 licensed or not.**

Sources of authority on legal ethics issues include:

RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS (2000), and

NATHAN CRYSTAL, AN INTRODUCTION TO PROFESSIONAL RESPONSIBILITY (1998).

Consult with your faculty supervisor anytime you have questions about your professional responsibilities as a student intern.

Limits of Student Representation

Rule 9 allows student interns to engage in a limited practice of law. You must read, learn and abide by the scope and limitations of Rule 9 practice. These limitations include, but are not limited to, the following: Student Interns may never refer to themselves as an “attorney” or a “lawyer” in speech, in writing or when signing a document or pleading. Instead, always identify yourself and sign papers as:

“Legal Intern” if you are Rule 9 licensed, or

“Law Clerk” if you are not Rule 9 licensed.

However, Federal Tax Clinic students, pursuant to the requirements of IRS regulations, may sign documents and identify themselves as a “student attorney.”

A Rule 9 qualified supervising attorney (generally a licensed Washington State attorney with 3 years practice experience) must sign all pleadings submitted by a student intern and supervise the student intern when making most court appearances. A student intern may not receive payment from a client for the intern’s services.

Consult with your faculty supervisor anytime you have questions about your compliance with Rule 9.

Conflicts of Interest

A conflict of interest exists whenever the attorney, any other lawyer with whom the attorney works, or any person represented by the attorney, has interests directly adverse or potentially adverse in any way to the interests of any other client of the attorney, the attorney's office or the attorney personally. Even if the attorney and other lawyers in the attorney's office take

action most beneficial to all clients involved, the conflict of interest still exists unless certain steps are taken. Mediation clients of a mediator/lawyer are treated in the same manner as a lawyer's legal clients for conflict of interest purposes.

Under Rule 9 student interns are treated as attorneys for conflicts of interest purposes. Therefore, Gates Hall clinic student interns and faculty attorneys will all be treated as members of the same law firm for conflicts issues. More information is provided in the Clinic Conflicts of Interest Policy Memorandum (Attachment C) which summarizes some of the more important provisions of the Washington Rules of Professional Conduct.

To protect our firm from actual and potential conflicts of interest, it is essential that we all work closely together to monitor potential conflicts. Student interns and faculty attorneys submit a Conflicts of Interest form (Attachment D) reporting *inter alia* their past, current and future work for/as attorneys and the clients/cases handled. Staff will enter the conflicts information submitted into the Clinic case management database. Before the Clinic accepts a new case/client the potential client's information is checked against the database to determine if a conflict of interest exists.

While in the Clinic, student interns have a continuing obligation to update their conflicts information on the New Employment form (Attachment E).

Please consult with your clinical supervisor immediately if you become aware of a potential conflict of interest.

Confidentiality

Candor and trust are essential for good client/attorney relationships. The client needs to know and believe that you will maintain what he or she tells you in confidence. Student interns are ethically bound to protect client secrets and confidences under the Rules of Professional Conduct. You must also maintain confidentiality in order to preserve the attorney-client evidentiary privilege. That privilege protects communications between an attorney and client, but it will be deemed waived if persons outside of the attorney-client relationship are privy to the communication. Finally, maintenance of absolute confidentiality is required to protect your work product and the work product of those working for you from discovery.

Discussion of Cases:

You may not discuss your clients or their cases with students, faculty, friends or family outside the clinic except to the extent necessary to perform your duties on client matters. You must also be careful not to breach confidentiality when talking with fellow Clinic students in public places or locations or situations (e.g., cell phone) where you may be overheard.

The clinics within Gates Hall constitute one law firm. Clients of all of the clinics are "yours" and "ours" for confidentiality purposes. Thus, confidentiality is ordinarily not breached when students from different clinics discuss their cases. Because identifying for conflicts is a

complex process in a “firm” composed primarily of students, it is useful to have some on-going, built-in “screens” separating the various clinics.

Under Washington RPC 1.10(e), the imputed disqualification of a firm from representing a client due to one firm member’s previous representation of a client with materially adverse interests may be overcome by screening the personally disqualified lawyer from participation in the matter. That should provide for some protection if for some reason a past-representation type conflict is not identified immediately.

For the time being students should be instructed not to discuss cases with students from other clinics without approval from their supervisor.

File Management:

Confidentiality also requires proper file and document security. Client files may be removed from the Law Clinics only to take to court or to a business meeting. (This may include taking the file home the night before a court appearance, with the approval of your supervisor.) If students need to do work at home, they may copy portions of the file to take with them, so long as they shred the material afterwards.

Otherwise, student interns may not take client case files out of the Clinic --not to your house, not to the computer lab, not even to the library.

Email:

E-mail can be a temptingly convenient way to communicate with your client, your fellow student interns and your supervisor. Email communications however are not secure; they are analogous to cell phone calls, which have potential to be “overheard.” Negative information about a client or the client’s case should never be written in an email.

Student interns using email must in all cases give their clients advanced notice of the potential loss of confidentiality through the use of email communications. All e-mail in connection with client should a) include the word CONFIDENTIAL in the subject matter line, and b) the following confidentiality statement:

“This electronic message transmission contains information which may be privileged or confidential. The information is intended to be for the use of the individual or entity named above. If you are not the intended recipient, please be aware that any disclosure, copying, distributing or use of the contents of this information contained in this email, including all attachments, is not authorized. If you have received this electronic transmission in error, please notify the Clinical Law Program at the University of Washington School of Law by telephone, (206) 543-3434, and delete this email from your computer system.”

If email is exchanged with clients, the client should be instructed to maintain the confidentiality of the email communication.

Before using e-mail to communicate with a client discuss the risks and benefits with your supervisor.

Use of Office Space:

The Clinic is a working law office notwithstanding the fact it is located within a law school facility. Reasonable care must be taken to prevent the disclosure of client confidences, secrets and files. Only the client reception area, interview rooms, and conference room 240 are spaces open to the public. The balance of the clinic space, including the mail/copying room, is to be accessed only by:

- Currently enrolled Clinic student interns
- Clinic faculty
- Clinic staff
- Clients and others participating in a Clinic business meeting in conference room 260 when accompanied by a clinic student intern, faculty or staff.

Student interns may not admit non-Clinic students (study buddies, friends, significant others, etc.) into the non-public areas of the clinic space. Consult with your faculty supervisor if you have questions about admittance to the law clinics.

Use of Outside Computers:

The CLP computers and computer network are provided to prepare and store confidential client information and documents. Students may use outside (non-CLP) computers for client representation work only under the following conditions.

For security and software integrity, non-CLP computers used in the Clinics area may not be connected to any network.

Client work should never be saved on the student's own hard-drive. Instead client work should be saved on the CLP J:drive network which can be accessed remotely by obtaining the U-Wick CD at the University Bookstore or downloading it from the UW C&C website. If necessary, students may save to CD, floppy disk, or a mobile memory unit. When that is done, the CD, disk, or memory unit should be left with the clinic after the student's work in the clinic ends, in order to ensure confidentiality.

Please consult with your clinical supervisor if you have any questions about the proper use of outside computers.

Consult with your faculty supervisor with any questions you have about any aspect of client confidentiality.

Additional resources regarding client confidentiality include:

RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 60 (2000) (the American Law Institute's best effort to capture the state of the law about secrets and privilege);

NATHAN CRYSTAL, AN INTRODUCTION TO PROFESSIONAL RESPONSIBILITY, Chapter 4 (1998) (predates the 2002 ABA changes but a good summary for law students); and

Lloyd B. Snyder, *Is Attorney-Client Confidentiality Necessary?*, 15 GEO. J. LEGAL ETHICS 477 (2002) (a critical inquiry into the concept of confidentiality generally).

Case Calendaring

Failure by legal counsel to attend a court proceeding or important client business meeting, or meet a filing deadline can have disastrous consequences for a client's case. In Gates Hall a computer calendaring system employing Amicus Attorney software is available. In addition, all student interns must maintain a portable personal calendar (paper or PDA) for those critical times you are in court or at meetings when future dates are set. Amicus Attorney supports handheld computers which will allow you to sync your Clinic dates.

Student interns have the responsibility to ensure that hearings, meetings and pleading deadlines are properly noted (“calendared”):

- **in Amicus on the supervisor’s calendar,**
- **in the Amicus case file, and**
- **in the responsible student interns’ personal calendars.**

Consult with your faculty supervisor with any questions you have about case calendaring.

Diligence

Lawyers are obliged to act with reasonable diligence and promptness in their legal work for clients. (See RPC 1.3) **Student interns must give their legal work for Clinic clients the highest priority.** Other responsibilities at the law school and/or outside employment are not a valid excuse for poor or non-performance of Clinic client work.

Consult with your faculty supervisor with any questions about what it means to represent your clients diligently.



Entrepreneurial Law Clinic, UW School of Law, Box 353020, Seattle, WA,
98195

Phone: (206) 732-1000 Fax: (206) 616-4510 Email:

CLIENT APPLICATION 2006-2007

In determining whether an individual is eligible for pro bono legal services, ELC will consider both the individual and the business' income, location, and potential impact on the surrounding community.

Specifically, we will evaluate the following factors:

- Household income
- Access to credit and capital
- Family size
- Benefit to the community

We will take into consideration extenuating circumstances and special needs when evaluating an applicant's income eligibility (i.e. child care, required educational expenses, child support or alimony, special employment expenses or other emergency type financial obligations.)

PART I: GENERAL INFORMATION

Personal Details

Name (First, Middle, Last):

Address:

City: State: Zip:

Home Phone:

Business Phone:

Cell Phone:

E-mail:

Website:

Is English your first language? ☐ Yes ☐ No

Do you need an interpreter? ☐ Yes ☐ No

If yes, which language?

Alternative contact in case you are unavailable:

Alt. Contact Name:

Alt. Phone:

Statistical Information

The following personal information is optional and used only for statistics for further funding of our program:

Please check the appropriate spaces:

Race:



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98195

Phone: (206) 733-1000 Fax: (206) 616-4510 Email:

- | | | |
|--------------------------------|---|--|
| <input type="checkbox"/> Asian | <input type="checkbox"/> African American | <input type="checkbox"/> Latino/Hispanic |
| <input type="checkbox"/> White | <input type="checkbox"/> Native American | <input type="checkbox"/> Other: |

Gender:

- ☐ Male ☐ Female

Age:

We occasionally need to use non-confidential information about our clients and their cases in public relations materials. May we release your name and non-confidential information about your case for such purposes? Yes ☐ No ☐

PART II: BUSINESS INFORMATION

Please attach a copy of your business plan.

1. Business Name:
2. Business Address:
3. Briefly, what service or product does your business provide?

Part III: MORE BUSINESS INFORMATION

If you are currently conducting your business, answer as many of the following questions as you can. If not, skip to Part IV.

1. Please attach copies of any formation documents-such as an assumed name certificate, articles of incorporation and bylaws or partnership agreement.
2. Attach a current copy of the balance sheet and profit and loss statement.
3. Are you conducting business as a: (Please check one.)
☐ Sole Proprietor ☐ Partnership ☐ S Corp ☐ C Corp ☐ LLC
☐ Other:
4. When did you start doing business?
5. How many employees do you currently employ?
6. Do you have any outstanding leases? ☐ Yes ☐ No
If yes, please submit a copy of the lease.
7. Did your business have any revenue last year? ☐ Yes ☐ No
(a) If yes, what was the total amount? \$



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(b) If yes, what is the revenue for your business to date (total for all years in business)? \$

Part IV. Legal Assistance

1. If you can, briefly describe your legal issues:

2. Have you consulted an attorney concerning any of the above matters?

☐ Yes ☐ No

(a) If yes, please provide the name, address and telephone number of the attorney consulted:

(b) Was the attorney paid? ☐ Yes ☐ No

(c) Why are you not continuing to pursue this matter with the attorney consulted?

3. Have you received any assistance from an organization on starting your own business? ☐ Yes ☐ No

If yes, please identify the organization:

4. If applicable, please identify the organization/person that referred you to ELC:

PART V: FINANCIAL INFORMATION

1. Dependents (people you support):

a. Number of children:

b. Others (i.e., parents, other relatives):

Explain:

2. Employment

a. Your Employer:

b. Spouse's Employer:



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3. Monthly Income Sources (Gross)

Employer (Client)	\$	per month	Bank Account(s)	\$
Employer (Spouse)	\$	per month	Equity in Realty	\$
S.S.I.	\$	per month	Equity in Auto(s)	\$
Pub. Asst. (AFDC/GAU)	\$	per month	Year & Make	
Unemployment Insurance	\$	per month	Stocks & Bonds	\$
Social Security	\$	per month	Cash on Hand	\$
Retirement	\$	per month	Other (Specify)	\$
Other	\$	per month	Other (Specify)	\$
Total Gross Income	\$	per month	Total Assets	\$

4. Please list your monthly expenses (e.g. childcare, medical, transportation, etc.):

5. Please list your debts and indicate whether they are personal or business-related:

6. Is your business being financed in part or in full by a source other than yourself?

☐ Yes ☐ No

If yes, by whom? (Examples: family members, friends, banks, grants)

7. Have you applied for any loans to finance your business? ☐ Yes ☐ No

If yes, from what financial institution(s)?

8. Do you have any partners in your business? ☐ Yes ☐ No

If yes, list the following:

Name: Total annual gross household income \$

Name: Total annual gross household income \$

Name: Total annual gross household income \$



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98195

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PART VI: CERTIFICATION

I hereby certify that all of the information in this application is true to the best of my knowledge. I understand that ELC may use this information in evaluating my eligibility for free legal services.

By signing this form you are agreeing that the information you provided to ELC may be disclosed to attorneys in efforts to recruit *pro bono* assistance for your business. You also agree that ELC may disclose to its funders non-confidential information about your business.

Signature (or initials, if submitting form electronically):

Date:



**How to Produce and Perform:
A Guide to Audio-Visual and Live Stage Licensing and Acquisition**



© istockphoto / Ivan Cholakov 2007

Carolyn J. Casselman*

* Carolyn Casselman is an associate in the Entertainment Department at Paul, Weiss, Rifkind, Wharton & Garrison, LLP. Thanks are due to Tyler Martin and Jomo Thompson for research assistance.

An economy receptive to the opportunities offered by creative endeavors such as film, theater, music and publishing (all part of the so-called “core copyright industries”), yields benefits of both a tangible and intangible nature. Participation “in the cultural life of the community” and enjoyment of the arts was included in the 1948 Universal Declaration of Human Rights and, by virtue of its inclusion, part of “the foundation of freedom, justice and peace in the world.”¹ Creative activity can galvanize the political will for freedom of expression and association that is required for a cultural community to flourish, resulting in a more open and diverse society for all.

More recent analysis has highlighted the social and psychological benefits of a robust arts culture. A landmark RAND Corporation study charted both the instrumental and intrinsic benefits of the arts in America, noting that people are drawn to the arts “because the arts can provide them with meaning and with a distinctive type of pleasure and emotional stimulation.”² These experiences in turn yield benefits of “expanded capacity for empathy,” “creation of social bonds” and “expression of communal meaning.”³ Other studies have articulated certain desirable values – such as meritocracy, diversity and openness – associated with a “creative class” of individuals.⁴ Creative pursuits have sustained culture despite tyranny, celebrated collective rapture and articulated profound sorrow.

And then there is the money. The film industry leaves perhaps the most significant financial footprint of the core copyright industries (excluding sectors such as computer software, which has myriad applications outside the entertainment industry). Box office grosses in the United States reached nearly \$9.5 billion in 2006 while during the same period worldwide box office clocked in at \$25.92 billion; worldwide admissions surpassed 7.8 billion movie tickets, with the Asia-Pacific region leading the charge with 4.81 billion tickets sold.⁵ Broadway, Hollywood’s poor cousin by most accounts and continually the subject of speculation about its imminent demise, nevertheless managed to pull in nearly one billion dollars worth of ticket revenue from 12.3 million tickets sold during the 2006-2007 season.⁶ The vast and diverse not-for-profit theater industry in the United States, which includes the nation’s largest performing arts institutions, flush (comparatively) with corporate and foundation funds, as well as grass-root innovators working on shoestring budgets, generated over \$1.7 billion in contributed and earned income and paid out more than \$1.67 billion for goods, services and salaries in 2006.⁷

But the economic impact extends beyond direct revenue generated from ticket sales. The creative industries employ artists, managers, technicians and skilled labor. Communities

¹ G.A. Res. 217A, art. 27 UN GAOR 3d Sess., 1st plen. Mtg., U.N. Doc A/810 (Dec. 12, 1948).

² Kevin F. McCarthy, Elizabeth Heneghan Ondaatje, Laura Zakaras & Arthur Brooks, *GIFTS OF THE MUSE: REFRAMING THE DEBATE ABOUT THE BENEFITS OF THE ARTS* xv (RAND Corporation 2004).

³ *Id.* at 4.

⁴ FLORIDA, RICHARD, *THE RISE OF THE CREATIVE CLASS* 78-79 (Perseus Books Group 2002).

⁵ Available at www.mpa.com.

⁶ League of American Theatres and Producers, 2006-2007 Season Statistics, available at <http://www.livebroadway.com>.

⁷ ZANNIE GIRAUD VOSS ET AL., *THEATRE FACTS 2006: A REPORT ON PRACTICES IN THE AMERICAN NOT-FOR-PROFIT THEATRE* (Theatre Communications Group 2007) at 2.

see increases in hotel stays and restaurant patronage. In 2005, the value added to the US economy from core copyright industries was estimated to be \$819 billion dollars, or 6.56% of US gross domestic product (“GDP”).⁸ The contribution of the core copyright industries trumped other major US global industries such as medicinal and pharmaceutical products, motor vehicles, primary and fabricated metal products, and food and live animals in terms of dollars in foreign sales and exports.⁹ Numerous studies have documented the direct economic benefits of arts activity,¹⁰ including employment, generation of tax revenues, and stimulation of spending in local communities that supply goods and services, such as food, lodging and parking, to arts organizations and patrons.¹¹

In the United States, salaries in core copyright industries frequently are at a premium when compared with average per employee compensation generally; by one estimate, the premium amounted to \$20,000 per employee per year.¹² The variety and volume of employment is also impressive. The Motion Picture Association of America estimates that in 2006, the US film industry provided over 358,000 jobs in the areas of production, services, theaters and video rental, and other related areas. According to Theatre Communications Group, the nonprofit theater sector offered 113,000 paid positions in artistic, administrative and technical areas. The advocacy and research organization Americans for the Arts estimated that in 2005, direct expenditures by arts organizations resulting in 1.3 million jobs, representing 1.01% of the United States workforce; for comparison, the study noted that the number of individuals employed across the various nonprofit arts sectors was greater than the number employed as either lawyers, police officers or computer programmers.¹³ Many of these jobs are of the nature that will attract and retain a class of skilled individuals who infuse a regional economy with innovation, quality of life, and growth opportunity.¹⁴

⁸ SIWEK, STEPHEN, COPYRIGHT INDUSTRIES IN THE U.S. ECONOMY: THE 2006 REPORT at 9.

⁹ *Id.* at 5.

¹⁰ *For representative samples at a national and state level, see Arts & Economic Prosperity III, AMERICANS FOR THE ARTS, available at www.artusa.org; Arts As an Industry, ALLIANCE FOR THE ARTS, available at www.allianceforarts.org; Economic Benefits of Michigan’s Arts and Cultural Activities, MICHIGAN NONPROFIT ASSOCIATION, available at www.mnaonline.org; The Arts: A Driving Force in Minnesota’s Economy, MINNESOTA CITIZENS FOR THE ARTS AND THE FORUM OF REGIONAL ARTS COUNCILS OF MINNESOTA, available at www.mncitizensforthearts.org. The RAND study suggested that economic effects of the arts should not be the primary emphasis of those seeking to articulate the benefits of arts involvement. However, as the RAND study itself notes, economic arguments can be a useful starting ground since “few people will dispute that something which promotes economic growth has clear public benefits.” To the extent that part of the challenge of developing and sustaining an arts infrastructure in developing countries is only one of multiple competing needs to which governments and/or other leadership of these countries must attend, the economic argument is a helpful in demonstrating that arts involvement has a tangible and real effect on economic well-being.*

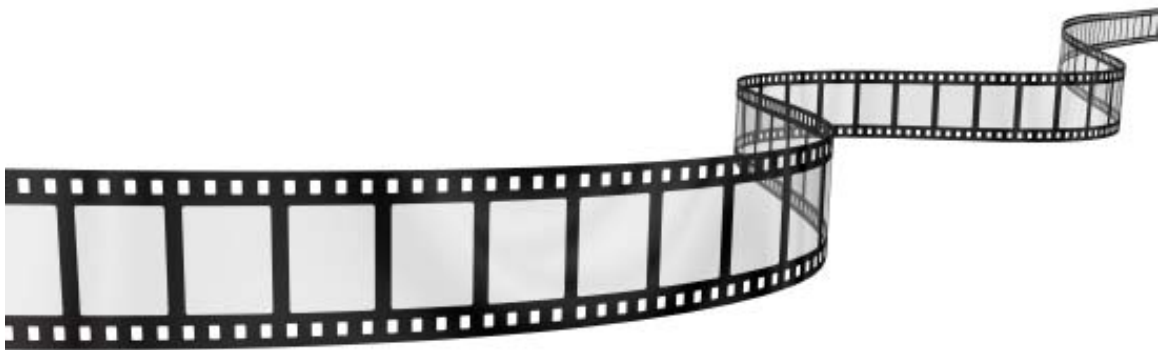
¹¹ MCCARTHY ET AL., *supra* note 2 at 17; Arts & Economic Prosperity III, *supra* note 10, at 3.

¹² Available at www.mpaa.com. This statistic should not minimize the genuine financial struggles many artists experience in launching or maintaining careers; but for those artists and other individuals in related industries who do find an economic foothold, the particular skill and talent required for such employment frequently results in higher compensation.

¹³ Arts & Economic Prosperity, *supra* note 10, at 13.

¹⁴ FLORIDA, *supra* note 4, at 249.

Although the experience of the arts does not require any particular business or legal infrastructure, achieving the widest dissemination of its benefits arguably does. The statement of principles of the United Nations Educational, Scientific and Cultural Organization (UNESCO) Convention on the Protection and Promotion of the Diversity of Cultural Expressions emphasizes “the need to incorporate culture as a strategic element in national and international development policies.”¹⁵ Core copyright industries in developing countries offer intrinsic benefits to communities across the world. As Nigerian actress Genevieve Nnaji recently explained to *WIPO Magazine*, the busy Nigerian film industry offers special benefits to Africans, “We tell our own stories....That’s why a lot of Africans can relate to it, and understand and laugh about it and learn lessons.”¹⁶



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But in many instances, there is a barrier preventing the capture and control of the benefits, both intrinsic and economic, that flow from the results and proceeds – the films, plays, and music – of arts endeavors in developing countries. Intellectual property rights and, more particularly, the business of acquiring and/or licensing creative properties for production and distribution, can be a complex and daunting landscape.¹⁷ Indeed, one statistic not readily available about the US entertainment industry is the amount of legal fees generated from various rights holders and would-be transferees negotiating and documenting their various agreements for exploitation of creative properties.

Creative pursuits are an important economic and socio-cultural activity in Africa, Asia and other key areas of the developing world. In fact, India’s film industry produces more

¹⁵ Statement of Principles of the Convention of the Protection and Promotion of the Diversity of Cultural Expressions, United Nations Educational, Scientific and Cultural Organization, General Conference, 33rd Sess. (2005).

¹⁶ *The Nollywood Phenomenon*, WIPO MAGAZINE, June 2007 at 8.

¹⁷ The broader IP environment in which licenses and acquisition deals are negotiated is also of serious concern, though not discussed in this analysis. Arguably, piracy represents perhaps the greatest impediment to the growth of the creative industries and the spread of benefits to creators. For analysis and review of the impact of piracy on the development of cultural infrastructure, see Frank Ahrens, *With Video, Music Piracy on the Rise, NBC Chief Calls for Tougher Penalties*, WASH. POST., Oct. 3, 2007, at D1; *Camera, Action, Copyright*, WIPO MAGAZINE, June 2007.

films than Hollywood – 877 in India to 473 in the United States in the year 2003.¹⁸ As part of its call to encourage creativity and strengthen production capacity in developing countries, UNESCO has directed parties to the Convention on the Diversity of Cultural Expression to exchange best practices, reinforce partnerships and encourage co-production and distribution agreements.¹⁹ A 2004 UNESCO report, entitled *Keys to Successful Cultural Enterprise Development in Developing Countries*, noted the importance of understanding how to exploit intellectual property, especially because the “[l]icensing of IPRs [intellectual property rights] gives cultural entrepreneurs the opportunity to create new revenue streams from their own creative output.”²⁰

At the same time, there is a bona fide concern about the relative bargaining power between parties. As Professor Madhavi Sunder noted, the real issue in capturing and securing intellectual property benefits is frequently “the poor’s lack of knowledge of their rights, and their diminished capacity to strike fair bargains.”²¹ This article is positioned to both elucidate common practices of licensing and acquiring rights in copyrighted works and to serve as a basic resource for artists and producers seeking to parlay that increased understanding of industry practice into more comprehensive and effective negotiating strategies. Although there are myriad variations and customizations depending on the parties and the nature of the creative properties involved, a familiarity with the building blocks of these contracts will assist cultural entrepreneurs in developing countries to assume greater control in the negotiation process.

Specifically, this article will compare and contrast the practice in the theater industry of optioning and licensing plays for performance on the live stage with the practice in the film industry of optioning and acquiring screenplays for distribution through audio-visual media. Although many agreements related to intellectual property rights will be negotiated during various stages of development and production of a play or film, the scope of this article is confined to the initial agreement to acquire rights from the author of the core work (*i.e.* the underlying work, screenplay or the play that is the subject of interest to a producer). In the theater industry, this contract usually comes in the form of a production contract, namely a license from the playwright to the producer that permits the producer to present the play in certain venues and during a specified time period. In the film industry, this contract usually comes in the form of an acquisition agreement, pursuant to which the film producer will acquire the right to develop the subject screenplay or other literary material into an audio-visual work. This article explains the identity and function of key parties in these rights agreements, explores differences in copyright ownership practices as between the theater and film industries and highlights the major provisions of a typical production or acquisition agreement.

The contract models frequently used in the United States entertainment industry are not without flaws, particularly in the application of certain terms and provisions to works that

¹⁸ Central Board of Film Certification (India), U.S. Theatrical Market Statistics Report at 10

¹⁹ UNESCO Convention, *supra* note 15, at Article 12.

²⁰ Kamara, Yarri, *Keys to Successful Cultural Enterprise Development in Developing Countries*, UNESCO Arts and Cultural Enterprise Division, Dec. 2004 at 29-30.

²¹ Sunder, Madhavi, IP3, 59 STAN. L. REV. 257, 273 (2006).

may be of interest in developing countries. For example, the cultural properties of interest may involve oral traditions and expressions as well as performing arts such as dance and theater. These works are classified as “intangible cultural heritage” and require consideration of the values of indigenous peoples inherent in such intangible cultural heritage, as well as to whom appropriate compensation may be due.²² In addition, the notion of “community” authorship may make identification of the proper party(ies) to a license or acquisition agreement difficult, though certainly not impossible. The Australian Film Commission, which promulgated an issues paper directed at filmmakers working with indigenous communities, observed that “indigenous knowledge is collectively owned, and in order to obtain informed consent it may be necessary to consult and obtain permission from a number of levels of authority.”²³ On the other hand, as Professor Sunder has noted, assumptions that “traditional knowledge is the work of anonymous authors working in communities may also erroneously assume that such knowledge is considered static over the millennia.”²⁴ There may well be contemporary expressions of traditional folklore or performance art that are appropriately the subject of third party copyright protection.²⁵



Drummers in Benin, © istockphoto / Peeter Viisimaa, 2007

²² UNESCO Convention for the Safeguarding of the Intangible Cultural Heritage, Paris, October 17, 2003 at Article 2. Chander, Anupam and Sunder, Madhavi, *The Romance of the Public Domain*, CAL. L. REV. 1331, 1336 (2004).

²³ AUSTRALIAN FILM COMMISSION, ISSUES PAPER: TOWARDS A PROTOCOL FOR FILMMAKERS WORKING WITH INDIGENOUS CONTENT AND INDIGENOUS COMMUNITIES (2003).

²⁴ Sunder, *supra* note 21, at 329.

²⁵ Stories from Europe have their own history of cultural appropriation, such as Disney’s sweetened adaptations of public domain fairy tales. The popular animated motion pictures omit or change elements of the original tales, such as Cinderella’s stepsisters slicing off bits of their feet in order to fit into the glass slipper, or ending the mermaid’s journey with a happy wedding rather than her transformation into a tragic bit of sea foam after being rejected by her prince. This is not to suggest that what Disney did with the Brothers Grimm and Hans Christian Anderson should work for the rest of the world, but to acknowledge that folklore from all cultures has proved fodder for subsequent exploitation by the commercial copyright industries.

Cultural entrepreneurs will have to carefully navigate decisions regarding whether works based on intangible cultural heritage are part of the public domain or whether it is more appropriate to enter into a license or other cooperation agreement with the identified owner or owners. The topic of cultural appropriation is a sensitive one, and touches upon not only economic remuneration but also credit, creative approval and participation in the development process. Each situation requires an approach tailored to the respective identities of producer and author and the nature of the particular creative property.

Iconic cultural works and traditional cultural practices have long been a source of creative and commercial inspiration. In India, for example, director Bobby Bedi is adapting the epic poem *Mahabharata* into three motion pictures, including plans for extensive ancillary uses in mobile and PC gaming, action figures and possibly a live theme park experience.²⁶ In the Asia-Pacific region, the popularity of the land-diving ceremony of the indigenous population of the island of Vanuatu threatened to transform a culturally significant ceremony traditionally performed only once or twice a year into a weekend tourist spectacle replete with commercial film crews and tour operators (the ceremony has been cited as the inspiration for bungee jumping).²⁷

And in Africa, Nigerian film maker Madu Chikwendu collected oral stories from his village and then dramatized these narratives for a children's television program.²⁸ The legitimacy of adapting or commercializing these various cultural resources has many perspectives. For example, Mr. Chikwendu's perceived authority to adapt narratives from his own village may be deemed more legitimate than that of a foreign visitor who arrived in the village, recorded the stories of elders and then produced a film or play based on such stories without remuneration or consent of the storytellers, and without any genuine tie to the community.

It is beyond the scope of this article to comprehensively explore the many variables that determine whether rights in intangible cultural heritage or traditional knowledge should be included in any particular agreement for use in connection with a film or theater project. But the issue nevertheless merits mention in the context of negotiating the production of films and plays derived from the culture of indigenous people.

²⁶ *Making Movies*, WIPO MAGAZINE, June 2007 at 7.

²⁷ Malia Talakia, *Intellectual Property and Safeguarding Cultural Heritage: A Survey of Practices and Protocols in the South Pacific* (2007), 61 – 64, http://www.wipo.int/tk/en/folklore/culturalheritage/casestudies/talakai_report.pdf.

²⁸ Bayo Adetu & Lois Okereke, *Interview with Madu Chikwendu*, The News, June 17, 2004, available at <http://www.thenewsng.com/modules/zmagazine/article.php?articleid=2078>.

Protection of Intangible Cultural Heritage – A Multilateral Effort

The Creative Heritage Project of the World Intellectual Property Organization is a multi-faceted undertaking that seeks to articulate best practices and guidelines for managing intellectual property issues that arise when “recording, digitizing, and disseminating intangible cultural heritage.” Through case studies, surveys, a searchable database and a collection of articles, protocols and legislative materials, the project both encourages the use of digital technologies to promote, preserve and revitalize the cultural heritage of indigenous communities and promulgates protocols to prevent the use of technology to misappropriate and exploit intangible cultural heritage.

See <http://www.wipo.int/tk/en/folklore/culturalheritage/>

It is also open for debate whether the contract models and standard terms used in the copyright industries in the United States are the best fit for jurisdictions with less robust intellectual property enforcement regimes, where the relationships between artists and producers may be less formalized. At an African film summit in 2006, there was a constant refrain that the African film industry – from filmmakers to audiences, and from broadcasters to government agencies – must be adapted and suited to telling the stories of Africans. To this end, many noted the detrimental, or at least unhelpful, reliance on external resources. The Deputy Minister in Information and Communication in Kenya noted that Hollywood films produced in Kenya, such as *Out of Africa* and *The Constant Gardner* offered little improvement for Kenya’s domestic filmmaking infrastructure.²⁹ Simply serving as a staging ground for works produced by the United States may not yield lasting benefits to infrastructure and industry vitality.

But recent ventures of major US media companies in India and in Abu Dhabi indicate that increasingly, US companies will seek to partner with or invest in local players in developing countries.³⁰ In negotiating the terms of similar ventures and partnerships, it is likely that models and standard terms used by the US entertainment industry will at a minimum serve as starting points for negotiation and, to the extent that cooperation and co-production opportunities arise between the US entertainment industry and artists and producers in developing countries, may also set expectations for such relationships going forward.

The Parties

A contract begins with the relationship between the parties. When copyrighted works are involved, the party of first instance is the author. As discussed above, in connection with

²⁹ Daily Narrative Summaries, African Film Summit, hosted by the Department of Arts & Culture and the National Film and Video Foundation of South Africa in association with the Pan-African Federation of Filmmakers, April 3 – 6, 2006 in Tshwane, South Africa.

³⁰ Patrick Frater, *India Gets Hollywood Spice*, VARIETY, Aug. 21, 2007; Ali Jaafar, Dade Hayes, *Abu Dhabi, WB Ink Multi-Media Deal*, VARIETY, Sept. 26, 2007.

intangible cultural heritage, it may be particularly challenging to determine from whom permission should be obtained. But assuming a producer decides that an agreement to develop and produce the work should be entered into, “authors” take many forms; the author may be a playwright, a screenwriter, a choreographer, or a novelist whose story is being adapted for a movie or a play. In legal parlance, a party who makes a copyrightable contribution to the resulting work may be considered an “author” and thus vested with copyright ownership in the work as a result of such contribution.³¹



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In many cases, the particular copyrighted work may involve more than one authorial interest. For example, a musical play based on a novel has several “authors,” including the original author who wrote the novel (in this context, such novel is called the “underlying work”) and the “adapting authors,” namely, a composer, a lyricist and a bookwriter who adapted the novel into a dramatico-musical play (by way of example, the novel titled *Wicked* is the underlying work that formed the basis for the musical play of the same name; Gregory Maguire is the author of the novel, and Stephen Schwartz and Winnie Holzman are the authors of the play). Similarly, a film may be based on an underlying work such as a comic book, toy, or novel. The comic books of Stan Lee became the basis for the *Spiderman* film franchise; a 1980s toy evolved into the *Transformers* special effects motion picture blockbuster, and the *Lord of the Rings* trilogy was based on the novels of the same name by J.R.R. Tolkien; a license was required in each instance to adapt the underlying copyrighted work for use as the basis of the screenplay.

For purposes of this discussion, reference to an “author” generally means the playwright or screenwriter, but also, in some instances, underlying rights holders. If underlying

³¹ Under the United States Copyright Act of 1976, an independently copyrightable contribution alone is not sufficient to give rise to joint authorship (and therefore joint ownership); the parties must intend both to be joint authors and that their respective contributions “be merged into inseparable or interdependent parts of a unitary whole”. 17 U.S.C. §101. See also *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir. 1999); *Thomson v. Larson*, 147 F.3d 195 (2d Cir. 1998); but see *Gaiman v. McFarlane*, 360 F.3d 644 (7th Cir. 2004).

works are involved in the particular project at hand, it is important that rights to adapt such work be obtained (else creation and exploitation of the resulting film or play constitutes copyright infringement) and that the ongoing involvement, if any, of the underlying rights holder be set out in any such agreement. The agreement to acquire underlying rights may be between the producer and the underlying rights holder or, if such playwright or screenwriter began work on the project without the involvement of a producer, directly between the playwright or screenwriter and the underlying rights holder. Frequently, an underlying rights holder may have expectations about creative involvement in the project going forward; if the producer or adapting authors have a different idea about the underlying rights holder's role in the creative process, this relationship can become difficult. For this reason, agreements with underlying rights holders should clearly set out the parameters for any approvals or consultation over such things as the storyline, script, creative team and/or cast, as well as other involvement, such as attendance at rehearsals or presence on the set, that may be accorded to the underlying rights holder.

In most instances, the producer is the party who acquires rights from the author. As the UNESCO *Keys to a Successful Cultural Enterprise* study noted, the key activity of a "cultural enterprise" is connecting the creator to a market and consumers for the cultural property.³² In many respects, the producer is the person who facilitates this connection. The producer typically provides or arranges the financing, assembles the creative team for the project as a whole and frequently oversees the marketing and advertising campaigns. The producer will also generally be responsible for booking venues for performance (in connection with a live stage property such as a play or dance performance) or arrange for distribution of the work (in connection with an audio-visual work such as a film). In addition, it is usually pursuant to the terms of the agreement between the author and producer that the author will be paid for exploitation of the granted rights.

The key parties involved in developing and licensing a film or play are thus the author, the producer, and, if there is an underlying work, the underlying rights holder.

Copyright Ownership Models

In the United States, a fundamental difference in the practice of acquiring rights for film versus acquiring rights for the theater is that playwrights and other authors for the live stage retain ownership of the copyright in their work. The relationship between author and producer in the theater is defined by the playwright's ownership of copyright. In addition to the right to approve certain creative team members (for example, the director and designers), the playwright will have an ongoing creative role in the development of the work; changes to the work cannot be made without the playwright's approval and any such approved changes become property of the playwright (even if the playwright did not suggest or draft the particular revision). In addition, when the rights granted to the initial producer expire, all rights in and to the play revert to the playwright. This means that the playwright will control any subsequent disposition of rights in the play, whether that be

³² Kamara, *supra* note 20, at 8.

authorizing a future live stage production, authorizing print publication of the play or granting the rights to a film producer who wants to make a motion picture based on the play. Although the original producer may in some instances be entitled to a share of the author's income for such dispositions (discussed further below), the producer will not be able to negotiate or approve the terms of any such deal.



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The film industry, by contrast, employs a much different copyright ownership model. A film producer typically expects to acquire the entirety of the author's interest in a screenplay (whether by outright assignment or as a work made for hire), subject to the reservation by the author of certain non-film related activities (such as dramatic adaptation for the live stage), though even such unrelated activity may be restricted for a certain period of time.³³ This means that deal making in the film industry is heavily focused on securing for the author ongoing financial participation in the myriad different revenue streams of the resulting film, including receipts from theatrical, home video, and/or DVD distribution, merchandising, and ancillary uses such as video games or mobile phone content. In addition, the author will negotiate for the right to be involved in subsequent projects that are derived from the initial film, such as sequels, prequels and remakes.³⁴ Because the author has otherwise assigned his or her copyright in the

³³ In both film and theater, if the producer is acquiring an underlying work that he or she wishes to adapt into a film or play, the author of the underlying work (for example a novel) will continue to own the copyright in the novel, but will not have any ownership in the resulting screenplay or dramatic play. In connection with a dramatic play, however, in many current deals an underlying rights holder will have the opportunity to recapture the work if a minimum amount of income is not generated. This is a process called "de-merger" and it allows the underlying rights holder to authorize a new dramatic adaptation of the underlying work (though in such instances, the playwright will continue to own the copyright in the first adaptation). Essentially, de-merger makes the grant to the initial adapting author nonexclusive. There is usually no such opportunity to recapture these rights in a film deal; once the film has been produced and distributed, the producer and/or the producer's licensees will customarily have a perpetual right to distribute the film, notwithstanding poor economic performance.

³⁴ The Writers Guild of America, the professional collective bargaining association for the motion picture and television industries, defines a sequel as a "new theatrical motion picture in which the principal characters of the first theatrical motion picture participate in an entirely new and different story" (a prequel

resulting film to the producer, and thus unlike a playwright will not exercise any rights as a copyright owner of the actual film, the author must contractually secure such rights of subsequent involvement and/or payment.

The practice in the film industry of assigning the author's copyright interest has frustrated many screenwriters, who feel that because they often have little creative control after their screenplay or literary material has been acquired by a producer, their work is frequently compromised by Hollywood's sometimes notorious rewrite and polish process. The justification for such assignment is usually the substantial up front fees. Authors in countries with a more nascent film industry, where substantial writer fees are not standard, may have the opportunity to bargain for a more meaningful creative role and the reservation of an expanded package of rights.

Keep Your Copyrights!

Artists and scholars in the United States have become increasingly vocal about alternatives to the assignment and/or work for hire regime. A new website created by Columbia Law School, www.KeepYourCopyrights.org, encourages a more proactive attitude towards copyright management on the part of authors, and suggests strategies for authors to negotiate more favorable contract provisions, reserving or granting back to the author rights following the initial exploitation. In addition to sample contract clauses (with designations as to whether the particular provision is author-friendly, "could be worse" or "incredibly overreaching"), the website also offers links to other creator advocacy groups in the publishing, music, illustration, journalism and photography industries.

See www.KeepYourCopyrights.org

is included in this definition, the distinction being simply that the new motion picture takes place at a chronologically earlier point in time than the first motion picture). WRITERS GUILD OF AMERICA, BASIC AGREEMENT, Art. 16(A)(1)(c) (2004). A remake is the same core story and characters, but with a new spin or context, or sometimes simply with new actors and an updated script.

Major Provisions of Production and Acquisition Agreements

The Option

Agreements to acquire rights in a film, play or other literary property frequently include an option period. During the option period, although the producer has not definitively acquired the rights to the work, he or she will have a limited license to engage in certain developmental activities, such as fundraising and negotiating agreements with other key creative parties like the director or principal cast members. If the optioned work is a play, the producer may also have the right to produce a developmental or workshop production. During such option period, the author agrees not to license or sell the rights to any third party. The purpose of an option is to give assurance that the play or screenplay will not be shopped to other producers while the current producer is securing financing and developing the property. On the other hand, if at some point during the option period the producer decides to abandon the project, he or she is free to do so with no further obligation to the author other than what has been paid pursuant to the terms of the option.

A producer would be hard pressed to invest her own money, or to ask others to do so, if the producer cannot guarantee that a competing production will not appear on the market, thus decreasing demand and diminishing the likelihood of recouping the investment. For this reason, most producers will require – and authors are accustomed to giving – an option for an exclusive license or right to produce the film or play. Exclusivity is a key term in license agreements. It is a risk for the author because if the author is unhappy with the results of the producer's work, the author cannot license the rights to any other party (absent a breach that would allow the author to terminate the agreement; dissatisfaction without more, however, does not usually give rise to a claim for breach). In return for such risk, the author customarily receives higher compensation for an exclusive grant of rights than for a non-exclusive grant.

Typically, an option period will run anywhere between one and four years, structured as an initial period of one to two years that may be extended for an additional one to two years upon further payment to the author. Prior to the expiration of this period (including any extensions), in order for the producer's rights to continue, the option must be "exercised." An option is exercised upon the occurrence of a certain event. For a live stage property, this event is usually the first paid public performance of the play in a specified type of venue; the terms will state whether the option is exercisable, for example, only by a Broadway performance, or whether an off-Broadway performance will also suffice (Broadway performances being much more high profile from the author's point of view, and thus more desirable, but much more expensive from the producer's perspective, and thus riskier). In the film industry, the option is exercised by payment of an additional sum, called the "purchase price," to definitively acquire the rights necessary to produce and distribute the eventual film. The purchase price for a screenplay may be based on a percentage of the budget (usually between 2 – 4%, with a cap on the amount of the purchase price at a negotiated number), but may also simply be

a flat fee. If an option lapses, *i.e.* is not exercised, the agreement should provide that all rights revert free and clear to the author. An author should avoid an agreement that encumbers the property (*i.e.* grants the producer any financial participation in, or opportunity to produce, subsequent exploitations) even if the option was not exercised.



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An option is not a guarantee that the play or film will be produced. An author, however, may not wish to refrain from exploiting his or her rights in the optioned work unless the producer has serious intentions. Thus, the terms of an option for a live stage property typically contain “milestones” or “progress to production” requirements, such as entering into an agreement with the director or principal cast members, or producing a developmental or workshop production of the play. These milestones must occur within a specified timeframe, for example, by the end of the third year of a four year option period. If the producer has not complied with such milestone requirement, then the producer loses the ability to extend the option.

Unlike an option for a live stage play, the exercise of which requires a paid public performance and thus gives the author the benefit of a fully mounted production, exercise of an option in connection with a film agreement usually means simply that the producer has paid the purchase price to definitively acquire the rights. However, there is still no guarantee that the film will be produced. Some film agreements may include progress to production requirements similar to what is found in a standard live stage option, including a clause stating that failure to achieve such progress results in reversion of the rights to the author. Sometimes, because a film deal often involves a transfer of copyright ownership, once the option is exercised and the rights acquired, the author has neither the ability to compel production nor the opportunity to recapture the rights except under certain circumstances.³⁵ Because film industries in less developed countries may

³⁵ When the rights have been acquired but the producer has ceased development, the project may go into what is called “turnaround”, whereby the project is sold to a new producer and the first producer is

not have as powerful a representative as the various authors' guilds in the United States, an author should push for an agreement that does not allow a producer to acquire the rights permanently without some clear progress to production requirement, failing which, all rights should revert to the author.

Just as an option does not require the producer to produce the film or play, an option does not require that the producer make any extension payments. The essence of an option is as the name implies – it is at the producer's sole discretion to opt to produce the film or play, but there is no contractual obligation to do so. The producer may elect to let the option lapse, and in such event, similar to what happens when a producer fails to meet milestones or progress to production, all rights revert to the author. An author should not rely on receiving the full amount of the potential payments under an option agreement; the only amount that is guaranteed is the amount due up front and upon execution.

Scope of Rights Granted

At a minimum, a producer will need the right to develop, produce, distribute, advertise and promote the play or film. In general, the key provisions will set forth the producer's rights in specified territories, mediums of distribution and subsequent productions. A producer will typically seek a grant of rights that is as broad as possible, giving her the most opportunity to exploit the play or film (i.e. any time, any place, any medium) and thus maximize the chances of recouping the original investment. An author, however, may not wish to give such a broad grant of rights. If, for example, the initial exploitation is a success, the author may want to negotiate additional payment for subsequent exploitation in different mediums or territories. Conversely, if the initial exploitation is a flop, the author may want the opportunity to grant any subsequent rights to someone other than the initial producer.

Territory

Territory refers to the geographical region in which the producer can mount productions of the play or distribute the film. A live stage agreement typically grants rights in an initial territory; in the United States, a Broadway or so-called "first class" producer usually is granted a license for the United States and Canada.³⁶ Provided the play is produced in the initial territory, the producer typically has the option to acquire rights in other territories, subject to the obligation to make an additional payment to the author for each such territory in which the producer desires to acquire the rights. Frequently, these

reimbursed for the cost of development prior to sale. Although turnaround projects may end up being very successful (the films *Home Alone* and *E.T.* are frequently cited as projects that ended up in turnaround only to become huge hits), it can be frustrating for an author waiting to see his or her film produced to have no firm timeline for production. Authors who are members of the Writers Guild of America may also be able to recapture certain rights; such reacquisition right is part of what are called "separated rights". For more information, see WRITERS GUILD OF AMERICA, UNDERSTANDING SEPARATED RIGHTS (2000); *Addendum to Understanding Separated Rights* (2007), http://www.wga.org/subpage_writersresources.aspx?id=2466 (updating certain provisions of the earlier pamphlet publication).

³⁶ In the United States' not-for-profit theater sector, the territory is generally limited to a radius of between 50 to 100 miles of the city and/or county in which the particular theater is located.

payments are as high or higher than the option payment for the initial territory because the assumption is that if the play has been successful in its first iteration, remounting the production elsewhere is less risky and the playwright should benefit from the earlier success. It would be very unusual for an author to grant worldwide rights to a live stage producer for just a single option payment. Film agreements, however, typically do grant worldwide rights to the producer. In turn, the producer is likely to enter into agreements with distributors in various territories for exhibition and/or distribution of the film. Although payments by the distributor to the producer count towards the producer's "gross receipts" (the calculation of which determines if and when the author will receive contingent compensation, as discussed below), the author usually does not receive a specific payment in connection with the producer's territorial distribution deals.

Distribution

Distribution refers to the medium, or "channels," through which the film or play is exhibited or performed. In connection with live stage agreements, the grant of rights clause typically limits the producer's rights to a "live stage production on the speaking stage," thereby prohibiting the producer from exploiting the play through other media, notably audio-visual media.³⁷ In film agreements, the channels of distribution are specifically set out; for example, most agreements will allow theatrical (meaning movie houses) and/or direct-to-video distribution, and may also allow free television, cable television and internet distribution.

Overcoming Distribution Dilemmas

Finding distribution outlets has been an issue for many cultural entrepreneurs in regions like Africa, where the commercial infrastructure may not lend itself to distribution arrangements typical in US entertainment deals. In Ghana and Nigeria, for example, "video films" shot with ordinary VHS cameras allowed would-be filmmakers to circumvent high production and distribution barriers, spurring the development of an active and burgeoning video film industry. These films were frequently shot only based on a script outline, utilizing both professional and amateur actors, and screened in local venues. In Ghana, the success of the video filmmakers led a state-owned agency, then called Ghana Film Industry Corporation, to offer editing services and other forms of assistance to filmmakers and, eventually, give rise to nascent production networks and systems of distribution. Now, digital technology is making rapid inroads into the African film industry, making relatively sophisticated post-production editing available to those with personal computers and making the distribution of high quality copies much less cumbersome (though bringing also the increased risk of piracy).

³⁷ The producer is typically granted the right to advertise the play in audio-visual media, primarily television commercials and web clips, for a limited duration (usually between three to seven minutes) and, in the case of a musical play, to exploit the work in an audio-only format, namely, the cast album.

See Birgit Meyer, *Ghanaian Popular Cinema and the Magic in and of Film*, <http://www.africanfilmny.org/network/news/Fmeyer.html>; Kaine Agary, *The Distribution Front*, <http://www.africanfilmny.org/network/news/Aagary.html>.

Monies received by the producer in connection with these various distribution channels count as “gross receipts,” though it is not always the case that one hundred percent of the producer’s receipts will be included in such calculation. For example, one contentious issue in Hollywood in recent years was DVD income; typically, only twenty percent of the revenue to the producer from the sale of home video cassettes and disks would be credited as gross receipts and thus included in the author’s contingent compensation calculation. The subsequent DVD-buying boom of the last five years yielded a windfall of sorts for producers but left authors feeling that they got the short end of the deal because eighty percent of the income to the producer from such DVD sales was not shared with the author.³⁸ This illustrates that when negotiating channels of distribution for a film deal, an author will want to know whether and in what percentage the monies received from such various channels will count towards the definition of gross receipts. As discussed later, this is a key factor affecting the value of the author’s contingent compensation.



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³⁸ Ross Johnson, *Getting a Piece of a DVD Windfall*, N.Y. TIMES, December 13, 2004 at C1

Strategic Partnerships and Distribution Solutions

As the film industry in Africa has continued to mature, distribution deals are now being arranged between strategic partners. Film festivals have become an important opportunity for African filmmakers to expand their reach. In 2001, for example, the African Film Festival in New York reported an agreement reached between two distribution and production companies, Mainframe Productions, a production company headed by Nigerian cinematographer Tunde Kelani, and Media for Development International (MFDI), a 501(c)(3) organization based in the United States with sister organizations in Zimbabwe and Tanzania, to distribute each other's films in various parts of Africa. As Mr. Kelani summarized, "For us, this is the beginning of the true African cinema – where African filmmakers can interact by making their films available to audiences other than those in their own country."

See Birgit Meyer, *Ghanaian Popular Cinema and the Magic in and of Film*, <http://www.africanfilmny.org/network/news/Fmeyer.html>; Kaine Agary, *The Distribution Front*, <http://www.africanfilmny.org/network/news/Aagary.html>.

Subsequent Productions

Producers are frequently interested in obtaining rights to subsequent productions and/or derivative works; if the initial play or film was successful, the opportunity to exploit or participate in other productions of, or works based on, the original can be very lucrative.

In the theater, because the playwright retains her copyright in the play, the producer cannot authorize subsequent productions of the play after the close of the producer's production (other than as may be expressly permitted in the grant of rights) nor can the producer authorize the creation of derivative works based on the play. Once the producer's rights expire, all that remains is the possibility of financial participation in future dispositions that the author, in her discretion, may choose to make. In the context of a Broadway production, the producer's participation in the author's income from the disposition of so-called "subsidiary rights" is frequently very straightforward. Provided the particular production runs a minimum of sixty-four performances, the Approved Production Contract ("APC") promulgated by the Dramatists Guild sets out both the duration and amount of the producer's participation in income from certain defined categories of subsidiary rights, including media productions, stock and ancillary performances, amateur performances, revival performances and commercial use products such as branded t-shirts, mugs and hats. The duration and percentage of the producer's participation varies depending on the nature of the right and which of several designated "alternatives" the producer selects from three choices set out in the APC, but the percentage ranges from twenty to fifty percent, and the duration from five years to perpetuity.

Outside the Broadway context, many live stage producers have little or no participation in subsequent productions of the play, although some of the major non-profit producing institutions in New York City do negotiate for participation in the author's income from subsidiary rights participation, albeit for a more limited period of years and a lesser percentage than a Broadway producer. Outside the New York theatre industry, the practice is less common. If a non-profit regional theater has played a particularly significant role in the development of a new play – perhaps producing a workshop or premiere of the play – the theater may ask for a limited participation in the box office receipts of subsequent live stage productions, averaging from one to two percent of such receipts for productions occurring within the next two to five years, or for a very small percentage (usually no more than five percent) from the proceeds of subsidiary rights dispositions.

In the film industry, “subsequent productions” usually means sequels, prequels and remakes of the initial film. An author should always carefully review whether the contract is a “one picture deal” or if, in the alternative, the author is granting the producer the right to produce multiple pictures derived from the initial film. If the latter, the author will want to ensure that additional compensation is paid in connection with each such subsequent motion picture or audio-visual property (the subsequent production may not always be another feature-length film; sometimes, for example, a producer may have the right to create a television series based on the film). In many instances, the author will also want the opportunity to provide services in connection with the subsequent production, such as a contractual provision that allows the author the first opportunity to write the screenplay.

Particularly in an untested author-producer relationship, granting rights to make subsequent films can be risky; if the author is ultimately dissatisfied with the initial film, she may be unable to seek a new deal for sequels or remakes with a new producer. Or, the author may be enthusiastic about pursuing a subsequent production, but the producer is unable to secure financing or unwilling to pursue the project at that time, and thus the rights will lie fallow. If a producer is particularly insistent on acquiring rights to do a sequel, prequel or remake, the author can minimize the risk by requiring that after a specified period of time, if principal photography has not commenced in connection with a sequel or remake, such rights revert to the author.

Rights of First Refusal/Rights of First Negotiation

In many instances, the specific financial and creative details applicable to subsequent productions are not negotiated at the same time as terms for the initial production. Frequently, the producer is instead given a “right of first negotiation” and/or a “right of first refusal” (called a “ROFN” or a “ROFR,” respectively). In the live stage context, if the producer has particular expertise in both film and theater, the producer may ask for a refusal or negotiation right in connection with the right to adapt the play into a film, television program or other audio-visual production. In the film industry, rights to make

sequels, prequels and remakes are frequently the subject of a refusal or negotiation right.³⁹

If the producer has a right of first negotiation, it means that prior to disposition of the subject right (such as the making of a sequel film), the author must negotiate in good faith to reach terms on which the producer may be granted such right. If the author and the producer cannot agree on terms, or if the producer declines the opportunity to negotiate, the author may dispose of the right to a third party. A right of first refusal, on the other hand, will give the producer the opportunity to meet the terms of a third party offer for disposition of the subject right, *i.e.* the producer will have the first opportunity to “refuse” to acquire the particular right once a third party has made an offer. A ROFR is more favorable to the producer than a ROFN, primarily because so long as the producer agrees to match or improve upon (depending on the requirements of the ROFR) the third party offer, the author may not dispose of the right to such third party. If the producer has only a ROFN and the author and producer fail to reach an agreement, the author may go seek third party deals without having to go back to the producer. ROFRs and ROFNs can also be coupled with each other, so that the producer will have the opportunity both to negotiate for the right initially and to match any third party offer if the producer and the author fail to reach agreement in that initial negotiation.



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From the author’s perspective, it is preferable not to grant either a ROFR or a ROFN. Both are considered an encumbrance on the property, limiting the ability of the author to make a subsequent disposition. However, if a producer is insistent on acquiring rights in subsequent productions, ROFRs and ROFNs can be a convenient way for the parties to

³⁹ Although outside the focus of this analysis, ROFRs and ROFNs are also frequently used by actors, writers and directors to secure an opportunity to perform services for subsequent productions.

agree that a producer will have the opportunity to acquire rights in connection with a particular subsequent production while still allowing the author to seek the best possible deal at the time negotiations commence. Ostensibly, the new deal will reflect the performance of the prior work, so the author will be in a better bargaining position to translate previous success into improved terms.

Duration of Rights

Most contracts for a live stage production grant rights for a limited time. For example, in the not-for-profit theater context, the playwright will give a particular theater company the right to produce the play for a negotiated period of time (which may run from one week to several months or more). Productions on Broadway, however, and many touring productions that traverse the United States and Canada, use a model based on what are called “continuous production rights.” So long as the producer’s production of the play is running,⁴⁰ the producer will retain his or her rights, subject to the obligation to pay royalties to the playwright. This means that the producer may retain the rights for many years (the current Broadway production of *The Phantom of the Opera* opened January 26, 1988 and has run to date for over 8,000 performances). During the period that the producer controls the rights, there may be restrictions on the playwright’s ability to license the play to other live stage producers. In addition, there is usually what is called a “holdback” on the playwright’s ability to authorize the creation of certain derivative works, such as the making of a movie based on the play (in most instances, the holdback will not endure for the full duration of the producer’s rights to produce the play if such period extends longer than four or five years).⁴¹

The different copyright ownership model in the film industry means that in several respects, the duration of certain of the producer’s rights is coterminous with the duration of the copyright in the film; the film producer’s rights do not end if, for example, the film is no longer exhibited in movie houses. Having acquired outright the author’s copyright in and to the underlying screenplay, the producer also typically controls the copyright in the resulting motion picture. The right to distribute or authorize others to distribute the initial film generally does not revert back to the author. However, even if an author cannot recapture rights in the original screenplay,⁴² an author can seek to limit the time period that certain derivative rights are available to the producer. For example, the producer’s option to produce a sequel may have to be exercised within a specified number of years after release of the initial motion picture; a producer’s right of first refusal may be limited only to dispositions by the author occurring within a specified number of years following release of the initial motion picture.

⁴⁰ In such agreements granting continuous production rights, the producer is allowed to take a hiatus of no more than four and a half months. This is to allow the producer to do things like change venues or, in some cases, shut the production down for additional rehearsals or revisions, without triggering a loss of rights by the producer.

⁴¹ A holdback is a provision in a license agreement where the author retains a particular right but agrees not to dispose of such right for a specified period of time. Holdbacks allow a producer to maximize return from interest in the initial production before facing a competitive derivative of the play or film.

⁴² But see note 36, *supra*, regarding separated rights.

Compensation Structure

The option payment previously discussed is one aspect of the compensation structure in both theater and film deals. But the other common element of payment to authors is contingent compensation, frequently also called a “royalty.” Contingent compensation to the author is structured as a percentage of the revenue received by the producer from exploitation of the play or film. There are several points to keep in mind when negotiating a contingent compensation arrangement. The first is to clearly define what “pot” of money or income stream will be the basis for the royalty calculation. The second is to determine what amounts, if any, may be deducted “off the top” of such income stream prior to calculating the amount due to the participating author. Third and finally, it is important that the author receive a right to audit – essentially a right to inspect and copy – the books and records related to the film.

In a typical live stage deal, prior to the producer’s recoupment of the initial capitalization, the author will receive between four and one-half and five percent (depending on whether the play is a musical play or a so-called “straight” play) of the gross weekly box office receipts (“GWBOR”);⁴³ essentially, this means that the author gets a percentage of the ticket income from performances of the play. Despite being called “gross” weekly box office receipts, there are certain standard deductions that producers are permitted to take off the top, including such things as credit card fees, group sales commissions, and taxes. In some instances, the author’s royalty will be calculated on the amount of money remaining after the producer has deducted what are called “weekly running expenses” (meaning the cost to the producer of keeping the play running for one week, including cast and crew salaries, theater rent and other operating expenses); this remaining amount is frequently referred to as the “net operating profits.” This is an acceptable method of calculating royalties, but because the “pot” of money in which the author shares is smaller, it is important to negotiate a larger percentage participation for the author.⁴⁴ In addition, in many instances, the author can negotiate a so-called “bump” in the percentage royalty paid after the producer has recouped the cost of the initial capitalization; in such instances, the royalty for a musical usually increases to six percent of GWBOR, and the royalty for a play usually increases to ten percent of GWBOR.

In the film industry, the key bargaining point is whether the royalty will be paid on the “gross” or “net” box office receipts. Getting paid “on the gross” means that the author will receive a percent of every dollar that is received by the producer (calculated based on the income streams to the producer from various distribution channels and ancillary exploitations),⁴⁵ even if the producer has not yet recouped the cost of the initial

⁴³ In connection with a musical play, the royalty is split between the book, music and lyrics, with each “element” typically receiving a royalty of between 1.5% - 2%, adding up to between 4.5% - 6% in the aggregate.

⁴⁴ For a typical Broadway musical, weekly running expenses can average between \$400,000 and \$500,000, against weekly box office receipts that range from \$700,000 to just north of \$1,000,000. In the Broadway standard deal based on net profits (also called a “royalty pool” deal), an author typically receives no less than 15.56% of the net operating profits.

⁴⁵ There are many variables in this calculation, including provisions setting forth at what “level” the income is attributed to the producer. For example, the “gross receipts” typically do not include all box office

production. So-called “first dollar” participation is usually reserved for star directors and actors, but screenwriters, increasingly frustrated with complicated definitions of net profits that rarely yield significant participation, are exploring new deal structures that include paying the screenwriter’s royalty on the gross.⁴⁶ If an author only receives a percentage of the net profits, the producer will be allowed to recoup production, distribution, advertising and publicity and other miscellaneous costs prior to sharing any of the proceeds with the author. Definitions of “net profits” in the film industry are widely criticized for dense legal drafting and are subject to almost invariable suspicion of a producer-friendly slant.

Fee for Service

Although contingent compensation in some form or another is nearly ubiquitous in US deals, this is not the case worldwide. As Mildred Okwo, a Nigerian writer, director and producer (and Los Angeles-based attorney) noted, “Nollywood is a tough arena for producers. Nigerians want their money and they want it now. There is nothing like backend deals [i.e. contingent compensation] so as a producer, you have to have real cash to get your movie done.”

Interview with Mildred Okwo, <http://www.nathanielturner.com/mildredokwouchenworah.htm>

An author should contractually require that a producer keep accurate books and records of both income and expenses of the play or film. It is also important that the author be entitled to inspect and copy these books and records. This is called an audit right, and it is a key enforcement tool for the author. Omission of these clauses in an agreement means the author may be without recourse to prove that she has been underpaid. Producers are sensitive to audit rights, however, and will typically require some constraints on the author’s ability to exercise this right; these include limitations on the number of times per year the books may be audited (once per year is usually acceptable to both sides) as well as the number of years of financial information the producer must provide (two to three years is common for this look back period). In most instances, the audit is undertaken at the author’s expense. However, it is also possible to include a term requiring the producer to cover the cost of the audit if a discrepancy of greater than a specified percentage (usually between three and five percent) in the amount due to the author is discovered during the audit.

income collected by the movie house owner, but rather only the portion of such box office income that is actually paid to the producer.

⁴⁶Michael Fleming, *Fox Scribe Tribe*, Daily VARIETY, Aug. 15, 2007 at News 1.



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Contingent compensation is a flexible and popular method of paying authors in the film and theater industries. It allows the producer to minimize the risk of upfront investment by postponing certain compensation to the author until the time the film or play begins to generate income. For a financially successful project, contingent compensation can allow the author to share in a fantastic and long-running upside. As UNESCO's *Keys to a Successful Cultural Enterprise* report noted, "[intellectual property rights] make it possible for artists to earn money in a secure way, in a number of different ways and for a longer period of time...[and thus] have great investment return potential."⁴⁷ Rather than receive a one-time payment (which may not be reflective of the actual future success of the play or film), the author will continue to receive income so long as the play or film generates revenue. However,

given the economic uncertainty of many creative endeavors, an author should not rely solely on contingent compensation for remuneration; option payments, minimum guarantees and healthy purchase prices are a vital part of ensuring fair compensation for authors, who are frequently in a more vulnerable financial position and sometimes so eager to see their work produced that they do not drive hard bargains at the negotiating table.

⁴⁷ Kamara, *supra* note 20, at 30.

Star Power Protest

A group of marketers and producers in Nigeria took an unusual approach to containing film production costs when in 2004, the group placed a twelve month ban on approximately ten actors and a director as a result of what were felt to be excessive fee demands, lack of respect for the “producers, directors and marketers who made them in the first place” and out of concern that other up and coming artists were not receiving enough opportunity to advance. A newspaper article reporting the ban noted that the marketers wished to peg artist fees at 500,000 NGN [approximately \$4,200 USD] so that “movie producers can afford to pay other members of a production crew like [the] make-up artiste, costumiers, set designers and others.”

See Seni Durojaiye, *Banned RMD, Genevieve, Omotola, Ramsey, Jim Iyke and six others*, Daily Independent Online, <http://www.odili.net/news/sources/2004/Oct/9/17.html>

Representations and Warranties; Indemnification

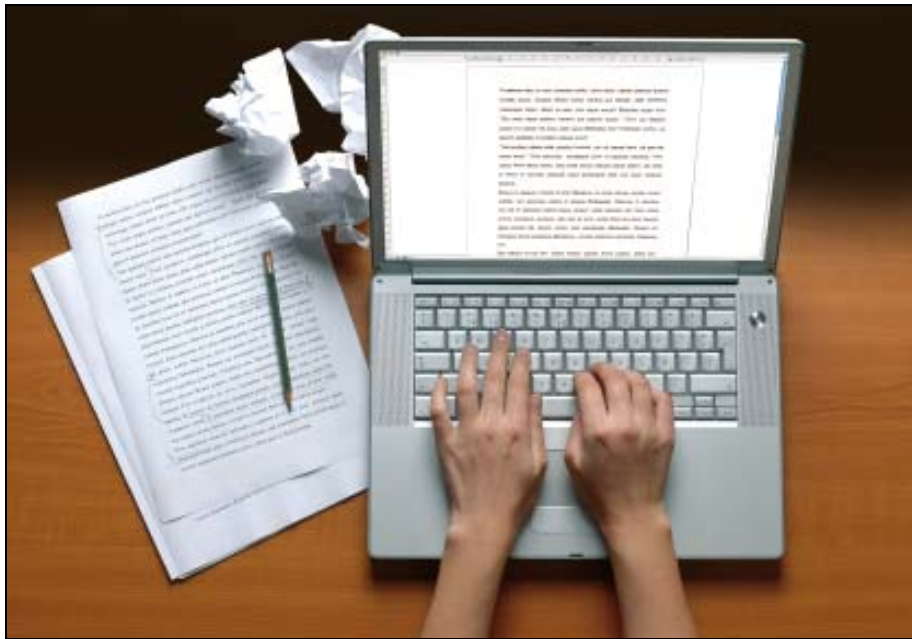
Authors are typically required to make representations and warranties regarding chain of title to the particular creative property at issue. The producer needs assurances that the author owns or controls the property and has not made any conflicting grants. The author should be able to state the she has all the necessary rights to grant for purposes of producing the play or film, and that no payments need be made to, or permission sought from, third parties. Additionally, the author will typically be asked to represent and warrant that there are no pending or threatened claims challenging the validity of the author’s rights in and to the work.

For the most part, these representations are standard and expected. However, chain of title representations may be complicated when the work in question is based on material from the public domain or, perhaps particularly relevant in developing countries, based on stories and events that are part of oral tradition and/or presented as factual histories of an indigenous population. In some cases, this can be addressed by simply carving out from the author’s representations and warranties any material that is in the public domain. The producer must understand that any third party is free to use and adapt such material, and the risk of competing works is one that must be assumed if a work is based primarily on public domain material.

In addition, many works in developing economies may be created collaboratively by directors, actors and producers (sometimes with one individual filling multiple roles), without clarifying the status of each such participant’s respective intellectual property rights. Authors and producers who are asked to make representations and warranties about chain of title should be attuned to the possibility that, absent written agreements

setting forth the extent of an individual's intellectual property interest, a participant may emerge with a claim of copyright ownership.⁴⁸

Ensuring appropriate carve outs from the representations and warranties is particularly important because if the author's representations and warranties are found to be untrue, or "breached," the producer is likely to seek indemnification from the author. This means, for example, the author can be held accountable for monetary damages suffered by the producer as a result of claims by third parties alleging copyright infringement. Significantly, in many instances, the recovery by the producer will also include legal fees, which can be a sizeable figure on top of damages. The author can bargain for certain points that make the obligation less onerous; for example requiring that the claim be "finally adjudicated" before the producer can seek indemnification. This not only allows the author more time to accrue funds to satisfy the obligation but also requires the dispute be firmly settled. In addition, the author can require that the terms of any settlement by the producer of a claim alleging copyright infringement require consent of the author, thus avoiding a situation in which the producer either admits liability or agrees to a high settlement amount simply to put an end to the dispute, assuming that in any event it is the author who must pay pursuant to the indemnification clause. Finally, the author can seek to limit the indemnification obligation to the amounts paid under the agreement between the producer and the author.



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⁴⁸ *But see* Aalmuhammad v. Lee, 202 F.3d 1227 (9th Cir. 2000) (concluding that plaintiff consultant engaged in connection with the film *Malcolm X* had made independently copyrightable contributions, but was nevertheless not an "author" of the motion picture as a joint work, noting that if such contribution were to give rise to joint authorship, "Spike Lee could not consult a scholarly Muslim to make a movie about a religious conversion to Islam, and the arts would be poorer for that.").

Although most production contracts drafted by a producer's representative do not contain indemnification of the author by the producer, the author should always seek such protection. The standard turn of phrase is that the author should be indemnified against any claims "arising out of or caused by producer's production" of the particular film or play at issue.

Moral Rights and Creative Control

Much of what has been reviewed thus far relates to economic rights of authors and producers. For many authors, however, creative control is a critical element of the producing relationship. Creative control has several facets, and may include giving the author approval of key creative team and cast members, as well as approval of changes to the script of the play or screenplay. Disputes over approvals can be among the most bitter and hard-fought; the link between artistic creation and identity comes to the forefront in creative control.

Creative control is related to, but not a perfect overlap with, what are called "moral rights" in copyright law circles, namely, rights of attribution and integrity. Article 6*bis* of the Berne Convention requires that, independent of economic rights, the author shall have "the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation." The United States, in the Berne Convention Implementation Act of 1988, took the position that, viewed as a whole, common law rights of privacy and publicity, unfair competition, defamation and principles of contract interpretation generally served to provide protection for the author comparable to that accorded under Article 6*bis*, and thus expressly did not adopt this particular provision in the implementation legislation.⁴⁹ The practical result is that the default status in the United States is that an author must secure by contract any creative approvals she feels are necessary to protect the integrity of the work, and must also negotiate whether and in what form she will receive credit.

From a negotiating perspective, credit is theoretically less controversial than creative approvals.⁵⁰ It is standard in film and theater for the author of the play or screenplay to receive credit, though there will be negotiation over the size, placement and prominence of the credit. In addition, many authors negotiate the frequency with which the credit appears; for example, whether the credit will appear in all paid advertisements. The key issues in credit negotiations tend to be tying the size and placement of the credit to the size of the title and to credit accorded to other actors or individuals associated with the play or film.

⁴⁹ Congress later enacted the Visual Artists Rights Act (VARA), providing express rights of attribution and integrity to works of visual art in certain circumstances. VARA is of limited application generally speaking, and is of little consequence to the issues discussed herein.

⁵⁰ Although it is standard practice for a writer to receive credit, the position and prominence of that credit, particularly in relationship to the director with the rise of the so-called "possessory" credit in film, has been the source of controversy.

Many author agreements in the theatre require that no name shall be larger than that of the authors and that, with few exceptions, no other name shall appear above the title of the play. In film, on the other hand, a writer is rarely given above the title credit (which usually goes to directors and star actors). A film author will negotiate where in the opening and end credit sequences of the film his or her credit appears and whether or not the credit will appear on a “separate card” (meaning no other credits shall appear on the screen other than the writer’s credit). Trickier issues arise when an author seeks to disclaim credit. Because authors in the film industry frequently do not have approval over changes to the script after the producer acquires the rights, an author may find herself credited on a film with which she no longer desires to be associated.



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The Writers Guild of America has a provision by which a writer may receive credit under a pseudonym. In the absence of an author availing herself of this right, particularly if the producer of the film feels that the author’s name is an important marketing tool, the author may have a difficult time preventing attribution of the film.⁵¹

With respect to creative approvals, again we see the effect of the different copyright ownership models. Playwrights in the theater typically receive approval (or at a minimum mutual approval with the producer) of cast members, directors, designers and choreographers. Significantly, changes to the script may be made only with the author’s approval and, if so approved, will be owned by the author going forward. In film, however, the outright acquisition of the material means that the producer, or subsequent authors hired by the producer, are free to revise or change the script, even make radical departures from the original. This is reflected in a typical grant clause in an acquisition

⁵¹ Stephen King battled New Line Cinema, among other producers and distributors, over the distribution of the film *Lawnmower Man*, which loosely incorporated elements of King’s short story of the same name. When King sued to prevent distribution of the film under the title “Stephen King’s *Lawnmower Man*”, claiming that the so-called “possessory credit” misled consumers into thinking the story told by the film was in fact King’s story, the defendants’ lax compliance with the settlement decree requiring removal of the possessory credit prompted two contempt of court orders (though the second was later vacated for being based entirely on the first such order). See *King v. Innovation Books*, 976 F.2d 824 (2d Cir. 1994); *King v. Allied Vision*, 65 F.3d 1051 (2d Cir. 1995).

agreement, which customarily includes language permitting the producer to “add to, interpolate in and subtract or omit from the work, plot, subplots, themes, situations, action, titles, songs, music and lyrics, dialogue and choreography.”

Not surprisingly, many such acquisition agreements also require that the author expressly waive any claim based on moral rights, including any claims for defamation or mutilation. Although in some cases a film author may also approve or, more frequently, “consult” (which gives the author input, but not final say) on decisions regarding creative staff hires and the development of the picture, the broad sweep of typical acquisition language gives the author little recourse if she is unhappy with the resulting film.

In many instances, because the author does not own either the screenplay or the resulting film and has no ability to prevent distribution, there is no further opportunity to seek a more satisfactory film version. Even if a holdback and/or any right of the first producer in connection with sequels or remakes would not prevent the author of any underlying work from trying to license a new version, subsequent producers may be concerned that the market for a new work would be saturated or damaged as a result of the first film, at least until a number of years have passed.

Moral rights and creative control can have particular sensitivity in the context of intangible cultural heritage. Even though a film or play may be adapted from narratives or performance art that is arguably in the public domain, there may still be a strong identification with the underlying work within a particular indigenous community. As Lenore Keeshig-Tobias noted in an essay on cultural appropriation, upbraiding contemporary Canadian filmmakers who based movies on traditional narratives without involvement of native people in the creative aspects of the film, “[s]tories are power. They reflect the deepest, the most intimate perceptions, relationships and attitudes of a people. Stories show how a people, a culture, thinks.”⁵²

Creative Commons, which has promulgated the popular “some rights reserved” license, initially began developing a cultural heritage license based on the idea that such a license could strike a balance between wholesale appropriation and a restrictive licensing scheme. The project has since been abandoned, but it sparked some early commentary calling for terms requiring a licensee to maintain the integrity of the original work, including a prohibition on changes that are “inconsistent with the values of the culture from which it came,” and to identify, whenever possible, “the complete cultural origins” of the licensed work.⁵³

⁵² Lenore Keeshig-Tobias, *Stop Stealing Native Stories*, BORROWED POWER: ESSAYS ON CULTURAL APPROPRIATION 71 (Rutgers University Press 1997).

⁵³ Eric C. Kansa, Jason Schultz and Ahrash N. Bissell, *Protecting Traditional Knowledge and Expanding Access to Scientific Data: Juxtaposing Intellectual Property Agendas via a “Some Rights Reserved” Model*, 12 INTERNATIONAL JOURNAL OF CULTURAL PROPERTY 285 (Aug. 2005).

Consultation Protocols

The Australian Film Commission solicited insight from filmmakers who worked with indigenous content and indigenous communities, seeking to promote protocols in light of the increasing popularity of creating films drawing upon “[o]ral stories, traditional knowledge, images, photographs, language words and histories.” In particular, the Commission recommended that when making a film based on “an Indigenous topic,” a filmmaker should involve indigenous people in the project at various stages in the process, including consultation regarding script development, dramatization of real-life events, adaptations of existing material, pre-production and post-production, and editing.

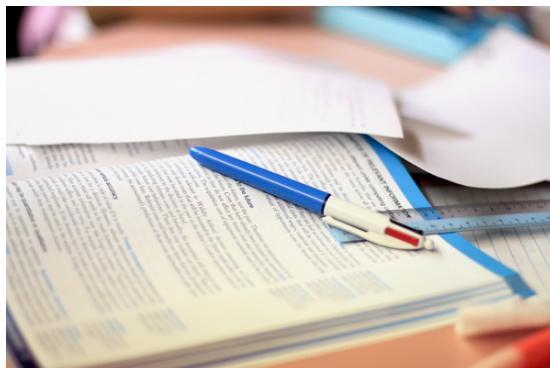
See http://www.wipo.int/export/sites/www/tk/en/folklore/creative_heritage/docs/afc_protocol_filmmakers.pdf

There is some disconnect between requiring preservation of the integrity of the original work and at the same time encouraging contemporary commentary on cultural heritage and mores. “Integrity” may have a slippery meaning in a world where evolving ideas about the role of women, education and tolerance may be at odds with what some consider traditional values entwined in a cultural narrative. On balance, though, the concern for many is as Professor Sunder has expressed, in a paraphrase of Salman Rushdie, that “[p]ower derives from the ability to shape and influence culture.”⁵⁴ To the extent that producers profit from the distribution of works based on intangible cultural heritage without benefit or credit to, and commentary from, the indigenous people with whom such work originates, there is a sense not only of economic injustice, but psychological and social as well.

Conclusion

The encouragement of a financially viable and culturally significant performing arts and entertainment sector is an important element of multi-lateral, regional and national development agendas. The collective benefits are paralleled by the individual satisfaction and inspiration unique to creative pursuits. As global cooperation in the entertainment and copyright industries evolves, producers, authors and other cultural entrepreneurs can prepare themselves to strategically negotiate partnerships that will offer tangible economic benefits to the surrounding community while sustaining and encouraging the artistic spirit.

⁵⁴ Sunder, *supra* note 21, at 267.



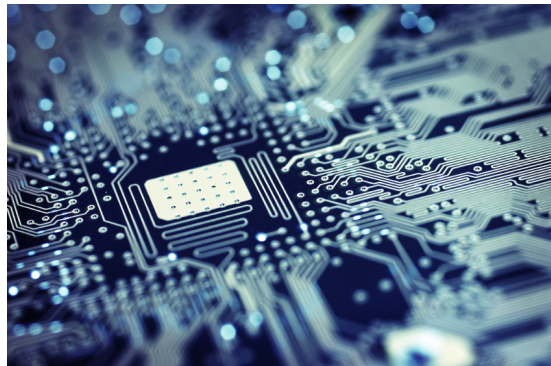
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2006

2005

2004

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2000

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Intellectual Property Options for Protecting and Marketing Traditional Textiles

Molly Torsen, IPI



Russian Nesting Dolls © istockphoto / Bart Sadowski, 2007

There are many unique and popular traditional textile products being produced by Indigenous groups around the world. Often, these products are made, marketed and sold by Indigenous or Indigenous-affiliated organizations without a solid understanding of intellectual property and the benefits it could confer. There are some examples of traditional textile producers using intellectual property (IP) laws and principles to quell copy cats from misappropriating their culture and to secure higher prices for their genuine products. This success story will look at these examples and glean lessons that others can use.

This report does not constitute legal advice. This document does not establish an attorney-client relationship. Neither IPI nor its authors accept liability for any loss that may arise from reliance on the information contained in this report.

- I. The Cultural Goods Marketplace
- II. The Importance of Branding
 - a. Creating and Using a Trademark
 - a. *Coopa Roca*, Brazil
 - b. Geographic Indications
 - a. *Ngwenya Glass*, Swaziland
 - b. *Kullu Shawls*, India
 - c. Certification Marks
 - a. *Cowichan Knitters*, British Columbia
 - b. *Coopa Roca Reprise*
 - c. *UNESCO Seal of Excellence*
 - d. *Toi Iho* mark, New Zealand Maori Culture
 - e. *Silver Hand* mark, Alaska Indigenous Tribes
- III. Trade Agreements, Customary Law and non-IP Approaches
 - a. Carpets Case, Australia
 - b. The *Mola* in Panama and examples of *sui generis* schemes
 - c. Examples of jurisdictional deference to Indigenous law
- IV. A Varied Menu of Techniques
 - a. A Tailored Combination of Approaches
 - b. *Sui Generis* Schemes
 - c. Examples of Jurisdictional Deference to Indigenous Law
 - d. Traditional Textiles Online
- V. Conclusion

I. The Cultural Goods Marketplace

[D]ata suggests global trade in cultural services is growing very fast, just as other commercial services are growing faster than traditional exports of merchandise goods.¹

Countries include a different range of goods and services in their domestic reviews of culture and global trade. That being said, cultural goods contribute significantly to most countries' GDPs. At the end of 2006, the Organization for Economic Cooperation and Development (OECD) hosted a workshop on the International Measurement of Culture in Paris. In its draft discussion paper, the OECD found that a "considerable amount of cultural activity takes place in establishments whose primary classification is non cultural,"² and that there is "an increasing interest in data on the culture sector."³

While there is little empirical data currently available about the scope of international trade in traditional textiles, its importance can be deduced from a variety of factors:

Arts Law Centre of Australia, the national community legal center for the arts, provides expert legal advice, publications, education and advocacy services to more than 5000 Australian artists and arts organizations. The Centre has noted the demand for help from Indigenous artists has grown tremendously; in 2006, it had 308 Indigenous subscribers, an increase of 91% from 2005.⁴



Photo courtesy of Texda (Textile Development Agency), Uganda, East Africa

¹ Culture, Trade and Globalization, UNESCO Report, Questions and Answers, available at http://www.unesco.org/culture/industries/trade/html_eng/question3.shtml (last visited Dec. 6, 2006).

² John C. Gordon and Helen Beilby-Orrin, International Measurement of the Economic and Social Importance of Culture, Statistics Directorate, Organization for Economic Cooperation and Development, 23 August 2006, Draft 2006-08-9.

³ *Id.*

⁴ Letter from the Arts Law Centre of Australia to Dr. Ian Holland, Secretary, Environment Communications Information Technology and the Arts Committee, page 3.

Auction prices for aboriginal art continue to climb and museum exhibitions are held around the world focusing on Indigenous art. There is palpable interest from non-Indigenous buyers in Indigenous art and artists.⁵

There is currently a gap of unfulfilled demand for high quality Indigenous and cultural product.⁶

The following success stories and practical tips for employing IP in a business plan -- for even the smallest artisan shops -- are meant to provide a menu of options that may be tailored to a given culture-based enterprise. In addition to marketing and selling arts and crafts, a business owner should be aware of any elements of traditional knowledge or traditional cultural expression that are inherent in his goods; he or she may need to contact a relevant Indigenous community before incorporating those elements into his goods. In the event the business owner represents that community, he or she may want to employ different IP mechanisms to protect them from improper exploitation after they have been put into the stream of commerce.



Tupilaks by Eli Larsen, Nuuk. Caribou antler.
Image courtesy of Arctic Art Sales



Woman with water buckets, driftwood. Late Rasmus Singertat, Tasiilaq. Image courtesy of Arctic Art Sales

Traditional knowledge is a term used in international parlance that includes a wide range of acquired knowledge about such topics as agriculture, the environment, health, and medicine. All of these have characteristics that would qualify them for IP-like protection except that they do not fit into the rubric of Western IP laws because, for example, there is no one single inventor of record in whom a patent could vest. *Traditional cultural expressions*, which also have IP-like qualities but which often lack a single author or which are not fixed in a particular format, include such things as Indigenous music, art, designs, names, symbols, dances, stories, architectural forms, and handicrafts.

⁵ See, e.g., John Oster, Executive Director, Desart, Aboriginal Community Art as Sustainable Business, Desart Knowledge Symposium Address, Nov. 2, 2006.

⁶ Thelma Karaitiana, *Demand is High for Quality Maori Product*, Te Ao Maori Mai I Te Tairawhiti, Dec. 2005, citing D. O'Connor, 2005.

Because “culture,” “tradition,” and “Indigenous” are terms that are understood differently on the international platform and within international legal parlance, the use of these terms can be misunderstood or misconstrued. As such, the following examples are not intended to act as a legal guide but rather to illustrate business decisions and legal devices that can help differentiate one producer’s goods from another’s and strike the best balance between promoting sales of cultural goods and maintaining an appropriate level of respect for their source cultures and artisans.

II. The Importance of Branding

A. Creating and Using a Trademark

Trademarks identify producers and sellers and allow prospective purchasers to distinguish their products in the marketplace. Trademark status may be granted to distinctive symbols, pictures, words, unique packaging, color combinations, building designs, product styles, and overall presentations. The owner of a trademark has the exclusive right to use it on the product he or she meant it to identify and, usually, to use it on related products. Service marks enjoy similar legal protection as trademarks but are meant to distinguish services rather than products.

Jurisdictions protect trademarks differently. For example, some grant protection to the first legal entity to use the mark while others protect the first entity to register it with the appropriate government office. Another example is that some jurisdictions protect scent trademarks while others do not. Conceiving and using a trademark are important choices for any business owner.

He or she will want to avoid trademarks that are similar to other trademarks. The more arbitrary and fanciful the mark, the stronger its protection will be. For a business owner dealing in cultural products or traditional textiles, it may be important to avoid utilizing cultural or religious signs, symbols or words that a given Indigenous culture or tribe may object to without first seeking permission or soliciting legal advice.

Examples of strong arts and textiles trademarks that are marketed internationally include the following:



^s
Coopa Roca is a cooperative of talented seamstresses in Rocinha, Brazil. This mark, No. 821242610 registered in the database of the Instituto Nacional da Propriedad Industrial, operates as the Coopa Roca trademark



Iris Ceramica is the parent company of a multinational manufacturer of ceramic floor and wall tiles for residential, commercial and industrial projects. This mark is registered with the USPTO, No. 2763595

a. Coopa Roca, Brazil

The Coopa Roca trademark above provides a dovetail to a success story of trademark adoption and use within a small business that has grown and changed over the course of twenty-five years.

Coopa Roca is a cooperative of women located in Rocinha, Brazil. Rocinha is one of the poorest neighborhoods in Rio de Janeiro. Maria Teresa Leal, the daughter of a Brazilian physician who did volunteer work in the slums of Rio, graduated with a degree in social science and a license to teach elementary school from the Federal University of Rio de Janeiro. In 1981, Leal founded Coopa Roca as a sewing cooperative. The cooperative's first projects included using recycled fabric remnants to produce quilts and pillows for the local market. It employed traditional Brazilian techniques including drawstring appliqué, crochet, knot work, patchwork, and fuxico – a traditional technique that involves embroidering with pieces of fabric.

Because of its high standards for quality workmanship and use of traditional Brazilian artisan techniques, Ms. Leal decided the cooperative could pursue a different market niche, however, and Coopa Roca now makes expensive high-fashion clothing, markets itself worldwide, and sells its wares in high-end boutiques. Having established solid relationships with a few reputable clothing retailers, Coopa Roca employs more than 100 women, most of whom do their sewing at home only visiting the office to drop off their finished garments or procure fabric. The conditions in Rocinha continue to be difficult but the women who are employed at Coopa Roca have said that the co-op “has given them a chance to improve their quality of life dramatically.”⁷

⁷ Meet the New Heroes, Oregon Public Broadcasting and Malone-Grove Productions, available at http://www.pbs.org/opb/thenewheroes/meet/p_leal.html



Coopa Roca seamstress at work. Photo by Pedro Lobo, courtesy of Coopa Roca

Coopa Roca's business model has expanded and changed since its inception. Because of its unique link to traditional Brazilian sewing methods, Coopa Roca's "most original creations juxtapose 'homestyle' techniques with unexpectedly luxurious fabrics: silk patchwork; crochet on an evening gown."⁸ Along with its output and style, Coopa Roca's business model and structure have undergone a metamorphosis. Until 1988, Coopa Roca did not have a headquarters and the co-op's membership has grown almost exponentially, from eight members in 1982 to 70 members in 2003 to its current size of around 100 seamstresses, each of whom contracts individually with Coopa Roca. Ebay has recently proposed to Coopa Roca that it sell some of its wares online; Ms. Leal is currently developing a business plan that could accommodate this new direction.⁹

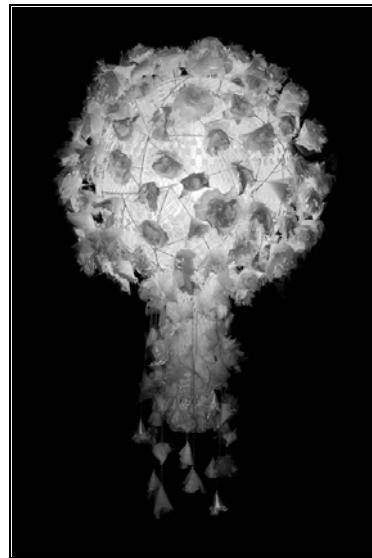


Photo of model by Juliana Coutinho, courtesy of Coopa Roca. Necklaces and clothing by Coopa Roca; this photograph was taken at a fashion show in Casa França, Brazil, Nov. 2006. Photo of chandelier entitled *Come Rain Come Shine* by Coopa Roca and designer Tord Boontje, by Pedro Lobo, courtesy of Coopa Roca

Aside from the tireless work and inspiration of its founder and members, the way in which Coopa Roca attained and maintains its status as a unique and high-quality

⁸ Shannon Walbran, *Shanty Town Seamstresses Fuel the Fashion Industry*, Global Envision, May 20, 2003.

⁹ Telephone conversation with Ms. Leal, Feb. 9, 2007, notes on file with the author.

organization can be attributed to its branding. The trademark Coopa Roca has used for the past several years has gained a reputation for high quality and a certain unique aesthetic. Coopa Roca's name and logo have been seen at museum exhibitions, in international fashion magazines, on European catwalks and in an array of articles about the fashion industry. Vigilant monitoring of the trademark has helped quell counterfeiters and ensured its reputation for artistry and quality.

Some agreements drawn up between Coopa Roca and other high fashion labels or haute couture names specify that the partner label may use some of Coopa Roca's designs without using the Coopa Roca trademark but stipulating that it will promote Coopa Roca in some other way. Having gained exposure and a reputation through persistent hard work and selecting trustworthy retailers and talented seamstresses, the Coopa Roca name and trademark are very real assets for the cooperative. Ms. Leal has conceived a plan to use a certification mark (discussed below) to bolster Coopa Roca and other like-minded businesses.

B. Geographic Indications

The term 'geographical indication' generally refers to words or marks used on goods (1) having specific geographical origins, which are (2) endowed with certain qualities that are attributable to that region.

Geographical indications (GIs) are often the names of the place from which something comes. Some examples include Roquefort cheese (from Roquefort, France) and Florida oranges (from the state of Florida in the United States). Agricultural products such as these tend to have qualities that could not be reproduced elsewhere since those qualities are derived from climates or soils unique to that region. Domestic laws play a significant role in whether a certain product receives GI status. For example, debate continues on the international platform whether certain kinds of wine names have become so generic internationally as to negate their classification as a GI. Chablis, for example, is widely regarded as a white wine that tastes a certain way as opposed to a white wine made from a specific grape in the Chablis region of France. Jurisdictions protect GIs differently. France, for example, has a very detailed legal scheme for the protection of GIs while the United States uses the same mechanism as trademarks and does not recognize a different legal status for GIs.

Individual countries can gain significant economic advantages from adopting GI laws. Indigenous communities sometimes look to GI laws to protect goods that are so wedded to their individual culture or history that they qualify for GI status and thereby gain international recognition or a certain quality stature. There are several examples from all over the world pointing to the conclusion that GI laws and their trademark-like protection of unique, geographic-based qualities results in broad foreign interest and consumption and provide protection against goods that would profit from unique reputations of quality that are inherent in only a small set of goods from a certain place.

a. Ngwenya Glass, Swaziland

In the small Southern African country of Swaziland, there exists a mountain resembling a crocodile (“ngwenya” in the Native language of siSwati). The nearby village of the same name is home to Swazi craftspeople who make some of the most unique and beautiful handmade glass. The products include a range of tableware, drinking glasses, vases, jugs and ornamental African animals.



There is some international discussion about what the term geographical indication (GI) means; whether it simply indicates the place in which a product is made or whether it is more indicative of a special relationship that the product has to that place. For example, many countries use “Swiss” as a geographical indication for watches. But a Swiss watch could presumably be manufactured in Australia if the people, factories and know-how were transferred to Australia. For agricultural products, that transferability is questionable because geographical climate, soil and other place-specific factors may come into play. Rochefort cheese may really only be produced in Rochefort, France.

With regard to Ngwenya Glass, the word “Ngwenya” may function more as a trademark than a geographic indication because it seems possible that the factory could be uprooted and transferred to any other city; depending on the law relevant to the products’ sales, this understanding of geographic indication may come into play and define Ngwenya Glass as a trademark only. The glassmakers use recycled glass for their work that could be found almost anywhere. Furthermore, when Ngwenya Glass was reopened and reinvigorated in 1987 by a Swazi family (it was first opened in 1979 by Swedish Aid), some of the apprentices traveled to Sweden to work with some of the world’s leading glassblowers and one of the original artists at Ngwenya Glass learned some new techniques from studying at the renowned Pilchuck Glass School in the State of Washington, USA.

Today, Ngwenya Glass enjoys a very fine reputation and its wares are collected by individuals and commissioned by the most prestigious hotels worldwide. It has opened a boutique in Cape Town, South Africa as well as an offshoot factory, Shades of Ngwenya, in Johannesburg. It has maintained the same name and original factory since it opened in 1979. Having begun with and sustained a high level of quality and artistry, Ngwenya Glass’s logo is now a very valuable asset.

b. Kullu Shawls, India

Based upon its Geographical Indication of Goods Act of 1999, the Government of India has registered 28 Indian products on its GI Registry. One of those products is the Kullu shawl. Originally derived from intricate designs of the Kinnauri, (a community of Indigenous people native to the Kinnaur district of the Indian state of Himachal Pradesh) the shawls tend to be made of mill-spun yarn in wool, Angora, or Pashmina; dyed in various colors; and decorated with patterned borders.

The Secretary for the Department of Science and Technology of the Hamachal Pradesh Government, which realized the market potential of the shawl and which accorded GI status to it, noted: “[T]he quality and specific uniqueness of the shawl will be maintained and the brand will be promoted and the misuse would be stopped.... The people who are involved in the production of (the shawl) will get the benefit of the brand name.”¹⁰ A sales executive at the Bhunter Cooperative Society stated that, after “getting the status, we can also export the Kullu shawls, and its demand is also likely to increase. World over there is a craze for Kullu shawls. We are sure that after getting the GI status, the sales (and) production will increase.”¹¹

Doctor Mangala Hirwade, a librarian at the Shivaji Science College and Dr. Anil W. Hirwade, who works for the Patent Information System, have found that GI protection for the Kullu shawl has prevented unauthorized use of the Kullu name and has boosted exports of the shawl.¹²

C. Certification Marks

As opposed to a trademark specifying a specific producer or manufacturer of a good or service, a certification mark is usually applied to a product by an outside “certifying” body. Certification marks are an indication to consumers that certain standards have been met, and certification marks therefore have a “stamp of approval” function.

a. Cowichan Knitters, British Columbia

Cowichan Bay in Canada grew up as a kind of resort amidst the local logging and shipping. Mrs. Hill, a local resident, opened Hill’s Indian Crafts and “virtually put the Cowichan Indian sweaters on the map.”¹³ Native Cowichan women from the region continue to knit these “distinctive bulky garments,” having accumulated over a century of skill in spinning and knitting lanolin-rich wool. “No patterns exist for the real items, only traditional designs in the knitter’s memory are used.”

¹⁰ Rajiv Kimta, *Himachal Pradesh Gives Geographical Status to Kullu Shawls, Kangra Tea*, Plentea.com, Jan. 25, 2005.

¹¹ *Id.*

¹² Geographical Indications: Indian Scenario, available at <http://eprints.rclis.org/archive/00006813/01/EF6C0C53.pdf>

¹³ Cowichan Bay History, available at <http://cowichanbay.net/cowichanbayhistory/index.html>

One distributor of Cowichan sweaters, Sa-Cinn Native Ent. Ltd., has had trouble with the designs from the sweaters they sell being misappropriated from his website. Sa-Cinn works with a few local First Nations (the term Indigenous communities in this region use to refer to themselves collectively) individuals to present and market their work. The Sa-Cinn logo itself depicts a likeness of a real woman and her headdress; an image rife with cultural meaning.



Reproduction of trademark courtesy of Sa-Cinn Native Ent. Ltd.
Registered in CIPO, Canada's Trademark Office, No TMA653077

A layer of cultural concern is therefore added to the business model. The manner in which the wool is prepared and the designs that are incorporated on each sweater are culturally significant to the Cowichan Natives. To protect the quality of their work, and the cultural and spiritual significance of the patterns they employ on their sweaters, a group of Indigenous Cowichan knitters has decided to hand-number each of the garments they make and to attach a label with a registration number indicating a genuine “Cowichan Indian Knit.” The knitters then select a small number of trusted retail operations to market and sell their wares.¹⁴ Sa-Cinn, the retailer noted above, cannot keep up with its orders for its high quality authentic sweaters.¹⁵

The authenticity tag that the knitters employ falls under a species of trademark called a “certification mark.” As opposed to a general trademark specifying the specific producer or manufacturer of a good or service, a certification mark is usually applied by an outside “certifying” body.

For example, Australian Wool Services owns the “Woolmark” certification mark and describes its role in applying it as follows:

Through ownership and licensing of the *Woolmark*, *Woolmark Blend* and *Wool Blend* we provide unique worldwide quality endorsement. Our brands and symbols are protected by rigorous and extensive control checks and recognised

¹⁴ The Cowichan Sweater: *A Native Knit Original*, www.nativeonline.com/athentic.htm (sic)

¹⁵ E-mail correspondence, on file with author.

globally as unrivalled signs of quality and performance. If a wool product carries our brands, it carries our guarantee of product quality. We work with textile processors, designers and retailers in both the apparel and interior textile markets throughout the world. We operate globally so you will benefit from our services and specialist support wherever you are.¹⁶

Thus, the group applies the Woolmark or other marks to already-trademarked products to indicate that the wool from which that product is made reaches a certain threshold of quality. A consumer may find the Woolmark attached to a Brooks Brothers scarf, for example; the scarf would be recognized as coming from a specific brandname – Brooks Brothers -- and the material with which it is made would be certified by the Woolmark.



Woolmark, USPTO Certification mark no. 2338440; Brooks Brothers USPTO Trademark no. 78538066

In the case of the Cowichan knitters, they do not appear to use individual trademarks (i.e., every knitter or group of knitters could ostensibly have its own trademark) but rather only employ an authentication certification mark. Nonetheless, the “Cowichan Indian Knit” label functions as a certification mark that permits a prospective purchaser to know that he or she is buying a garment made in the traditional manner, employing patterns and graphics that have legitimate cultural significance. “Imitation sweaters, sometimes erroneously rendered in pastel blues, now flood the market. None approaches (sic) the quality of the natural-colored originals....”¹⁷ To combat sweaters being passed off as authentic when they are not, the few retail stores that sell genuine Cowichan sweaters emphasize certain qualities about the sweater that tend to be missing from inauthentic versions, including the certification mark, a continuous line of stitching (as opposed to seams attaching sleeves to the bodice) and use of pure wool processed with lanolin, which makes the sweaters resistant to water.¹⁸

b. Coopa Roca Reprise

Discussed above, Coopa Roca is building on its now-strong trademark. Ms. Leal, who has achieved initial success with the trademark and log, has grander ambitions for Coopa Roca than local success. She is planning to make and use a designation for “green handicrafts” and she projects that certification will be a major breakthrough “for small producers hoping to compete in high-end markets currently dominated by famous brands and foreign manufacturers.”¹⁹ Adding societal value to merchandise, she believes, will introduce the public to a new form of consumerism.

¹⁶ Australian Wool Services Limited, About Us, available at <http://www.woolmark.com/about.php?id=1&PHPSESSID=0850b95f6fc84277d135d1bebd66de34> (last visited Dec. 11, 2006).

¹⁷ <http://www.nativeonline.com/athentic>

¹⁸ See, e.g., Cowichan Sweaters, available at http://www.quwutsun.ca/cowichan_sweaters.htm.

¹⁹ <http://www.ashoka.org/node/3415>

c. UNESCO

The United Nations Educational, Scientific and Cultural Organization (UNESCO) has begun a similar pilot program in Southeast Asia called the Seal of Excellence.²⁰ This seal, or certification mark, is given jointly by UNESCO and the Association of Southeast Asian Nations (ASEAN) Handicraft Promotion and Development Association (AHPADA) on an annual basis. The Seal is awarded to specific craft products conforming to a rigorous standard of cultural, environmental and production excellence.

The Seal provides a variety of benefits. It can be used as a promotional tool - a certification mark - to indicate the quality and authenticity of a specific product; it can be used in training workshops where recipients of the Seal can assist others to improve their product lines; it can be used for advertisement purposes on the AHPADA website, where all Seal products are available for purchase; and it can be used as a ticket for submission for the biannual UNESCO Crafts Prize. Recipients of the Seal have recognized that the program has helped them achieve greater confidence in their own work “as well as gaining buyers’ confidence and credibility.”²¹



UNESCO Mark. USPTO Servicemark No. 89000176

One of the core objectives of the SEAL program is to generate income for artisans; however, it is not always feasible or possible to bring certain products to the mass market. The artisan may not have production capacity, may not want to produce in mass quantities or there may not be sufficient financial capital to produce on a grand scale. Measurable success has flowed from partnering with current art and craft markets that offer special promotion or placement for SEAL products. One such success is the Santa Fe Folk Market. In 2006, a total of approximately \$20,000 was generated over two days for craftspeople who had earned the SEAL for their crafts.²² Compared to the other high-quality artisan booths, which received revenue in the average amount of \$10,000 per booth, the UNESCO SEAL artists earned more financial returns.

²⁰ For more information about the Seal, see http://portal.unesco.org/culture/en/ev.php-URL_ID=21804&URL_DO=DO_TOPIC&URL_SECTION=201.html

²¹ UNESCO Seal of Excellence for Handicraft Products, Facts and Figures, available at http://www.unescobkk.org/fileadmin/user_upload/culture/SEAL/2006/Documents/2001_-_2005_Seal_of_Excellence_Facts_Figures.pdf

²² Correspondence with Kari Adams, UNESCO SEAL representative, Feb. 21, 2007, and with Judith Espinar, Creative Director of the Santa Fe International Art Market, March 16, 2007. For both, correspondence on file with the author.

d. *Toi Iho* Mark, New Zealand

The Maori people comprise the Indigenous population of New Zealand. Their native language is Maoritanga. Prior to British colonization, Maori literature and culture was passed down to succeeding generations orally and includes many legends, songs and dances. Another notable part of Maori culture is the art of the tattoo. *Moko*, full face tattoos, are traditionally applied to men in a variety of recognizable Maori patterns and designs; women's tattoos are applied to select areas of the face.



Maori Sculpture, New Zealand © istockphoto / Marjan Thys 2007

Toi Iho, registered as a trademark in New Zealand, functions as a certification mark to “promote and sell authentic, quality Maori arts and crafts.”²³ Designed in part by Te Waka Toi, the Maori arts board of Creative New Zealand, and Maori artists, the mark signifies to the buying public that a certain artistic product meets a certain standard of quality and that it was made by a Maori artist. The *toi Iho* mark has two further iterations; the *toi Iho* Mainly Maori Mark and the *toi Iho* Maori Co-Production Mark. The former was designed for groups of artists, most of whom are of Maori descent, who work together in the production, presentation or performance of artworks. The latter, the Co-Production Mark, is designed for collaborations between Maori and non-Maori people.



New Zealand Trademark Office Mark No. 629775 and others, by Creative New Zealand

²³ See *Toi Iho*, About Us, available at <http://www.toiho.com/aboutus/>

The purpose of the *toi Iho* marks is to assist Maori people retain control over their cultural heritage as well as maintain the integrity of their art and culture.²⁴ Indeed, there are several examples of Western businesses that have inappropriately used aspects of Maori art or culture without the consent or knowledge of the Maori people. Such international companies as Lego,²⁵ Philip Morris,²⁶ as well as music labels²⁷ and apartment complexes,²⁸ have misused and profited from an array of Maori culture.



Photograph courtesy of Shane Kawenata Bradbrook, Te Reo Marama, the Maori Smokefree Coalition

As such, to protect the culture of the Maori as it manifests itself in the crafts industry, the *toi Iho* mark allows consumers to identify and purchase crafts that have this “seal of approval” on them. In 2006, 45 *toi Iho* licenses were granted and four new stockists were approved to sell *toi Iho* crafts; a 25 percent increase in just one year. This brought the total number of artists with *toi Iho* licenses to 180 and the number of stockists to 19. Also in 2006, issues related to misappropriation were tackled and distilled in an evaluation of the *toi Iho* mark; recommendations are currently being considered by the New Zealand government.²⁹

e. Silver Hand Mark, Alaska

A final example of the certification mark approach is the State of Alaska’s Silver Hand Program. Established in 1961 and managed by the State’s Art Council as of 1998, the mark has “stood the test of time as an authenticated program for Traditional Alaska Native crafts and the artisans who produce these unique cultural products.”³⁰ Saunders

²⁴ <http://www.toiho.com/faq>

²⁵ See, e.g., Kim Griggs, *Maori Take on Hi-Tech Lego Toys*, BBC News, Oct. 26, 2001, available at <http://news.bbc.co.uk/2/hi/asia-pacific/1619406.stm>.

²⁶ See, e.g., Peter Lewis, *Philip Morris Apologizes for Using Maori Name and Images to Sell Cigarettes*, The World Today, ABC, April 28, 2006, available at <http://www.abc.net.au/worldtoday/content/2006/s1626384.htm>.

²⁷ See, e.g., Auahi Kore, http://www.auahikore.org.nz/initiatives/maori_mix_speech.htm

²⁸ See, e.g., Jason Edward Kaufman, *New Zealand Maoris Furious Over Plans for a Themed Apartment Complex in Texas*, The Art Newspaper, Oct. 19, 2006.

²⁹ Arts Council of New Zealand Toi Aotearoa, Annual Report 2006, page 29.

³⁰ Alaska Wilderness, Ecotourism and Cultural Trip Planning Information, available at <http://www.awrta.org/index.cfm?section=arts>

McNeill, the Director of the Program, said there is “no question” that the Silver Hand tag helps to sell all kinds of works, ranging from thimbles to oversize statues.³¹ The tag has gained strong recognition over the years from consistency of quality and educational training. Customers, including tourists coming in to Alaskan cities from large cruise ships, ask specifically for Silver Hand-certified arts and objects. Online discussion forums from cruise vacationers make specific mention of the tag: “[L]ook for a little black tag with a silver hand attached to the item.... ONLY those items are certified to be by a Native....”³²

The Silver Hand Program is currently undergoing scrutiny and its managers are introducing a Bill to the Alaskan House of Representatives and Senate to make some changes to the decades-old statute that began the Program. The proposed changes would make the range of art objects eligible for Silver Hand protection more inclusive and would allow more deference to tribal decisions regarding who they consider members of their tribes and what kinds of artwork should receive a Silver Hand tag.



Alaska Silver Hand Emblem, conforming to Alaska Statute AS 45.65.030

Currently, eligible artists are assigned a permit number, supplied annually with a total of 150 tags and stickers, provided training in marketing and offered additional opportunities in exchange for \$20.00 for two years.³³ The area in need of the most improvement in the Silver Hand Program is its enforcement. The Program is currently an unfunded Alaska State mandate and, as such, it is relationships with enforcement organizations, including the Federal Trade Commission, the Alaska State Attorney General’s Office and various Native Commissions that can offer surveillance and subsequent action.

Ms. McNeill noted that in her role as Director, she has achieved her most notable enforcement successes by acting as a liaison between Native artists and other agencies. In her role as an outreach and education coordinator, she has also made strides in finding and solving problems. One of her current challenges is the black market for Silver Hand tags – some Natives eligible for the Tag are selling it to non-Natives for up to \$300 per tag. This problem, amongst others, will be addressed in the newly proposed bill.

³¹ Telephone conversation with Saunders McNeill, February 5, 2007. Notes on file with the author.

³² See post from April 12, 2005, at <http://boards.cruisecritic.com/archive/index.php?t-163386.html>

³³ *Id.* See also AKASCA, Native Arts, available at <http://www.eed.state.ak.us/aksca/native.htm>



Mask and soapstone art that use the Silver Hand tag. Images courtesy of Michael Larsen, Native Artist, <http://www.okporuk.com/>

f. The Igloo Tag

In 2001, Inuit designers and seamstresses from communities in Nunavut (Northern Canadian Indigenous community), Nunavik (Quebecois Indigenous community), Panama and Peru joined Pauktuutit (a Canadian Inuit organization) in a consultation workshop on protecting Inuit intellectual property. One of the strongest recommendations was to create a “cultural property” mark for such goods as the *amauti*, a woman’s parka that has a deep hood at the back in which babies and children are placed.³⁴



Amauti from Atanarjuat: The Fast Runner (c) Igloolik Isuma Productions, www.isuma.ca. Photo courtesy of Igloolik Isuma Productions

A similar mark came about in Canada and is currently undergoing study with regard to its viability: the “igloo tag,” administered by the Canadian government, was at one time affixed by recognized cooperatives to Inuit art objects. The mark indicated both the geographic origin and the creator of the artwork and is applied to a variety of products. Although the tag has been inactive for about twenty years, the Indian and Northern

³⁴ Alison Blackduck, *Pauktuutit to Continue work on Amauti Protection*, Nunatsiaq News, June 1, 2001.

Affairs Department in Ottawa will soon be publishing a report concerning the tag's future.³⁵



Canadian Trademark Office Mark No. 0900583



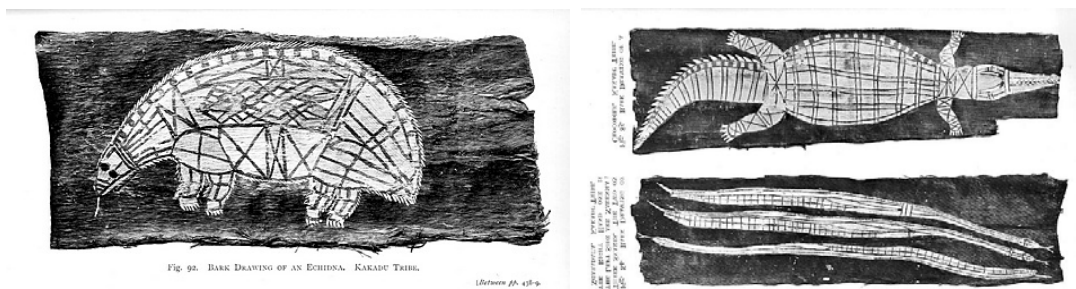
Whale tail pendant with chain; mammoth tusk ivory
Image courtesy of Arctic Art Sales

III. Trade Agreements, Customary Law and non-IP Approaches

Aside from intellectual property law, some governments and courts have looked to other routes of protection for traditional textiles. This happens for a variety of reasons, including whether Indigenous or customary law is respected, whether other non-IP laws are in place that could address the issue at hand and whether a strong Indigenous culture is supporting cultural goals. Federal deference to Indigenous customary law, discussed below, is another factor that influences how a judge might handle a specific case.

a. The Carpet Case, Australia

One example where a court has looked outside of intellectual property law to decide an IP issue is the Australian court case *Milpururru and Others v. Indofurn*.³⁶ The case concerned an interesting conflict between traditional cultural expressions as embodied by the bark paintings of three contemporary Aboriginal artists. The artists' works were reproduced in several authorized publications in Australia.



Examples of bark paintings. Baldwin Spencer, *Native Tribes of the Northern Territory of Australia*, Macmillan Co., Ltd, London 1914. Chapter XIV. Photo research courtesy of Martin Wardrop, Director, Aboriginal Art Online, Australia.

³⁵ Correspondence from Viviane Gray, Manager of the Indian and Inuit Art Centres, Ottawa, on file with the author.

³⁶ (1996) AILR 20; (1996) 1 AILR 28

A Vietnamese carpet manufacturer obtained a copy of one of the publications and reproduced eight artworks either in part or whole on its carpets and exported them back to Australia for sale, stating that they had been designed by Aboriginal artists and that royalties from each carpet sale were paid to the corresponding Aboriginal community. Because the designs used by the artists had long fallen into the public domain, according to Australian copyright law, the court struggled to apply copyright law to the case. According to Indigenous traditions, errors in the reproduction of totemic and other images and symbols can cause great offense but there was no federal Australian law available to deal with this problem.

The plaintiffs had also claimed breaches of sections of the Trade Practices Act, however, with regard to the form of labeling used in connection with the carpets misstating their manufacture and misrepresenting the recipients of the prospective purchasers' money. As such, the court held that the unauthorized importation of the carpets with the fraudulent authenticity labels constituted an infringement of the Trade Practices Act. The trial judge began his damages analysis in a traditional vein but recognized that damages could not be established based on the suffering of a monetary loss (the artists' designs were never on the market). With an unprecedented emphasis on equity for this kind of case, the judge noted that the infringements caused personal distress and potentially exposed the artists to contempt within their communities, if not the risk of diminished monetary returns.

The judge ordered delivery up of the carpets and an accounting of the profits and, in computing the damages to award the plaintiff, he awarded an amount of AUS \$1500 per artwork against each of the respondents under §115(2) of the Copyright Act, reflecting the low quantum of damage attributable to the commercial depreciation. Notably, however, to emphasize the serious nature of the infringements, he awarded an additional sum under §115(4) of AUS \$70,000 to be apportioned in the amounts of AUS \$15,000 to each of the living applicants to "reflect the harm suffered ...[by them] in their cultural environment."³⁷

Some commentators on the case indicate that it establishes the principle that, where the unauthorized reproduction of such works involves a breach of copyright law, customary Aboriginal laws on the subject may be taken into account in quantifying the damage which has been suffered.

³⁷ Transcript of the case, p. 86.

b. The Panamanian *Mola* and Examples of *sui generis* Schemes

Indigenous (people) who are struggling to overcome poverty are deeply concerned and upset to see ‘designers’ steal their traditional designs and patterns. Not only are these designs and patterns one of their few sources of income, they also symbolize their cultural identity.³⁸

Panama introduced a system of copyright-like rights tailored to address some of the problems Indigenous artists face most often, including collective ownership registration. Law 20, introduced in 2000, allows an Indigenous group to own a copyright in a creative work, as opposed to reserving those rights to an individual or a business entity. The legislation, which concerns “the special system for registering the collective rights of Indigenous peoples, for the protection and defense of their cultural identity and traditional knowledge, and setting out other provisions,” includes the right of Indigenous people to contest culturally offensive trademark registrations, does not fix a duration for collective rights, and vests power in Indigenous authorities to oversee cultural protection.

The Panamanian *mola*, a textile design rendered in a special reverse appliqué technique, is recognized by Law 20 as part of the collective heritage of a certain Indigenous group, the Kuna people.



Photo courtesy of Dave Grant, The Ocean Institute

Specifically, Law 20 provides a platform for an alliance between the Panamanian Government, through the Department of Collective Rights; and Kuna authorities, through

³⁸ Protecting Indigenous Women’s Intellectual Property: Tools for thought and action with regard to protecting the traditional designs and patterns of Indigenous women, Rights and Democracy, Canada, available at <http://www.ichrdd.ca/english/commddoc/publications/indigenous/introEnglish.html>

the Kuna General Congress. Much like the New Zealand *toi Iho* mark mentioned above, a seal is affixed to genuine molas, signaling their authenticity. Non-Kuna people are required to obtain a license from the Kuna to manufacture molas and they must be sold with a statement informing the prospective purchaser that the mola was manufactured with Kuna consent but by non-Kuna people. Currently, Law 20 is receiving criticism for some imbalances – it favors the Indigenous population over other Panamanians and could benefit from defining some boundaries to the Indigenous IP right.³⁹

c. Examples of Jurisdictional Deference to Indigenous Law

Panama is not the only jurisdiction that has implemented a *sui generis* legal scheme for traditional cultural expressions; Nigeria and Tunisia also have legislation with new approaches to protection of IP-like assets that do not fall squarely under Western IP laws. Several Latin American countries protect collective rights, including Ecuador, Bolivia, Brazil, Colombia and Nicaragua. Nigeria metes out punishment to third parties that distort certain expressions of folklore or misrepresent their creation.⁴⁰ The salient point this list is meant to demonstrate is that jurisdictions handle Indigenous populations quite differently. The overarching goals of any nation's policy with regard to its Indigenous population tend to aim for a layer of respect and/or anti-counterfeiting help.

That being said, the mechanisms different countries use are not always grounded in intellectual property law – or in law at all. Venezuela's Political Constitution of 1999 declares that the collective intellectual property “of collective benefits is warranted and protected. The registration of patents based on these resources and on traditional knowledge, technology and innovations of Indigenous Peoples is forbidden.” In the United States, very specific laws address some special provisions for cultural aspects of Native American groups; the Federal Native American Graves Protection and Repatriation Act (NAGPRA), for example, provides a platform for museums and Federal agencies to return certain Native American cultural items, including human remains, funerary objects, sacred objects, and objects of cultural patrimony, to lineal descendants, culturally affiliated Indian tribes, and Native Hawaiian organizations.

While many of the laws and policies inherent in a country's overall relationship with its Indigenous populations fall outside the scope of intellectual property and may have no bearing on traditional textiles, they can inform how and whether new policies can be implemented or existing laws can be enhanced to carve out specific protection for works that draw from the knowledge, know-how and creativity of Indigenous peoples.

³⁹ For an excellent discussion of the inception of Law 20 and its predecessors, see Irma De Obaldia, *Western Intellectual Property and Indigenous Cultures: The Case of the Panamanian Indigenous Intellectual Property Law*, 23 B.U. Int'l L.J. 337 (2005).

⁴⁰ See Ikechukwu Magnus Olueze, *Protection of Expressions of Folklore as a Vehicle for Cultural Dissemination under Nigerian Law*, UNESCO Copyright Bulletin, p. 48, available at <http://unesdoc.unesco.org/images/0012/001225/122513eo.pdf#page=48>.

d. Traditional Textiles Online

Another frontier to consider with regard to traditional textiles is the new platforms in which they are being disseminated around the world. Whether they be in museum collections or for sale made by an Indigenous community, traditional objects and textiles face different challenges in the virtual world than they do in the physical world. Museums have different goals than craftspeople, of course; part of most museums' mission statements is to share its art and information with the public; offering digital images of their collections is therefore usually in line with their goals. Craftspeople, on the other hand, may want to advertise their wares online but they do not necessarily want to inspire other would-be craftspeople to make similar crafts or misappropriate their designs. The degree to which they can protect their goods after they place them online for purposes of competing with other craftspeople may be, pragmatically speaking, somewhat difficult.



Candle Holder, Izucar de Matamoros, Mexico, 1995-2000, Image courtesy of the Burke Museum of Natural History and Culture, Catalog Number 2001-111/7



Mask, Inupiaq, Point Hope, Alaska, 1894, Image courtesy of the Burke Museum of Natural History and Culture, Catalog Number 422

One example of craftsmanship appropriated by culturally insensitive business interests can be seen in African art and crafts. A gentleman from South Africa has opened a business in Chicago; he imports art from several African countries and sells it both retail and wholesale, guaranteeing his pieces are authentic pieces of art from Africa:

Our mission at AfricanArt.com is to DIRECTLY support the artisans and their families in Africa in a meaningful and sustainable way. Each purchase on this site is effectively a purchase from the African artist....⁴¹

⁴¹ See AfricanArt.com, <http://www.africanart.com/>

He has come across several circumstances whereby it is very difficult for him to remain faithful to this mission statement and make a profit at the same time. This challenge exists for several reasons including cultural business climate differences between the United States and Africa. Most notably, however, he has found it difficult to compete with cheap replicas of African art made in other countries. A variety of retailers stock African-inspired arts and crafts and neglect to mention where the product is actually made.⁴² The degree to which prospective purchasers might be confused or make assumptions as to the actual origin of such goods is arguable.



Carved Zebra Mask, AfricanArt.com



Small Bamileke stool, AfricanArt.com

Images courtesy of AfricanArt.com

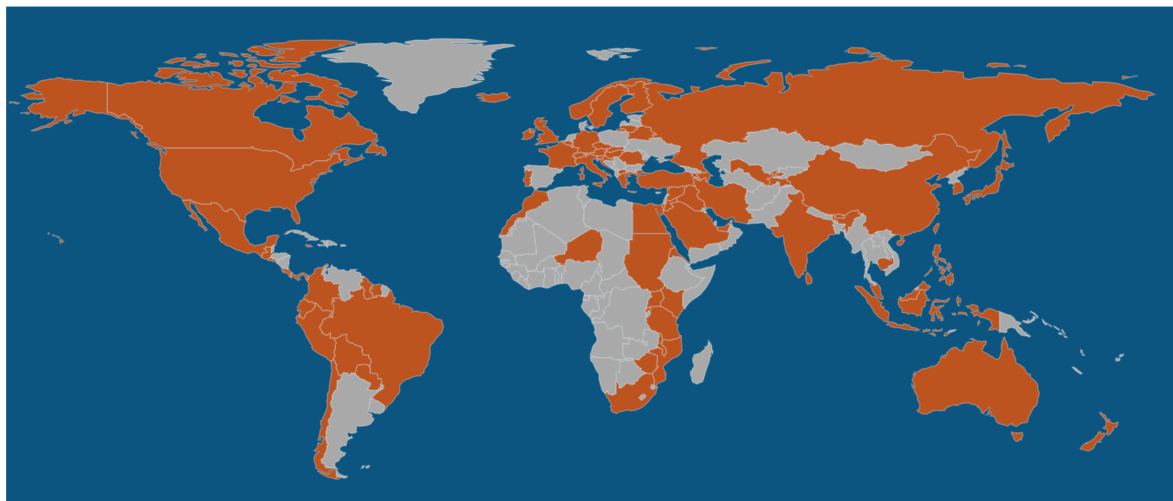
⁴² See, e.g., African Tribal Mask Lamp, Online Discount Mart, <http://www.onlinediscountmart.com/06-35358.html>.

Conclusion

The key points to take away from these examples are:

- Any organization or small business marketing, selling or even educating the public about cultural objects should **take an inventory**, sometimes called an **IP audit**, of the intellectual property inherent in its work. This could include a range of things, including primary products themselves (paintings, statues, designs, etc; either under copyright or industrial design law); client lists (trade secret); the organization's logo (trademark) and an array of other works of the mind.
- Depending on what it is an organization is trying to protect, there is a veritable menu of practical options for achieving those goals. These options include traditional intellectual property routes, including applying for a trademark, using the international symbols associated with the respective IP regime into which goods and services fall: ©; ®; and ™. Although these symbols do not add any further legal protection, they put the public on notice that the expression to which they are fixed is protected by law.
- Use the premises of trademark and/or certification mark law: **“Brand” yourself** such that prospective consumers know your work and know how to differentiate between your work and someone else's. With strong recognition and loyal customers, you will be using intellectual property law to your advantage.
- **Work with** the people and organizations who promote or who are responsible for transporting or selling your goods. This might include your **shippers, relevant customs agents and retail operators**. Getting pertinent information to these people and maintaining open lines of communication with them will help everyone involved in your business understand whether and how IP is being pirated.
- **Educate your current and prospective consumers** about ways in which to identify counterfeit goods and help them understand why they should continue to choose your product. For some types of goods, it is not difficult to be persuasive: counterfeit batteries can cause serious injuries and consumers who are put on notice of possibly lethal consequences will likely look out for fake batteries. For traditional textiles, an appeal needs to be made to prospective purchasers such that they understand the offense they could be causing to the culture they seek to support or the economic loss they are contributing to when they purchase non-genuine goods.
- Intellectual property can be a **powerful tool** in protecting the integrity of your brand and/or culture. It can offer a degree of control as you put your cultural products into the stream of international commerce.

SPECIALIZED INTELLECTUAL PROPERTY COURTS WORLDWIDE



Antigua and Barbuda

Antigua and Barbuda has a specialized tribunal that exclusively hears matters involving copyright royalties. In Antigua and Barbuda, a copyright tribunal acts as a quasi-judicial body regarding licensing schemes for copyrights in protected works. The tribunal hears and determines any matter relating to a licensing scheme or license.

Americas & Caribbean	Europe	Middle East & North Africa	Sub-Saharan Africa	Asia & Oceania
Antigua and Barbuda	Armenia	Egypt	Eritrea	Australia
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Barbados	Belarus	Iraq	Malawi	Bhutan
Bolivia	Belgium	Israel	Mauritius	Cambodia
Brazil	Croatia	Jordan	Mozambique	China
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Chile	Denmark	Saudi Arabia	South Africa	India
Colombia	Finland	Syria	Sudan	Indonesia
Costa Rica	France	United Arab Emirates	Suriname	Japan
Ecuador	Germany		Tanzania	Malaysia
El Salvador	Greece		Uganda	New Zealand
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Andean Community	Portugal			
Eastern Carribbean	Romania			
	Russia			
	Serbia			
	Slovakia			
	Slovenia			
	Sweden			
	Switzerland			
	Turkey			

United Kingdom
European Union

Please refer to the [full study](#) for more information, including information on the case study countries and organizations and sources.

If you believe that the information on this page is inaccurate or outdated, please email bpicozzi@iipi.org.

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A row of five lightbulbs against a blue background. The third lightbulb from the left is highlighted with a semi-transparent grey rectangle containing the text 'GSA'. The fourth lightbulb is glowing brightly, while the others are dim.

GSA



Schedule
Contract GS02F0168Y

The International Intellectual Property Institute (IIPI) has been awarded General Services Administration (GSA) **Contract GS02F0168Y for Mission Oriented Business Integrated Services (MOBIS)**. GSA is the government agency responsible for managing procurement. GSA has determined that IIPI is qualified to provide **Consulting (SIN 874-1)** and **Training Services (SIN 874-4)** and that its prices are fair and reasonable. Federal, State, and Local government customers and certain international organizations can take advantage of the Schedule Contract and place task orders directly with the Institute. Purchasing from the Schedule can greatly simplify the procurement process.

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If your organization needs outside sources to provide MOBIS services, follow these steps:

1. Prepare a Statement of Work (SOW)

The SOW must include:

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Any special requirements such as security clearances, travel or special knowledge.

2. Prepare a Request for Quote (RFQ) if Needed

An RFQ is needed if (1) a services requirement for which an SOW is needed exceeds the micro-purchase threshold or (2) any supplies or services requirement, whether an SOW is required or not, exceeds the simplified acquisition threshold. The RFQ must include the SOW and the criteria that will be used to select a contractor. Selection criteria include technical excellence, management capability, prior experience, personnel qualifications, delivery or performance schedule compliance and/or past performance, etc. If an RFQ is not needed, select the contractor that best meets requirements.

3. If Needed, Provide RFQ to Contractors

If needed, an RFQ must be provided to at least three contractors. "Providing" an RFQ includes posting the RFQ on GSA's RFQ website, [eBuy](#). After the RFQ has been provided, evaluate offers from contractors and select the offer that best meets requirements. Seek additional price reductions from the schedule contract prices where appropriate.

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Sub-Agency

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Office

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Recipient

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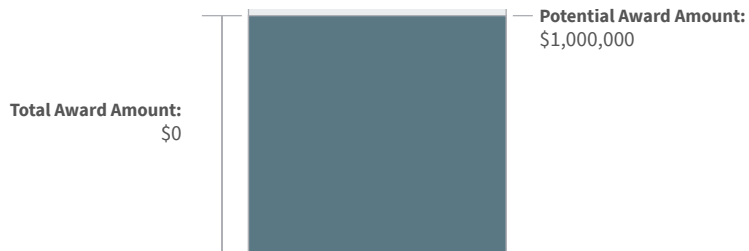
062510172

Business Types

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Award Amounts

This idv was awarded to **International Intellectual Property Institute** with a potential award amount of **\$1,000,000**. Of this amount, **0% (\$0)** has been obligated.



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Description

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Period of Performance

07/19/2012 - 07/18/2017 (4 years, 11 months)

Primary Place of Performance

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Modification Number ▴ ▾	Action Date ▴ ▾	Amount ▴ ▾	Action Type ▴ ▾	Description
PO0010CANCELCONT	02/06/2017	\$0	--	FEDERAL
PA0005ADDRESSCHG	09/07/2016	\$0	--	FEDERAL
PA0011REASSIGNMENT	08/25/2016	\$0	--	FEDERAL
CMA475REVTERMCOND	01/02/2016	\$0	--	FEDERAL
PA0009REASSIGNMENT	10/23/2015	\$0	--	FEDERAL
CMA473REVTERMCOND	10/01/2015	\$0	--	FEDERAL
PA0008REASSIGNMENT	04/18/2015	\$0	--	FEDERAL
PA0007REASSIGNMENT	03/06/2015	\$0	--	FEDERAL
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Technology Bank Governing Council Appointed

Progress towards the establishment of the Technology Bank for the Least developed Countries: the appointment of the members of the Governing Council of the Technology Bank for the LDCs and the establishment of a dedicated Trust Fund The 2011 Istanbul Programme of...



Andrew Hirsch Discusses the Technology Bank at the UN ECOSOC Inaugural Forum on Financing for Sustainable Development follow-up to the Addis Ababa Action Agenda

Mr. Hirsch provided an overview of the promise of the Technology Bank at a Panel Session, Round Table E on “Trade, science, technology, innovation and capacity-building” on Wednesday, 20 April 2016, in the Trusteeship Council Chamber, at the United Nations...



The United Nations Technology Bank for the Least Developed Countries Feasibility Study is Released By United Nations

Feasibility Study by United Nations Secretary-General's High-Level Panel on the Technology Bank for the Least Developed Countries Released. A copy of the Feasibility Study can be found here: [Feasibility-Study-of-Technology-Bank UN General Assembly Background...](#)



Bruce Lehman and Andrew Hirsch Speak at UN High Level Panel Meeting in Istanbul: HLP Recommends Tech Bank for LDCs

Technology Bank feasible and desirable for world's poorest nations Press Release
New York, 22 September 2015 – A Technology Bank that supports science, technology and innovation in the world's poorest countries is both 'feasible and desirable' according to the...



Bruce Lehman Speaks at the 2015 High-level Segment of the Economic and Social Council (ECOSOC)

At the invitation of H.E. Mr. Martin Sajdik, President of the United Nations Economic and Social Council, Bruce Lehman spoke at the The High-level Segment of ECOSOC held from 6-10 July 2015, at United Nations headquarters in New York. Following a Keynote address by...



Andrew Hirsch Represents Civil Society in Discussions on The Technology Bank at UN Conference

UN-OHRLLS Consultative Meeting: LDCs priorities in the post-2015 development agenda and the FfD Conference Dolce Palisades Hotel, Palisades, New York Mr. Hirsch spoke about the work of the UN High Level Panel and the considerations of its members to respond to the...



Andrew Hirsch Speaks at United Nation High Level Panel Meeting on the Technology Bank for Least Developed Countries

Technology Bank proposed for world's poorest countries Press Release Gebze, 16 February 2015 A panel of high-level personalities will meet in Turkey this week to discuss a proposed Technology Bank for the world's 48 Least Developed Countries (LDCs) who are lagging...

Page 1 of 30 [1](#) [2](#) [3](#) [4](#) [5](#) ... [10](#) [20](#) [30](#) ... » [Last](#) »

Search

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Archives by Year

[2016](#)

[2014](#)

[2013](#)

[2012](#)

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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IIPi Personnel



Below is a list of IIPi's Washington, DC-based staff, and partners. Additionally, the Institute cooperates with experts and partners around the globe to execute its mission. The combination of diverse networks and skill sets from the staff allows IIPi to foster economic growth throughout the world.

Staff

Honorable Bruce A. Lehman



Chairman and President

blehman@iipi.org

For the past 44 years, Bruce Lehman has practiced law, advised lawmakers and made policy at the local, state, national and international levels in various capacities as a public servant, diplomat, attorney, and nonprofit executive. While he is best known for his role in shaping the development of intellectual property law both nationally and globally, his long career also included significant contributions in the areas of civil liberties, national security, health policy and public administration.

Currently, he devotes much of his time to the International Intellectual Property Institute (IIPi) where he serves as board chairman. IIPi is a nonpartisan, nonprofit organization, based in Washington, D.C. which he founded in December 1998. The Institute is a think tank and development organization that promotes the creation of modern intellectual property systems and the use of intellectual property rights as a mechanism for investment, technology transfer and the creation of wealth in all countries of the world. In addition to his work with IIPi, Mr. Lehman serves as Senior Advisor to 1624 Capital, LLC, an investment fund specializing in patents and is a member of the Legal Advisory Council of LegalZoom, an Internet-based provider of legal tools for individuals and small businesses. Also, he is counsel to several artists' rights groups that seek meaningful copyright protection for visual artists. In that

capacity, he has drafted legislation, advised Congress and filed Supreme Court *amicus* briefs on behalf of fair copyright protection for visual artists.

Very early in his career, prior to military service during the Vietnam War, Mr. Lehman served as legal counsel to the Wisconsin State Legislature, advising the state senate and house of representatives on matters as diverse as municipal law, the organization of state appellate courts, and regulation of nuclear power generating facilities. After military service, he received an appointment as a trial attorney in the honors program of the United States Department of Justice.

At the age of 28, he was appointed by Chairman Peter Rodino to be counsel to the Committee on the Judiciary of the United States House of Representatives upon the recommendation of Congressman Robert W. Kastenmeier, the Chairman of the Subcommittee on Courts, Civil Liberties and the Administration of Justice. Mr. Lehman's service with the Committee began at the outset of that committee's proceeding leading to a recommendation of impeachment of President Richard Nixon.

While he played a supporting role in the impeachment matter, Mr. Lehman was immediately given responsibility for advising the committee on intellectual property legislation, beginning with drafting the patent policy provisions of the Non-Nuclear Energy Research and Development Act of 1974. He organized hearings and drafted legislation that eventually resulted in major reforms of the U.S. Patent System, including: the Bayh-Dole Act, creation of the Court of Appeals for the Federal Circuit, the initiation of computerized examination of patent applications at the USPTO, elevating the USPTO to sub-cabinet status, and giving the USPTO financial stability as a fully fee-funded agency. During his service with the Judiciary Committee, Mr. Lehman also organized public hearings and worked with his Senate counterparts and the Register of Copyrights, Barbara Ringer, to draft the legislation that after an effort spanning two decades, was enacted into law as the 1976 Copyright Act. Mr. Lehman's mentor, Chairman Kastenmeier, was the author of that landmark legislation.

In addition to his work on patent and copyright legislation, Mr. Lehman was assigned responsibility for oversight and legislative reforms directed at reconciling the long-standing conflict, identified by the United States Supreme Court in *United States v. U.S. District Court*, 407 U.S. 279 (1972), between the President's national securities powers and the Fourth Amendment to the Constitution. After supervising an

oversight investigation that documented instances of warrantless wiretapping by the Federal Bureau of Investigation, Mr. Lehman advised the Committee in drafting the landmark Foreign Intelligence Surveillance Act of 1978. That year Mr. Lehman was appointed Chief Counsel of the Subcommittee on Courts, Civil Liberties and the Administration of Justice, and in that capacity supervised the committee's staff engaged in oversight and legislative activities with respect to the First and Fourth Amendment law, the Federal Bureau of Prisons, the National Legal Services Corporation, the Federal Courts and the nation's intellectual property system.

In 1983 Mr. Lehman moved from Capitol Hill to the private sector, joining the law firm of Swidler & Berlin, where he soon became a partner. During his ten years in private practice, Mr. Lehman focused on intellectual property, competition, and communications law, representing clients in the media, communications and health-care industries. While in private practice, he continued his public service through participation in local government and was appointed by the Mayor of the District of Columbia to the D.C. General Hospital Commission, the supervisory body for the city's large public hospital. While serving as the Commission's Vice Chairman, Mr. Lehman initiated the creation of the D.C. General Hospital Foundation and became its Chairman.

Soon after taking office in 1993 President Bill Clinton nominated Bruce Lehman to the post of Assistant Secretary of Commerce and U.S. commissioner of patents and trademarks. Subsequently, as a result of legislation developed by Mr. Lehman and his colleagues working under Vice President Al Gore's reinventing government initiative, the USPTO's management structure was simplified and the title of its leader was changed to Undersecretary of Commerce and Director of the USPTO. However, the responsibilities and position of the Undersecretary in the government hierarchy remain unchanged from Mr. Lehman's tenure as Assistant Secretary and Commissioner.

As the Clinton administration's primary representative for intellectual property rights protection, he was a key player on these issues, both domestically and internationally. At the request of the president, he served concurrently in the fall of 1997 as acting chairman of the National Endowment for the Humanities, which fosters and recognizes the work of America's artistic and creative community.

Mr. Lehman's work in the Clinton Administration was recognized in 1994 by *The National Law Journal* which named him its "Lawyer of the Year." In 1997 the public-policy magazine *National Journal* named him as one of the 100 most influential men and women in Washington, noting, "In today's Information Age, the issue of intellectual property rights is no longer an arcane concern, but a vital part of U.S. trade policy. Since taking over his current posts in 1993, Lehman has been the Clinton Administration's outspoken voice on such matters here and abroad."

Serving as the leader of the U.S. delegation to WIPO's December 1996 Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, Mr. Lehman concluded negotiations that resulted in the adoption of two treaties: the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty; by updating international copyright law for the digital age, the treaties aim to facilitate the growth of online digital commerce over the Internet. Mr. Lehman's guidance on the development of the intellectual property provisions of the Uruguay Round Agreement, now known as TRIPS (Trade-Related Aspects of Intellectual Property), has enabled American creators and inventors to more easily protect their creations from piracy throughout the world.

Mr. Lehman also chaired the Working Group on Intellectual Property Rights of the National Information Infrastructure Task Force. In September 1995 the Working Group released *Intellectual Property and the National* copyright protection of intellectual property in the networked environment of the information superhighway. These recommendations served as the basis for the WIPO treaties and the Digital Millennium Copyright Act.

At the end of 1998, Bruce Lehman returned to private life as an advisor to Priceline, Inc. and its parent company Walker Digital. He also founded IIPi and joined the boards of several Internet startups. From 1999 to 2008, during the tenure of Director General Kamil Idris, Mr. Lehman served on the Policy Advisory Commission of the World Intellectual Property Organization, headquartered in Geneva. From 2004 to October 2004 Mr. Lehman returned to law practice as Senior Counsel to the law firm of Akin Gump Strauss Hauer & Feld in Washington, DC.

On February 7, 2006, Mr. Lehman was honored as one of 23 initial inductees to the newly created International IP Hall of fame, a project sponsored by the London-based, Intellectual Property Asset Management Magazine. He was one of ten living

original members of the Hall of Fame which also included historical figures such as Thomas Jefferson and Victor Hugo.

Mr. Lehman is holding both a B.S. and a J.D. degree from the University of Wisconsin, Madison and served as a First Lieutenant in the United States Army.

Susan Nilon

Executive Director / Director General



snilon@iipi.org

Susan Nilon is known as one of Florida's most in-depth and observant current affairs commentator. She brings warmth, knowledge, and intelligence to every interview, speech, public appearance, and column. An unwavering resolve that everyone matters drives all of Susan's endeavors. A former owner of WSRQ AM/FM radio, she is a proven master of adaptive change as illustrated by her leadership in turning the radio station into a sterling example of how to succeed on the air by "going local." Susan has appeared on PBS's Florida This Week, BBC RADIO, and for the past three years is regularly seen as a political commentator on ABC 7's News at 7 with Alan Cohn.

She began her career as a journalist starting out in syndicated radio. Serving as an on-air personality, Susan moved over to management where she became the affiliate coordinator for Pennsylvania Radio Network. After moving to Florida, it was the presidential elections of 2008 that moved Susan back to her roots as a journalist.

There, she worked as a political columnist for several Florida publications. In 2010, an offer to go back on the radio was made and Susan began a five-year run as the host of a political talk show on AM/FM radio. For three hours a day, she conducted over three thousand interviews, where guests, such as Madelynn Albright, Michael Smerconish, James Carville, Rep. Charles Crist, participated in in-depth discussions that allowed her audience to understand what is shaping America.

Susan has a bachelor's degree in Communications from Temple University, PA, a degree in English -Secondary Education from Rowan University, NJ, and is currently working on her Juris Doctorate in Intellectual Property at Western Michigan's Cooley School of Law, FL.

She is a board member of: The Kennedy Center's *Any Given Child* of Sarasota, ACLU of Florida, ACLU of Sarasota, and on the Executive Committee of the Moot Court board at WMU Thomas J. Cooley Law School. She is also a member of the legal panel of both the ACLU of FL and the ACLU of Sarasota.

A mother and 2nd-year law student at WMU Cooley Law school, Susan is known for bringing thoughtful, informed empathy to panels, forums, and community events. Her goal is to *"strengthen knowledge of governance and encourage civic engagement for all."*

Richard Litman

General Counsel

rlitman@iipi.org

Richard Litman is Legal Counsel for the International Intellectual Property Institute (IIPi). He is the Practice Group Leader of the Intellectual Property and Emerging Technologies Practice Group of Becker & Poliakoff, PA. He is based in the Washington, DC, Miami, Florida, and Northern Virginia offices. He is the Office Managing Attorney of the firm's Northern Virginia Office, which is the administrative office for the firm's IP practice. Clients include universities, research centers, programs and resources supporting innovation and entrepreneurship, and R&D funding organizations in emerging innovation economies. The Practice Group handles a wide spectrum of technologies, including Biotechnology and the Life Sciences,

Information and Communications Technology, and Energy and Environmental Technology.

Innovation and entrepreneurship come naturally to Richard Litman. He has been a lawyer for 35 years. After finishing college at age 15, Richard went on to graduate from law school with honors. Richard also holds two advanced law degrees, including one in Forensic Science and the other, an LL.M. in Patent & Trade Regulation Law from The National Law Center of George Washington University, obtained during a post-graduate fellowship awarded by the Food and Drug Law Institute. He is a Registered Patent Attorney and has been admitted to practice before several state and federal courts, including the Court of Appeals for the Federal Circuit and the U.S. Supreme Court.

Litman has been a director of three commercial banks for the last 20 years and has served as Chairman of The Freedom Bank of Virginia for the last 7 years. For many years he hosted the Great Ideas radio program in Washington, DC, a daily show in which he interviewed technology entrepreneurs, angel and private equity investors, and experts serving emerging technology companies. Litman has lectured in many countries on topics such as using global patent information and the international patent system to accelerate innovation, and models for international collaborative relationships. In 2009 he started the Global Academic Innovation Network (GAIN) to facilitate multinational relationships for collaborative research, and the development and commercialization of technologies.

He belongs to the American Bar Association, the American Intellectual Property Law Association, the Federal Bar Association, the Licensing Executives Society, the Association of University Technology Managers, and the Association of University Research Parks. He is recognized for his achievements in Who's Who in Finance and Industry, Who's Who in American Law, Who's Who in America and Who's Who in the World. He has an AV Martindale-Hubbell rating and is recognized in the Bar Register of Preeminent Lawyers. The Pennsylvania Senate recognized him for his "tireless efforts to benefit the community at large". He was also commended by President Clinton for his "deep concern about our future" and his "exemplary commitment to improving our world".

Jenna Leventoff

Manager and Staff Attorney

jleventoff@iipi.org

Jenna is IIPi's Manager and Staff Attorney. Prior to joining IIPi, she was a Legislative Counsel Intern at the American Civil Liberties Union Washington Legislative Office and a Press Intern for Senator Sherrod Brown (D-OH). Jenna spent a year defending the First Amendment as a Law Clerk at Berkman, Gordon, Murray, and DeVan. She graduated from Case Western Reserve University School of Law, cum laude, where she was a Student Bar Association Senator, Lead Editor of the Journal of Law, Technology and the Internet and President of the Student Public Interest Law Fellowship. Jenna received her B.A. in Political Science and English from Case Western Reserve University and was a member of Sigma Tau Delta, the National English Honors Society. She is also a proud former President of the Case Democrats.

Fellows & Interns

Past Staff, Fellows, and Interns

Andrew Jaynes

Executive Director and General Counsel

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Andrew is IIPi's Executive Director and General Counsel. Prior to joining IIPi, he was a legislative fellow in the office of Congressman Walt Minnick (D-ID). Andrew spent close to a year in the Philippines conducting research on IPR protection and enforcement as a Fulbright scholar from 2007-2008. His research paper, "Why Intellectual Property Rights Infringement Remains Entrenched in the Philippines", appears in Volume 21 Issue 1 of the Pace International Law Review. Andrew graduated from the University of Wisconsin Law School where he was a Managing Editor on the Wisconsin Law Review and member of the Moot Court Board. He received his English degree with high distinction from the University of Michigan and was a member of the Phi Beta Kappa National Honor Society.

Ben Picozzi

Program Manager

bpicozzi@iipi.org

Ben is the Program Manager at IIPi. He graduated from Stanford University with a B.A. in philosophy with distinction and completed an honors thesis in international security studies. He was also elected to the Phi Beta Kappa National Honor Society

and captained the Stanford policy debate team. Prior to his work at IIPI, Ben worked as a research intern in the areas of international conflict management and medicine. He hopes to attend law school in the near future, possibly beginning a career in international intellectual property issues.

Remington Knight

Program and Research Assistant

rknight@iipi.org

Remington is the Program and Research Assistant for IIPI. He is in the middle of his undergraduate studies at the University of Wisconsin-Madison. Remington is taking time away from school to work for IIPI and gain a better understanding of intellectual property. He is majoring in legal studies, political science, and economics. Along with his studies, he competes for the division one rowing program at the UW. Prior to Wisconsin, he graduated from Groton School, a small preparatory school in Massachusetts. Remington interned with Senator Tammy Baldwin (D-WI) during the summer of 2013.

Rick Reidy

Executive Director

rreidy@iipi.org

Rick is an economist and public affairs advisor. Based in Los Angeles and Washington, DC, he has counseled companies, labor unions, and non-profit groups on financial and government funding issues.

Mr. Reidy was a founder and director of one of the first venture capital funds to invest exclusively in environmentally-friendly companies. Mr. Reidy also founded a start-up venture that pioneered the concept of direct-to-consumer sales of recorded music.

He served previously as chief financial officer for a boutique property development group in Los Angeles, arranging the financial packages for the company's residential and commercial building projects. Earlier, Mr. Reidy worked at a Washington, DC trade group representing employee-owned companies and firms financed by employee-leveraged buy-outs.

A graduate in economics of the University of Notre Dame, Mr. Reidy has also studied and worked in Mexico City, Boston, and New York. He worked through his school

years in radio broadcasting as an on-air announcer, talk show host, news writer and engineer.

Cameron Coffey

Program Attorney

ccoffey@iipi.org

Cameron was a Program Attorney at IIPi. A member of the Federal Circuit and Virginia State Bars, Cameron graduated from The George Washington University Law School in 2009, where she received a Presidential Merit Scholarship. Prior to joining IIPi, Cameron served as a legal fellow at the Center for Lobbying in the Public Interest, as a legal intern at the Alliance of Artists and Recording Companies, and as a legal assistant at the University of Georgia's Office of Legal Affairs. Cameron holds a Bachelor of Arts in Journalism from the University of Georgia.

Jason D. Koch

Program Attorney

jkoch@iipi.org

Jason was a Program Attorney at IIPi. A member of the Federal Circuit and Virginia State Bars, Jason studied intellectual property, international law, economics, and public policy at universities in the United States, England, and the Netherlands. Prior to joining IIPi, Jason worked for the Council of the District of Columbia and was a legislative fellow in the office of U.S. Senator Arlen Specter (D-PA). In his spare time, Jason has worked on government contract and anti-trust cases and has drafted revision for a legal casebook. Jason holds a J.D. from the George Washington University Law School.

Bruce Mihalick

Program Assistant

Bruce was IIPi's program assistant and is now at the Social Security Administration. Before IIPi, he worked in the commercial insurance billing department at Johns Hopkins Hospital. Prior to his work at Johns Hopkins, he spent close to a decade in mutual funds sales at Legg Mason. Bruce is a veteran of the U.S. Navy and U.S. Coast Guard.

Lauren Saltiel

Lauren Saltiel is a legal intern at IIPi for the summer of 2012. She is a rising 2L at The

University of Pennsylvania Law School and is working as a Center for Technology, Innovation, and Competition Public Interest Fellow. At Penn, she is on the board of the Penn Intellectual Property Group and president of the Public Interest Mentors Initiative. Lauren obtained her BA in Political Science from Barnard College in 2010. After graduation, she worked for a science media company and non-profit organization, where she was first exposed to intellectual property issues. She is particularly interested in IP issues relating to protecting cultural heritage and traditional knowledge and providing access to technologies in the developing world.

Joanna Holguin

Legal Fellow

Joanna Holguin is a legal fellow at IIPi for the fall of 2011. She is a graduate of the University of North Carolina School of Law where she represented the school at the American Intellectual Property Law Association's moot court competition. Originally from New Jersey, Joanna graduated magna cum laude from The College of New Jersey in 2007 where she studied Journalism and Philosophy. She initially became interested in intellectual property law when she began to perform with local musicians on her college campus and the local community. She hopes to establish a career in intellectual property law and learn the different aspects of the field while a fellow at IIPi. Joanna speaks fluent Spanish and is learning to speak Arabic.

Karen Schuster

Intern

Karen Schuster was an intern at IIPi during the summer of 2011. She is currently a rising senior at Dartmouth College, majoring in Classics and Chinese. In 2010, she worked for a semester abroad as a government relations intern at the American Chamber of Commerce in Beijing, where she developed an interest in intellectual property rights. This interest, in addition to her interest in Asia, interest in music and experience working at a technology startup led her to IIPi.

Sofia Castillo

Legal Intern

Sofia Castillo was a legal intern at IIPi during the summer of 2011. Originally from Venezuela, she will start her second year as a law student at American University Washington College of Law in Washington, DC. Sofia obtained her BA in

Anthropology and International Development Studies at Trent University in Ontario, Canada and her MA in Latin American Studies at Stanford. Sofia is interested in learning more about intellectual property issues in trade relations between Asia and Latin America.

Krista Celentano

Legal Intern

Krista Celentano was a legal intern at IIPI during the fall of 2000. She is a third-year law student at the University of California, Davis, School of Law. Before attending law school Krista obtained a B.S. from the University of California, Los Angeles in Biochemistry. She is a USPTO registered patent agent and has worked in patent prosecution and litigation. Krista's interest in intellectual property law and policy began at UCLA and has continued through her aspiring career. As a research assistant focusing in international intellectual property law and cultural studies, Krista hopes to expand upon her knowledge of global intellectual property development at IIPI.

Carolina Rizzo

Legal Intern

Carolina Rizzo was a legal intern at IIPI during the fall of 2000. Originally from Uruguay, she is a second-year law student at American University. She obtained a BA in Latin American Studies and International Relations with High Honors from the University of Michigan in 2009. As an undergraduate student, Carolina interned at the United Nations Information Centre in Washington, DC. In law school, she serves as Co-Editor of the Arbitration Brief and blogger for the Intellectual Property Brief. She is interested in International Commercial Arbitration and Intellectual Property, specifically Copyright protection of Folklore and Traditional Knowledge. Carolina began her internship with IIPI in August.

Eric Robbins

Legal Fellow, Legal Intern

Eric was a legal intern at IIPI during the summer of 2010. He is currently a rising third-year law student at Georgetown University Law Center. He was born in Denver, CO. Before he came to law school, he worked in biomedical research at the University of Colorado, where he conducted research on a wide range of diseases including prostate cancer, tuberculosis, and hypertrophic cardiomyopathy. He came to law

school looking for a new challenge that would allow him to continue to be involved with science and found it in intellectual property law. He came to IIPi because of his affinity for intellectual property law coupled with his desire to assist other nations to develop their economies.

Alex Diaz-Ferguson

Legal Intern

Alex was a legal intern at IIPi during the summer of 2010. He is currently a J.D. candidate at the American University Washington College of Law in Washington, DC. He received a Bachelor of Business Administration from Florida International University in 2009, where he studied international business and marketing. Before going to law school, Alex worked in various fields, including internet advertising, life insurance, and university prospect management. His interests in international markets, theater and music have led him to explore intellectual property as a potential career path during and after law school. Alex speaks fluent Spanish and French.

Jongseung Ahn

Intern

Jongseung Ahn was an intern at IIPi during the spring of 2010. He holds a graduate degree in International Trade and Economic Cooperation from Kyung Hee Graduate School of Pan-Pacific International Studies in South Korea, where he served as student president. Jongseung's studies focused on intellectual property rights and foreign direct investment, and he is a member of the Korean Association of International Development and Cooperation. Jongseung's internship experience includes Stanford Hotel in Australia, Samsung SDS in South Korea, and INDECOPI in Peru. He received B.A. in Business administration in 2008 from Chung Ang University in S. Korea.

Search

Archives by Month

Archives by Year

[2016](#)[2014](#)[2013](#)[2012](#)[2011](#)[2010](#)[2008](#)[2007](#)[2006](#)[2005](#)[2004](#)[2003](#)[2002](#)[2001](#)[2000](#)[1999](#)

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Background



Who We Are

The International Intellectual Property Institute (IIPI) is the foremost organization for providing education and guidance about intellectual property (IP) rights to leaders and innovators in developing countries. Since 1998, the nonprofit organization has worked with nations to create jobs and increase competitiveness through the use of IP rights. IIPI has also helped stem the tide of counterfeit goods into the US and reduce patent infringement and unfair competition.

What We Do

Cultivate innovation economies and reduce piracy and counterfeiting around the globe by conducting workshops, hands-on training programs, educational events, and in-depth research for public and private stakeholders. Here are just a few of the specific ways in which we support economic development:

- Educate government leaders about the economic value of IP protection
- Help traditional artisans – primarily women – protect and promote their cultural products
- Teach university researchers how to commercialize their inventions
- Analyze the economic impact of international IP rules

How We Help You

- Demystify IP rights by presenting the facts about their benefits and role in economic development
- Build markets for technology-intensive products and services
- Provide guidance on using IP rights efficiently and effectively
- Create opportunities for the economically disadvantaged to harness their creativity and innovation

Search

Archives by Month



Archives by Year

2016

2014

2013

2012

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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IIPi Links



World Trade Organization Agreements Relating to Intellectual Property

WTO Trade Related Aspects of Intellectual Property (TRIPS) [.pdf](#)

Declaration on the TRIPS Agreement and Public Health [.pdf](#)

Agreement between the World Trade Organization and the World Intellectual Property Organization [.pdf](#)

World Intellectual Property Organization Treaties – WIPO is the source of the following international treaties.

Berne Convention for the Protection of Literary and Artistic Works [.pdf](#)

Paris Convention for the Protection of Industrial Property [.pdf](#)

WIPO Copyright Treaty (WCT) [.pdf](#)

WIPO Performances and Phonograms Treaty (WPPT) [.pdf](#)

Madrid Agreement Concerning the International Registration of Mark [.pdf](#)

Madrid Protocol [.pdf](#)

Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods [.pdf](#)

Treaty on Intellectual Property in Respect of Integrated Circuits (Washington Treaty) [.pdf](#)

Convention for the Protection of Producers of Phonograms from Unauthorized Duplication [.pdf](#)

Other Conventions

Union for the Protection of New Varieties of Plants (UPOV) [.pdf](#)

Search

Archives by Month



Archives by Year

2016

2014

2013

2012

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

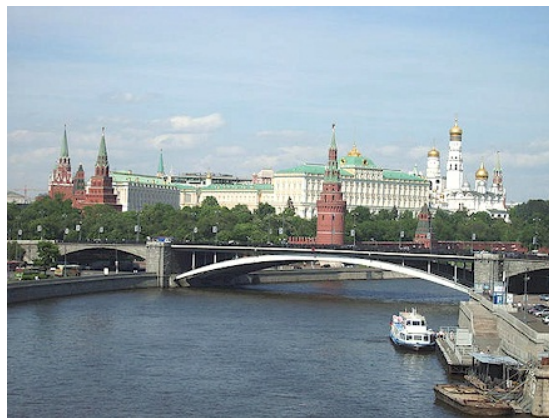
1999



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Kevin M. Reichelt presents at the U.S.-Russian Experts Forum in Moscow, and the U.S. – Russia Joint Conference on the Rule of Law in St. Petersburg, Russian Federation.



Moscow and St. Petersburg, Russian Federation. IIPI Program Attorney, Kevin M. Reichelt presented a co-authored policy brief during the U.S.-Russian Experts Forum, a program sponsored by the United States Department of State and run by the International Research and Exchanges Board (IREX). The conference comprised of U.S. and Russian experts representing diverse fields ranging from flu pandemic to energy policy to intellectual property, took place in Moscow on 6 November 2007. Following a brief address from the U.S. Ambassador to Russia, William J. Burns, the delegates dispersed to smaller discussion sections where each policy brief was presented and debated.

Mr. Reichelt co-presented with Professor Vyacheslav Gavrilov, Dean of the International Law Department of the Far Eastern State University, a policy brief addressing intellectual property protection and enforcement in the Russian Federation. IP protection and enforcement has recently dominated trade negotiations between the U.S. and Russian governments especially as it relates to intellectual property enforcement and Russia's bid for WTO accession.

Following the Moscow conference, Mr. Reichelt traveled to St. Petersburg where he was scheduled to deliver two lectures at St. Petersburg State University Faculty of Law. Mr. Reichelt was graciously invited to participate on a panel of legal experts during the U.S. – Russia Joint Conference on The Rule of Law co-sponsored by People to People Ambassador Programs together with the Faculty of Law at St. Petersburg State University. Following the conference, Mr. Reichelt addressed students and faculty as a guest lecturer on international intellectual property protection and enforcement.

For more information on this conference, please contact Kevin M. Reichelt via email at kreichelt@iipi.org.

Search

Archives by Month



Archives by Year

2016

2014

2013

2012

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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[About NIPLI](#)[Academies](#)[Products](#)[History](#)[Related Sites](#)[Contact Us](#)[Site Map](#)[Home](#)

NIPLI

National Intellectual Property Law Institute



History

Lectures/Meetings

[Ethiopia](#)[St. Petersburg, Russia](#)[Yekaterinburg, Russia](#)[Florida, USA: OPSEC](#)
[Courses and
Conferences](#)
[International Visitors](#)
[Lectures/Meetings](#)
[Inaugural Ball](#)

St. Petersburg, Russia

Professor Chandler was invited to lecture in St. Petersburg and Yekaterinburg, Russia on IPR related issues during 17-27 September, 2007. On September 18, Professor Chandler had a speech in a seminar named "Problems of managing intellectual property created within the framework of governmental contracts", which was held at Smolny, Lepnoy Hall, St. Petersburg. The topic of the speech was "Experience of managing intellectual property created at the expense of the federal budget of the US". After that, Professor Chandler had several talks with college students, law faculty, local lawyers, law enforcement at St. Petersburg University, St. Petersburg State University, Pedagogical University, and Herzen University law school. After one of the speech, one student waited for Professor in the alley and asked him whether he can come back again.









[Home](#) | [About NIPLI](#) | [Academies](#) | [Products](#) | [History](#) | [Related Sites](#) | [Contact Us](#) | [Site Map](#)

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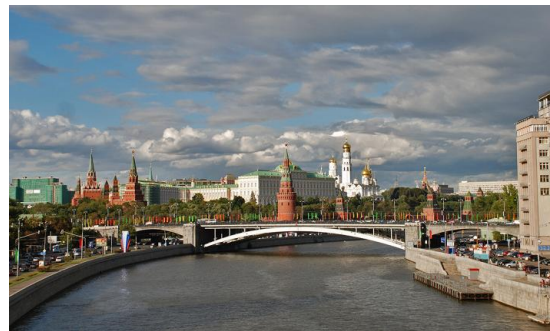
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IIPi Participates in the U.S.-Russia Experts Forum and Welcomes Russian Scholar Vyacheslav GavriloV



Washington, D.C.

The International Intellectual Property Institute (IIPi) is pleased to welcome international scholar Vyacheslav GavriloV to the office. Dr. GavriloV, along with IIPi Program Attorney Kevin M. Reichelt, is taking part in the U.S.-Russia Experts Forum. Over the next ten weeks, Dr. GavriloV will collaborate with Mr. Reichelt to produce a policy paper addressing the problem of counterfeiting and piracy in the Russian Federation.

Dr. GavriloV is the Dean of the International Law Department of the Law Institute at the Far Eastern National University in Vladivostok, Russia. Dr. GavriloV received his Ph.D. in Juridical Sciences from Kazan State University and is author of over 50 articles, books and textbooks.

The U.S. – Russia Experts Forum is a program of the Bureau of Educational and Cultural Affairs of the United States department of State, implemented by the International Research & Exchange Board. The Forum equips high level experts from both nations with the necessary tools for collaborating on policy briefs at U.S. think tanks, government agencies and research centers, which will ultimately culminate in the development of policy recommendation and conclusions, and establish long-

standing bilateral partnerships. The policy brief will be presented in Washington D.C. in June and at the final conference in Moscow in November 2007.

For more information, please contact Kevin M. Reichelt via email at kreichelt@iipi.org.

Search

Archives by Month

Archives by Year

2016

2014

2013

2012

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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IIPI Founder Inducted Into IP Hall of Fame

Washington, DC. IIPI is proud to announce that its Chairman, Bruce Lehman, has been inducted into the newly-created Intellectual Property Hall of Fame. The IP Hall of Fame, developed by Intellectual Asset Management magazine with the assistance and support of Computer Patent Annuities Limited Partnership, honors those individuals who have made an outstanding contribution to the development of intellectual property law and practice. The IP Hall of Fame identifies the individuals who have helped to establish intellectual property as one of the key business assets of the 21st century. More information about the Hall of Fame can be found on its website, www.iphalloffame.com. Its aim is “not only to acknowledge the vital role played by these innovators in fostering today’s vibrant IP environment and ensuring its continued health, but also to show how central IP is to the global economy and to the wellbeing of people around the world.”

Bruce Lehman was honored for being the longest-sitting and first activist Commissioner of the United States Patent and Trademark Office and for his role as an architect of the Digital Millennium Copyright Act. He was also noted for his role in helping to negotiate the World Trade Organization’s TRIPS Agreement and for founding IIPI in 1999.

The nomination and voting process for the first inductees took place in December 2005 through deliberations of 18 intellectual property specialist panelists from around the world. Twenty three inductees were chosen in the Hall of Fame’s inaugural year; the individuals range from two United States Presidents (Thomas Jefferson who was the first head of the United States Patent and Trademark Office; and James Madison, who is credited with including Article III, Section 8, the patent and copyright clause in the Constitution) to a 19th century French author (Victor Hugo who formed and headed the International Literary Association which drafted the foundational text for the international Berne Convention in 1883, a legal instrument which provides minimum standards for international copyright protection). The IP Hall of Fame plans to develop its nomination process in

preparation for next year's inductees. In its article on the Hall of Fame in its April/May issue, Intellectual Asset Magazine stresses that, without intellectual property, "the world would be a considerably poorer place."

Search

Archives by Month



Archives by Year

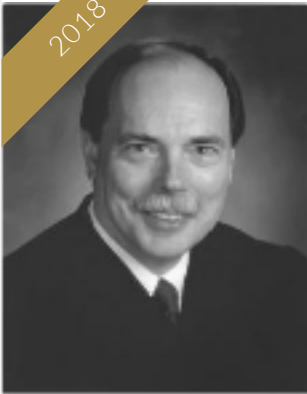
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Inductees

2018



**Judge Richard
Linn**

Circuit Judge of the
US Court of Appeals
for the Federal
Circuit IP Hall of...

2018



Ella Cheong

Senior Partner, Ella
Cheong & Alan Chiu,
Solicitors and
Notaries IP Hall of
Fame inductee...

2018



Kevin Rhodes

Chief Intellectual
Property Counsel,
3M IP Hall of Fame
inductee in 2018
Kevin Rhodes is...

2017



**Antonio
Campino**

Executive Direc
of the EUIPO IP
of Fame inducte
2017 Executiv
director of...

2017



Charles Gielen

2017



Carl Horton

2017



**Philip S
Johnson**

2016



**Margot
Fröhling**

trademark litigator
IP Hall of Fame
inductee in 2017 A

improving IP
systems IP Hall of
Fame inductee...

Johnson & Johnson
IP Hall of Fame
inductee in...

multilateral affair
the European Pa
Office IP Hall.

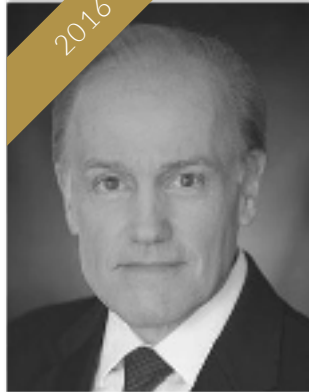
2016



Lulin Gao

China's longest
standing patent
commissioner and
the founding
commissioner of
China's State IP
Office IP Hall of...

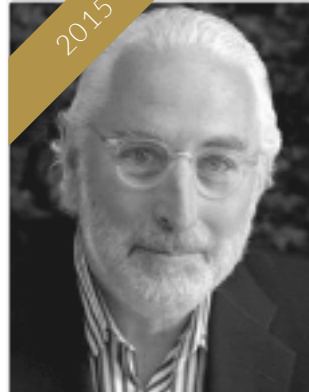
2016



James Pooley

Former Deputy
Director General of
the World
Intellectual Property
Organization, and a
leading scholar and...

2015



Paul Goldstein

Leading US
copyright scholar,
lawyer and author IP
Hall of Fame
inductee in 2015
Leading...

2015



Frederick Mostert

An internation
lawyer, scholar
author on trac
marks and
intellectual prop
IP Hall of...

2015



Jeremy Phillips

Influential
intellectual property
blogger and
academic IP Hall of
Fame inductee in
2015 Leading IP...

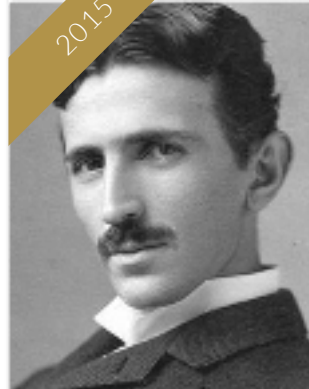
2015



Des Ryan

Leading Australian
intellectual property
lawyer IP Hall of
Fame inductee in
2015 Leading
Australian IP...

2015



Nikola Tesla

Prolific innovator
best known for his
contribution to the
electricity supply
system still used
today...

2014



Daniel Bereskin

Founding partne
Bereskin & Pa
Canadian traden
leader IP Hall
Fame inductee i



Heinz Goddar

Global patent educator IP Hall of Fame inductee in 2014 As one of the world's...



Gary Griswold

Consultant, chairman emeritus and senior policy adviser at the Coalition for 21st Century Patent...



Mark Lemley

Professor of Law, Science and Technology at Stanford University; founding partner of Davis...



Thierry Sue

Vice president c at Air Liquide IP of Fame inductee 2014 Thierry.



Miles Alexander

A US trademark leader IP Hall of Fame inductee in 2013 During a career that...



Stephen Ladas

An IP law pioneer and influential author IP Hall of Fame inductee in 2013 Stephen...



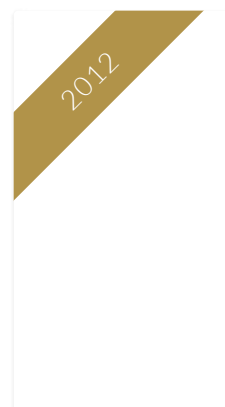
Peter Meier-Beck

One of Europe's most influential IP judges IP Hall of Fame inductee in 2013 As...



Peter Dirl Siemsen

A major IP player Latin America IP of Fame inductee 2013 Peter..





David Kappos

Former under secretary of commerce for intellectual property and director of the USPTO IP Hall...



J Thomas McCarthy

Professor at the University of San Francisco and author on trademarks IP Hall of Fame...



Marybeth Peters

Former US Registrar of Copyrights IP Hall of Fame inductee in 2012 For 17 years,...



Robert Armitage

Former Senior Vice President and General Counsel Lilly and Company Hall of Fame.



Lynne Beresford

Former US Commissioner for Trademarks IP Hall



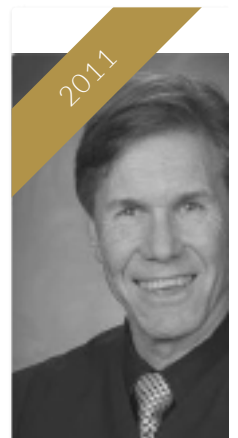
Donald Chisum

Patent professor and author IP Hall of Fame inductee in



Tian Lipu

Former commissioner of China's State Intellectual Property



Randall Rader

Former Chief Judge of the United States Court of Appeals



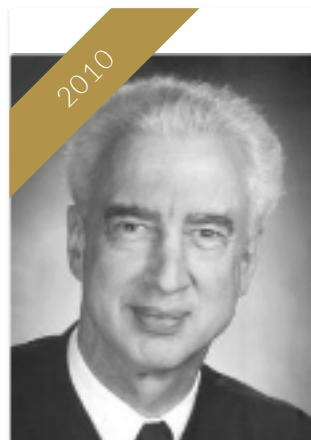
**Thomas
Blanco White**

An eminent QC and
IP scholar IP Hall of
Fame inductee in
2010 A specialist...



**Donald
Dunner**

Leading IP lawyer
who has argued
more Federal Circuit
cases than any other
litigator IP...



Paul Michel

Chief Judge
(retired), US Court
of Appeals for the
Federal Circuit IP
Hall of Fame...



**Jochen
Pagenberg**

Leading European
litigator IP Hall
Fame inductee
2010 A co-found
and senior...



Ruud Peters

Former CEO of
Philips Intellectual
Property &
Standards IP Hall of
Fame inductee in
2010...



Jane Ginsburg

A highly influential
academic and
teacher who has
written some of the
most important IP-
related...



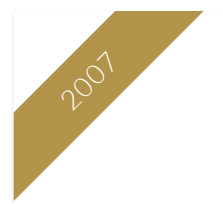
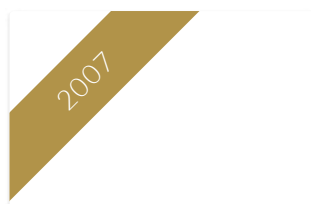
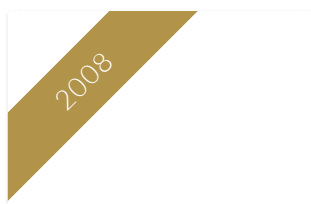
Francis Gurry

Director general of
the World
Intellectual Property
Organization and a
key figure in the
development...



**Dolores
Hanna**

The first female
president of the
International
Trademark
Association IP H
Fame inductee





Michael Kirk

Former executive
director of the



Niels Reimers

Founder of the
Stanford University



**Talal Abu-
Ghazaleh**

A major IP figure in



Hisamitsu A

Twice commissio
of the Japanes



Jerome Gilson

Author of Gilson on
Trademarks IP Hall
of Fame inductee in
2007 Jerome Gilson
is...



Karl Jorda

Past professor of
Intellectual Property
Law at University of
New Hampshire IP
Hall of Fame...



Hugh Laddie

One of the UK's
finest IP minds and
the first High Court
judge to resign...



**Gerald
Mossinghoff**

Former USPTO
commissioner and
senior counsel
Oblon IP Hall of
Fame inductee
2007



Newman

Judge at the US
Court of Appeals for
the Federal Circuit

Author of
Rembrandts in the
Attic, chair of the US
government's Patent
Policy Advisory

Professor of IP law,
director of the Max
Planck Institute and
chairman of the
Munich

A key player in
development of
international I
system IP Hall c

2006

**Heinz
Bardehle**

Adviser to the
German government
on IP IP Hall of Fame
inductee in 2006 A...

2006

**Birch Bayh**

Former US Senator,
co-sponsor of the
pivotal Bayh-Dole
Act 1980 IP Hall of
Fame inductee...

2006

**Friedrich Karl
Beier**

An influential
academic and author
IP Hall of Fame
inductee in 2006
Beier was for...

2006

**Johannes v
Benthem**

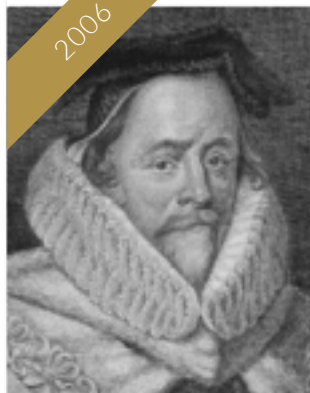
The first president
the European Pa
Office IP Hall of
Fame inductee
2006...

2006

**Arpad Bogsch**

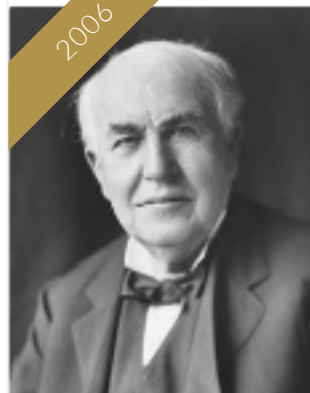
A former WIPO
Director General
and father of the
Patent Cooperation
Treaty IP Hall of...

2006

**Edward Coke**

A key figure in the
emergence of the
modern free-market
economy in England
IP Hall...

2006

**Thomas
Edison**

Inventor of many
devices that greatly
influenced the
modern world IP
Hall of Fame

2006

**Kurt Härtel**

One of the prim
movers behind
establishment of
European Pate
Convention IP H



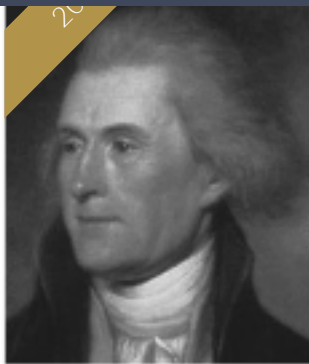
Victor Hugo

A driving force behind the creation of the Berne Convention on Copyright IP Hall of...



Robin Jacob

Former senior patent judge in the United Kingdom IP Hall of Fame inductee in 2006...



Thomas Jefferson

Third president of the United States, author of the first US patent law and first...



Klaus-Diet Langfinge

Former head of patents, trademarks and licences at B IP Hall of Fame inductee in...



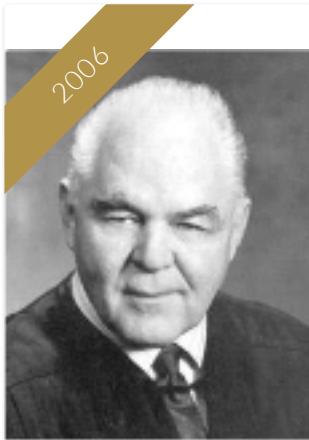
Bruce Lehman

Former commissioner of the USPTO and chair of the International Intellectual Property Institute IP Hall...



James Madison

Fourth US president, credited with providing the basis for intellectual property in the US



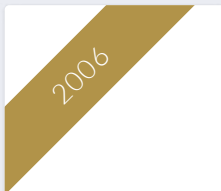
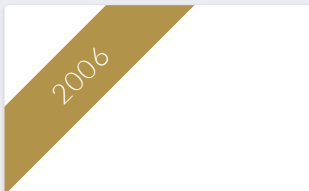
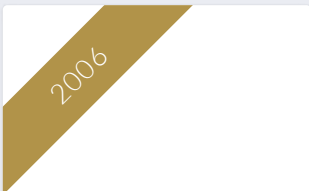
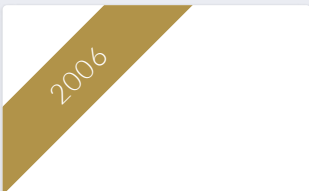
Howard T Markey

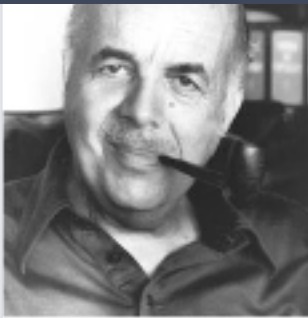
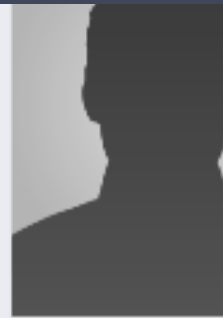
First chief justice of the Court of Appeals for the Federal Circuit in the United...



Alexander v Mühlenda

Former vice president of the Office for Harmonisation the Internal Mar



**Melville****Marshall****Giles Rich****Frank Isaacs****Dudley Smith**

The prime mover
behind the
formation of the
Licensing Executives
Society IP Hall of
Fame...

**Korekiyo
Takahashi**

The first
commissioner of the
Japanese Patent
Office and later
prime minister of
Japan.

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Conference on the Crisis in International Patent System Held

Corporate IP Counsels Gather to Discuss Magnitude of the Problem

Washington, DC. The International Intellectual Property Institute successfully concluded an invitation-only conference at the George Washington University Law School yesterday, March 6, 2006 that presented and solicited ideas in an effort to battle the current trend of rising costs and unreliability in the patent-granting process. The Conference, Uncertainty & Cost – Averting a Global Patent Crisis, provided a first-ever gathering of its kind to discuss issues of patent quality in the context of international patent office crises.

Patent counsels and top experts representing leading US and international companies provided insightful dialogue on issues affecting their respective industries. Panel topics included patent quality and pendency; the impact of uncertainty on innovation, investment, and planning; a report on the SE Asia regional intellectual property system; and a USPTO commissioners' forum on how to facilitate meaningful patent reform.

Congressman Tom Feeney, Co-Chair of the Intellectual Property Caucus was on hand to speak on the measures Congress is taking to protect intellectual property rights domestically and in other countries. Presentations of note included an in-depth analysis on how the world economy would benefit from work sharing among the trilateral PTOs by former deputy commissioner of the Japanese Patent Office, Shinjiro Ono, and a thought provoking look at the advantages of having in house counsel to secure companies' patents. According to David Yurkerwich, Vice President of CRA International, the number of patents issued by PTOs to a company is inversely related to the number of patents filed by a company. Statistics show that companies with in house counsel that file a relatively small amount of well researched patent applications a year get more of them issued than companies with outside counsel that file twice or three times as many patent applications. The conference concluded with

a universal consensus that if intervention does not occur, the international patent system will no doubt collapse in the coming years.

Sponsors of the event included Pfizer, Akin Gump, Anaqua, CRA International and Microsoft. The George Washington University Law School and the Center for Intellectual Property (CIP) at Chalmers University were academic affiliates and Managing Intellectual Property Magazine and Intellectual Asset Management Magazine were media partners of this conference.

Search

Archives by Month



Archives by Year

[2016](#)[2014](#)[2013](#)[2012](#)[2011](#)[2010](#)[2008](#)[2007](#)[2006](#)[2005](#)[2004](#)[2003](#)[2002](#)

2001

2000

1999



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Second Russian IP Border Enforcement Conference Held



Conference in Vladivostok Focuses on Eastern Russia

Washington, DC. The International Intellectual Property Institute (IIPI) and the U.S. Patent and Trademark Office (USPTO) have jointly completed a training workshop on the use of border enforcement measures in combating the international trade in counterfeit goods in Vladivostok, Russia. Vladivostok, located in the Russian Far East on the coast of the Sea of Japan and near both the Chinese border and the Japanese island of Honshu, is of key importance in the fight against counterfeit products in the region. From 1958 to 1991 only Soviet citizens were allowed to live or even visit Vladivostok. However, during the past decade Vladivostok has reasserted itself as Russia's window on the Pacific.

Participants of IP Border Enforcement Workshop Gather for Group Photo

The workshop's audience consisted of Russian customs officials working in Vladivostok and in the surrounding regions of Russia, including Kamchatka. Speakers included officials from the Russian Federal Customs Service in Moscow, U.S. Customs experts, representatives from a variety of industries heavily affected by the trade in counterfeit products in the region, and representatives from the USPTO and IIPI.

The primary objective of the program was to create a forum for discussion in which audience members and speakers could exchange information regarding their

experiences in the fight against the trade in counterfeit goods. In order to facilitate this goal, the workshop utilized a number of case scenarios based on real life examples encountered by customs agents in the field. These topics included the targeting of merchandise, the use of specific methodologies in detecting counterfeit products in the field, and the suspension of goods suspected of being counterfeit.

These real-world examples, as well as discussions on the new Russian Customs Code and the demonstration of method used for detecting counterfeit goods, provided the core of the program. The success of the workshop demonstrated the need to create additional opportunities for relevant parties to exchange vital information on techniques and successes and failures in the ongoing battle against counterfeit goods.

Photo © Nicholas Belton 2007

Search

Archives by Month



Archives by Year

2016

2014

2013

2012

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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New Conference in Russia Announced



Vladivostok Conference Will Focus on Border Controls in Eastern Russia

Washington, DC The International Intellectual Property Institute (IIPI) in conjunction with the U.S. Patent and Trademark Office (USPTO) and the Russian Customs Office will be holding a workshop in the field of intellectual property enforcement through border control September 27 – 29, 2005 in the city of Vladivostok, Russia.

Vladivostok, located in the Russian Far East on the coast of the Sea of Japan and near both the Chinese border and the Japanese island of Honshu, is of key importance in the fight against counterfeit products in the region. From 1958 to 1991 only Soviet citizens were allowed to live or even visit Vladivostok. However, during the past decade Vladivostok has reasserted itself as Russia's window on the Pacific. At this time, it is the largest city in Far Eastern Russia, with a population of over 700,000 and is the home port of the Russian Navy's Pacific Fleet. With the large amount of trade transiting through this port, Vladivostok is integral to any discussion of border control in Russia.

The upcoming IIPI/USPTO workshop will bring focused attention to the issue of IP and border enforcement in this key location. Experts from the U.S. Customs office and Russian customs office will be brought together to discuss the latest techniques in the

targeting of shipments of counterfeit products and in methodologies for detecting goods infringing legitimate copyrights and trademarks.

Similar in scope to the recent IIPi/USPTO workshop held in St. Petersburg, Russia in June 2005, the workshop will also address the unique issues inherent to customs control in the region of Vladivostok, such as the importation and exportation of goods through China, South Korea and Japan. Russian customs agents working in the region will also have the opportunity to exchange information regarding their own unique experiences in counteracting the flood of counterfeit goods coming through the port of Vladivostok.

The workshop will also present an opportunity for industry representatives from companies like Proctor & Gamble to meet with Russian customs agents to discuss issues of particular relevance to them in the fight to stop the trade in counterfeit goods that emanate in the region.

Search

Archives by Month



Archives by Year

2016

2014

2013

2012

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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IIPi Hosts Delegation from China

18-Member Delegation in U.S. for IP Study Tour

Washington, DC This morning, the International Intellectual Property Institute (IIPi) hosted a 18-member delegation from the People's Republic of China. The delegation was visiting the United States on a study tour focusing on intellectual property. The Institute's staff prepared a series of presentations on a variety of topics for the delegation, which included a review of efforts to promote greater integration in intellectual property administration regimes, international cooperation in intellectual property enforcement and public-to-private technology transfer.

IIPi CEO Brad Huther Addresses Hangzhou Delegation

The delegation was made up of government officials from Hangzhou City. Hangzhou City is the capitol of Zhejiang Province, located about 100 miles southwest of Shanghai. Zhejiang Province is home to substantial industrial sectors, including machinery manufacturing, electronics, chemicals and textiles. The study tour was organized by Triway Enterprises Inc., a consulting firm based in Arlington, VA, that specializes in building links between US and Chinese businesses and government agencies.

Search

Archives by Month



Archives by Year

2016

2014
2013
2012
2011
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2007
2006
2005
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1999



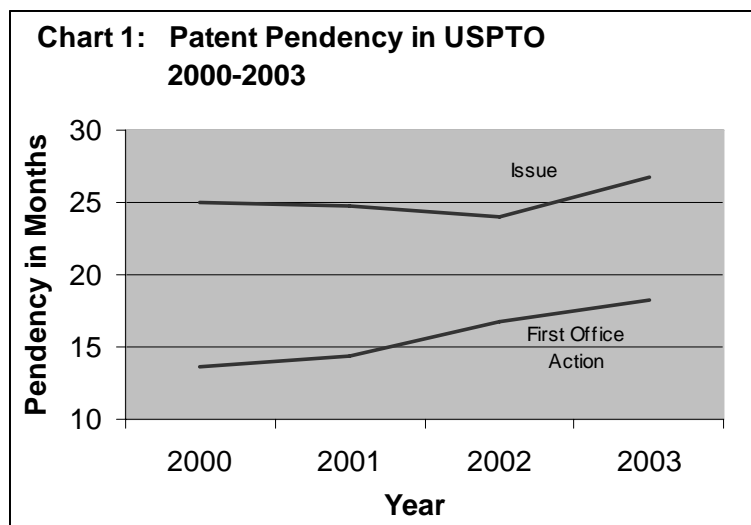
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Addressing the Crises of the Global Patent System

Hon. Bruce A. Lehmanⁱ

Given on behalf of the Singapore Intellectual Property Office
October 2004

The United States and global patent systems are entering a period of crisis, characterized by escalating pendency of applications, declining quality of examination, duplication of work by multiple patent offices and increasing costs of patent prosecution.



In the United States Patent and Trademark Office (USPTO), both the number of patent applications filed and the average pendency of applications has been steadily increasing. From FY2000 to FY2003, the total number of patent application received rose from 311,807 to 355,418, or an increase of about 14%. During this same period, the average time between patent filing and first office action rose from 13.6 months to 18.3 months and the average time between patent filing and issue rose from 25 months to 26.7

months (see Chart 1). In many of the critical, newer technologies and subject matter areas

ⁱ Lehman is Chairman of the Board and founder IIPI. In July 2004, Lehman joined the law firm of Akin Gump Strauss Hauer & Feld as Senior Counsel. From August 1993 through December 1998, Lehman served as Assistant Secretary of Commerce and Commissioner of the USPTO. As the Clinton Administration's primary representative for intellectual property rights protection, Lehman was involved in the negotiations leading to the TRIPS Agreement and the 1996 WIPO Copyright Treaties. Early in his career, Lehman served as counsel for the US House of Representatives Committee on the Judiciary and was the Committee's principal legal adviser in the drafting of the 1976 Copyright Act, the 1980 Computer Software Amendments, and 1982 Amendments to the Patent Laws. Lehman is a member of WIPO's Policy Advisory Commission and is a member of several corporate boards.

current pendency is much longer. For example, pendency between filing and issue for Computer Architecture, Software and Information Security subject matter is at a staggering 39 months.

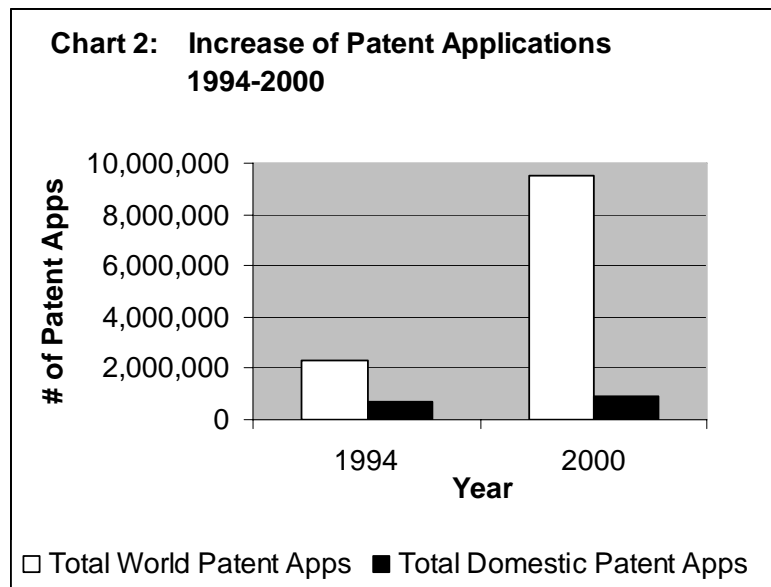
Unless remedial action is taken soon to reduce patent pendency, the backlog of patent applications, which currently stands at 475,000, will reach over 1,000,000 by 2008. Further, pendency for critical subject matter areas will especially be impacted, in some cases doubling by 2008.

The crisis in the USPTO is compounded by the necessity to file the same application in an increasing number of jurisdictions, many of which have similar or worse problems than the USPTO. Most emerging market developing countries have very limited examination capability, and the larger, more sophisticated offices, particularly the Japan Patent Office (JPO), suffer from large backlogs and restrictions on the hiring of new examiners to address these backlogs.

The Solution: Reduce Duplication of Examinations, Share Work Among National Offices, Harmonize International Examination, and Ultimately, Create a Multinational Patent Office for the APEC Region Similar to the European Patent Office

The number of patent applications globally is rising exponentially. In the five years from 1994 to 1999, World Intellectual Property (WIPO) statistics reveal that the total number of applications in all countries tripled, from 2,300,000 to 7,000,000. However, during the same period the number of applications filed by domestic applicants increased only from 670,000 to 810,000 (See Chart 2). Therefore, duplicate filings in multiple countries account overwhelmingly for the huge increase in total filings.

While, most applicants file and complete the patent application process in only a select number of the 128 member states of the Patent Cooperation Treaty, it is increasingly imperative to file in a large number of them, particularly in the emerging markets that are a part of Asia Pacific Economic Cooperation (APEC). And, while one-stop filing and examination is possible for the 28 member states of the European Patent Office (EPO), there is no counterpart to eliminate costly and duplicative examination in the Asia Pacific Region.



Further, the number of patent offices capable of effectively searching and examining in all fields of technology is very small. There are only 10 patent offices in the world that qualify as international searching authorities and international preliminary examining authorities under articles 16 and 32 of the Patent Cooperation Treaty. And, most of these offices lack comprehensive capability to examine in all technologies.

Clearly, much of the stress on the international system could be relieved by concentrating examination in a few regional patent offices along the model of the EPO. Short of that, a system of work sharing of the kind embodied in the system of Modified Substantive Examination (MSE) used in Australia, Malaysia, Singapore and Croatia, would eliminate much of the duplication of work in national offices examining the same patent application. Under the MSE system, there is a simplified examination following submission by an applicant of the results of the work of another country's patent office.

The big three patent offices of the world, the USPTO, the EPO and the JPO, are currently experimenting with the kind of work sharing that could eliminate much of the duplication involved in processing multinational applications. However, for this system to provide significant relief to the USPTO – the most stressed of the big three offices – arrangements must be made to provide the USPTO with search and examination reports from its sister offices far earlier than is the case today. Both Japan and the EPO have systems of deferred examination. Many Japanese applicants elect to defer examination; this means up to 36 months may pass before an application is examined. The result is that even with its current high pendency rate, the USPTO completes examination of Japanese origin patents prior to the commencement of examination in Japan. If Japan were to provide more timely examination results to the USPTO and the USPTO were to conduct a simplified examination based on those results, the case load of full examination at the USPTO would drop by as much as 50,000 applications per year, taking a huge amount of pressure off the US office.

Experts from the tri-lateral offices and from the patent offices of APEC countries have been discussing means of reducing duplication in the international patent system. However, a perceived stumbling block in these discussions is the lack of harmonized definitions of prior art, novelty, and non-obviousness or inventive step. Attempts to create harmonized definitions in these areas have been made in the Standing Committee on the Law of Patents in WIPO. Unfortunately, the unwieldy structure of WIPO and the tendency for North-South trade negotiating postures to spill over into WIPO's discussions have thus far stalled all progress on harmonization. Therefore, it may be time to look to other possibilities to pursue the kind of harmonization that could lead to streamlined multinational examinations. A few willing countries in the Asia Pacific region could on an *ad hoc* basis move to harmonize their definitions of prior art, novelty and non-obviousness or inventive step as part of a program to accelerate work sharing. There exists within APEC an Intellectual Property Experts Group (IPEG) that could serve as a forum for such a harmonization effort. Indeed, on August 31 and September 1 of this year the IPEG met to consider an agenda that included two relevant items: "Establishing Internationally Harmonized IPR Systems:" and "Cooperation on Searches and Examinations." Both of these items were placed on the agenda by Japan. Unfortunately, these were but two among 24 substantive items that were considered at the two day meeting. Unless these items are singled out and made a high priority – with extensive discussions and cooperation on them – timely and meaningful solutions will not be developed to address the impending patent crisis that will reach catastrophic proportions within the next few years.

The ultimate solution to the patent crisis in the Asia Pacific region as well as in the United States would be the creation of an Asia Pacific Patent Office similar to the European Patent Office. Like the EPO the creation of this office would not require the abolition of existing national offices. Rather, it would offer a one-stop alternative to country-by-country examination that

would be far more efficient and provide better quality examinations at less cost than is currently the case in the region. For all practical purposes it would reduce filings to two offices, the EPO for the expanded European Union and the Asia Pacific Office for the Americas, the Pacific and Asia – especially if two non-APEC countries, Brazil and India, eventually could be brought in. In addition to lower costs and efficiency, a regional patent office would have an inherently harmonizing effect on international patent law. The existence of the EPO has had such an effect in Europe by bringing new subject matter – biotechnology and software – within the European system. The EPO's Expanded Board of Appeals has created a patent jurisprudence that has harmonized patent law throughout Europe.

One of the challenges facing patentees in the rapidly globalizing economy is that individual national offices may cater to idiosyncratic national interests at the expense of their legitimate rights. An example of this is seen in the treatment of pharmaceutical patents in Brazil. Prior to issuing a pharmaceutical patent the Brazilian patent office must seek the advice of the Ministry of Health, which has a history of hostility to patents. The result is that few pharmaceutical patents have issued. A single regional patent administration would greatly reduce the possibility of mischief from parochial interests in individual markets.

In addition to reducing costs and providing harmonized examination throughout the region, a regional patent administration also would provide a long-term solution to the crisis at the USPTO. The U.S. Office's ability to keep its fees, to restructure operations and employ new technologies to enhance quality, efficiency and pendency is greatly limited by interference from Congress, the Office of Management and Budget and the Department of Commerce, all of whom have power over the Office, but are influenced by political, fiscal and administrative concerns that are not necessarily consistent with the welfare of patent applicants. It is my experience that this same problem is also encountered by national patent administrations in many other countries. A stand-alone regional office would be free of these limitations and would have a single operating principle: service to applicants.

An Action Plan to Achieve Short Term Results and Long Term Benefits

The first step in an action plan would be energizing existing efforts of the national offices, particularly those involving substantive harmonization and work sharing. With encouragement from industry, Japan and the United States and other interested governments – perhaps Singapore – national offices could cooperate in leading this effort. Accelerated government-to-government discussions could take place on a bi-lateral and regional basis, with a focus on APEC. APEC Ministers should be encouraged to direct the Intellectual Property Experts Group to develop a concrete plan to address the patent crisis in the region. This plan should focus on implementing substantive harmonization within the region as soon as possible. Concurrently, efforts to share work among willing patent offices in the region should be put on a fast track. In the case of the United States and Japan, this should take the form of encouraging Japan to provide search and examination results for Japanese origin patents much earlier than is the case presently. To the extent that smaller, but sophisticated offices such as those in Canada and Australia can develop specialized areas of competence, similar arrangements might be made with the USPTO and others wishing to avoid duplication of effort. This would lead to a more harmonized regional system and reduced pendency, particularly in the USPTO. In the case of other countries in the

region, accelerated efforts should be made to encourage the use of modified substantive examination of the kind currently utilized by Australia, Malaysia and Singapore.

In addition, users of the patent system need to work more closely and effectively with the USPTO to accelerate solutions to the patent crisis already in the planning stages and to develop new solutions. This effort will provide greater industry collaboration in the digital file management and searching as well as improving electronic access to relevant prior art. To the extent that the USPTO experiences difficulties in implementing solutions because of uncooperative union leadership, the industry needs to provide the needed political support for the USPTO's position.

While the short term solutions described above are put into place, governments in the Asia Pacific region should be working to design and create an Asia Pacific Patent Office that will provide the region the alternative of a one-stop, harmonized multinational examination of the kind now available through the EPO for its member states.

The Role of IIPi as a Catalyst in Resolving the Asia Pacific Patent Crisis

In the six years since its founding, IIPi has emerged as the leading non governmental organization in the world providing governments with advice and technical assistance on the administration of intellectual property systems. Prior to the creation of IIPi there was no organization in Washington to focus the United States Government and international organizations located there on the need to support infrastructure building in the field of Intellectual Property Rights. Building meaningful national administrations for patent and trademark examination and registration, and for enforcement of intellectual property rights in general, requires not only expertise, but also money. IIPi has been working with the U.S. Congress to urge it to do its part to fund the building of national IP infrastructures around the world.

There are recent signs that IIPi's efforts may be bearing fruit. On September 15, the Senate Appropriations Committee of the United States Senate approved counterpart legislation and issued a report that would provide \$20 million in FY 2005 to the USPTO "to increase its efforts to ensure that governments in developing and least developed countries are establishing regulatory and enforcement mechanisms in order to meet their international obligations relating to the protection of intellectual property and to assist them in these efforts." Should this provision be enacted into law next month, IIPi would hope to work with the USPTO and others to direct these new funds to assisting countries in the Asia Pacific region in their response to the patent crisis in ways suggested by this paper. Further, IIPi has been working over several years to educate international financial institutions in Washington, such as the World Bank and the Inter-American Development Bank (IADB), of the need to fund intellectual property infrastructure building efforts. There are recent signs that – at least at the IADB – this effort may be bearing fruit. I hope that this paper will stimulate thinking in Singapore and other countries in the region to support efforts such as that provided in the pending U.S. appropriations legislation, and to encourage development banks – and even national governments – to realize that effective administration of intellectual property rights requires adequate financing of national and regional patent and trademark administrations.

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Former USPTO Chief Rogan Named Chairman of IIPi's Advisory Board

Washington, DC The International Intellectual Property Institute (IIPi) today named James E. Rogan, former Congressman and former Director of the United States Patent and Trademark Office (USPTO), as Chairman of IIPi's Board of Advisors. In this capacity Rogan will be coordinating the activities of a group of intellectual property experts from around the world to increase the use of intellectual property as a mechanism to stimulate economic development.

Mr. Rogan is currently a Partner at Venable, LLP, a Washington, DC, based law firm. During his tenure at the USPTO, he co-chaired the National Intellectual Property Law Enforcement Coordination Council and oversaw the largest restructuring of the U.S. intellectual property system in the agency's history. Rogan served two terms as a Republican Member of Congress, representing the Los Angeles area.

"I am looking forward to coordinating the activities of a group which will include some of the brightest and most respected IP minds in the world," remarked Rogan. "I will be working along side Brad Huther, IIPi's CEO, to assist developing countries in improving their economies by providing technical assistance which enables them to harness their own intellectual property and attract more foreign direct investment."

Rogan's first assignment as Chairman of the IIPi Advisory Board was participating in the IIPi Congressional Roundtable: An International Perspective on Patents and Trademarks, organized on behalf of the House Intellectual Property Caucus on July 22. Rep. Tom Feeney and the House IP Caucus co-chairs, Rep. Mary Bono, Rep. Adam Smith and Rep. Robert Wexler participated in the roundtable.

"Jim Rogan's years of leadership and experience in the protection of intellectual property rights, in both the legislative and executive branches of the U.S. government, make him an exceptional addition to IIPi," noted U.S. Rep. Tom Feeney. "As a founder of the House Intellectual Property Caucus, I welcome the opportunity to work with

someone who possesses both a clear understanding of the complexities of intellectual property issues along with a working knowledge of Congress.”

Search

Archives by Month



Archives by Year

[2016](#)[2014](#)[2013](#)[2012](#)[2011](#)[2010](#)[2008](#)[2007](#)[2006](#)[2005](#)[2004](#)[2003](#)[2002](#)[2001](#)[2000](#)[1999](#)



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WIPO Officials Visit Washington

Washington, DC. IIPI coordinated a briefing on Capitol Hill today for a delegation including senior officials from the World Intellectual Property Organization (WIPO). More than 50 people, including private sector representatives and Congressional staff members, gathered for a noon luncheon to discuss the policies of the WIPO. The event was hosted by Congresswoman Diane Watson (D-CA) and sponsored by the US Committee for the WIPO with support from the Congressional Economic Leadership Institute (CELI).

Bruce Lehman with Congresswoman Watson, Hon. Gerald Mossinghoff (US Committee Board Member), Suzanne Stoll and Yoshiyuki TAKAGI

“To say that I am excited about this briefing would really be an understatement,” said Congresswoman Watson in her opening remarks. Ms. Watson is a former US Ambassador to Micronesia and member of the House Committee on International Relations. “Providing assistance for the global protection of intellectual property is beneficial for the United States and our fellow member nations. Treaties that protect US intellectual property interests are essential in this growing global economy.”

IIPI coordinated the briefing as part of its on-going campaign to raise awareness of the role effective intellectual property enforcement plays in economic development. “The World Intellectual Property Organization is a terribly important institution and the US is by far its largest stakeholder,” said IIPI Senior Consultant Art Sackler.” “It’s critical for US business leaders and policymakers to understand the work and policies of WIPO. We are delighted that Congresswoman Watson has given her time and personal commitment to address the role of this important organization.”

“In the best interest of the international community, we must make sure that the United States contributes its fair share in support of WIPO,” said Congresswoman Watson. “Such resources allow WIPO to provide the technical assistance and legal training necessary to assist nations around the world. Once equipped, these member nations can successfully address such problems as piracy and copyright infringement.”

In 2002 Congresswoman Watson introduced legislation in support of a \$1 million dollar voluntary contribution to WIPO, in addition to the annual member state dues of approximately \$900,000. This money would be targeted toward assisting developing countries in implementing institutions and building capacity to claim their role in the global intellectual property community. Watson plans to re-introduce the legislation in the 108th Congress. Developing countries “must be encouraged to develop their own export revenues from intellectual property,” she said. “Support from the international community will encourage these nations to invest their resources in IP protection and gain a new positive perspective on intellectual property.”

Based in Geneva, Switzerland, the WIPO is a specialized UN agency that administers over twenty major intellectual property treaties and assists 170 member nations in the global protection of patents, copyright and trademarks. In addition, WIPO also helps countries build their intellectual property institutions, such as their local Patent Registration Office. The WIPO delegation included Mr. Yoshiyuki Takagi, Senior Director of the Office of Strategic Planning and Policy Development; Mr. Joachim Muller, Controller; Mr. José Blanch, Deputy Controller; Mr. Jay Alan Erstling, Director of the Office of the Patent Cooperation Treaty (PCT), and Suzanne Stoll, Washington Coordinator for WIPO.

Search

Archives by Month



Archives by Year

[2016](#)[2014](#)[2013](#)[2012](#)

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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Courts Viewed as “Critical Institutions” for Economic Success

Washington, DC. The International Intellectual Property Institute (IIPI) released today an interim study that reports that growth in the developing and transitioning economies of Latin America, Africa, Eastern Europe, the Middle East, Asia and the Pacific critically rests on the capacities of courts and judges to enforce commercial rights and resolve commercial conflicts.

“Courts ought to be thought of as the least appreciated branch of government for capitalist, market-based economic growth,” said Michael P. Ryan, one of the authors of the report. “We contend that market-based transactions achieve their efficiencies when governments encourage investment, safeguard contracts, and settle commercial disputes. Courts are becoming increasingly appreciated as critical institutions for economic success.” Ryan is a professor of international political economy at Georgetown University’s McDonough School of Business and Project Director at IIPI.

The report finds that the logic of the organizational demands of building judicial capacity with respect to IP enforcement and dispute settlement rests largely on three characteristics:

- * Knowledge characteristics. Increased specialization by judges and courts can help manage challenges of complexity in IP cases.
- * Efficiency characteristics. Judicial capacity depends on investment into recruiting more judges, providing them with sufficient staff help, and deploying information technologies in ways that improve court operations.
- * Legitimacy characteristics. The establishment of specialized IP courts or other resolution forums composed of knowledgeable, fair judges, adequately supported through transparent, meritocratic processes, who are well-paid, empowered with bench authority, yet made accountable to the public and their elected representatives.

The “Interim Report on Judicial Capacity Regarding Intellectual Property – Enforcement and Dispute Settlement” draws upon in-country research conducted by the Institute in addition to findings from existing studies conducted by legal counsel and enforcement staff located around the world. IIPi selected 15 countries for intensive study based on a sample design that sought variation according to several variables. The countries studied include Australia, Brazil, China, India, Japan, Jordan, Malaysia, the Philippines, Peru, South Africa, Switzerland, Ukraine, the United Kingdom, the United States and Vietnam.

Over 130 judicial experts from around the world are discussing the findings of this report today at a conference hosted in Washington by IIPi. Judge Randall R. Rader of the U.S. Court of Appeals for the Federal Circuit and Professor Martin J. Adelman, Director of the Intellectual Property Law Program at the George Washington University National Law Center contributed to the report and participated in conference sessions.

Search

Archives by Month



Archives by Year

[2016](#)[2014](#)[2013](#)[2012](#)[2011](#)[2010](#)[2008](#)[2007](#)

2006

2005

2004

2003

2002

2001

2000

1999



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Specialized Intellectual Property Courts Conference

IIPI, together with the USPTO and with the support of The George Washington University Law School and the Court of Appeals for the Federal Circuit, will be holding an international conference on Specialized Intellectual Property Courts.

The conference, to be held on September 12-13, 2002 in Washington D.C., will deal with judicial capacity regarding IP enforcement and dispute settlement in a number of developed and developing countries. The conference will highlight the effects of specialized IP courts or tribunals in:

- Promoting civil society,
- Strengthening democracy and the rule of law,
- Improving the judicial system; and
- Encouraging economic development and FDI in developing countries.

Conference Highlights

Ø Judicial Capacity regarding the enforcement of Intellectual Property disputes – what we know about Specialized IP courts in the world today

Ø Case Studies on specialized IP courts and their effect on the improvement of IP litigation

Ø Alternative Dispute Resolution (ADR) in IP matters

Ø Specialized IP Courts in a Federal System

Ø Training and Reforming IP Judicial Capacity– Experiences, Perspectives and Future Possibilities

Who should attend?

Participants from around the world will share their experience in IP enforcement and dispute settlement, allowing for an exchange of ideas, with developing country participants hearing from representatives of countries that have an established IP court system. In this way it is hoped, participants will find resonance with the models used in some countries (either those that have an IP court or those that have merely a framework) for use in their own countries.

The conference will provide an unparalleled opportunity for judges, practitioners and policymakers to discuss issues of pertinence to the improvement of IP dispute resolution from a national perspective as well as in matters involving foreign companies. The conference will provide an excellent forum for discussion between experts in their fields from a range of economies – post-industrial, developing and non-market transitioning.

Search

Archives by Month



Archives by Year

2016

2014

2013

2012

2011

2010

2008

2007

2006

2005

2004

2003

2002

2001

2000

1999



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The United States and the Global Intellectual Property System: Leadership and Responsibilities

Hon. Bruce A. Lehman

June 2001

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The Global System Comes of Age

For more than 200 years, American products of the mind have been a source of national wealth and pride, emblems of a creative and inventive people. As early as 1831, Congress recognized the need for “the United States ... to be foremost among the nations in encouraging science and literature, by securing the fruits of intellectual labor.”¹

In today’s global economy, the fruits of American intellectual labor reach around the world. From patented AIDS therapies to copyrighted films, music and books, the products and services of American intellectual property-based industries bring hope and joy to people around the globe. American intellectual property also is the engine that is driving the U.S. economy in the 21st century — creating new jobs, expanding the gross national product, and leading other major industry sectors in foreign sales and exports.

To stay on the path of growth and prosperity, Congress has understood the importance of U.S. leadership in strengthening the global intellectual property system. In 1994, the United States played a key role in the successful negotiation of the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS), which provides for minimum standards for the global protection of intellectual property rights.

In 1996, as Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, I was proud to lead the U.S. delegation at a Diplomatic Conference in Geneva that resulted in the adoption of the World Copyright Treaty and the World Performances and Phonograms Treaty by members of the World Intellectual Property Organization (WIPO), the world’s preeminent intellectual property organization.

In 1998, Congress again affirmed its belief that the United States must assert “its position as a world leader in the protection of intellectual property.” But U.S. leadership in the global intellectual property community carries with it important responsibilities.

¹ House of Representatives Committee on the Judiciary, 21st Cong., 2d Sess., Copyright (1830), in 7 Cong. Deb., App. at 119(1831).

U.S Leadership and Responsibilities

When I left government service in 1998, I looked back on period of significant accomplishments for the global intellectual property community, including the TRIPS Agreement and two new WIPO copyright treaties. Nonetheless, I recognized that the real work was only beginning. Developing countries had achieved significant gains during the Uruguay Round by obtaining increased market access to developed world markets in exchange for promises to upgrade their intellectual property systems. But I also realized that promises made at the negotiating table would be difficult to implement at home unless there was a domestic constituency for intellectual property reform.

Toward that end, the United States and other developed countries assumed a legal and ethical obligation to assist the developing and the least developed countries of the world to build their intellectual property infrastructures. Regrettably, as I demonstrate below, the United States does not appear to be shouldering this important responsibility.

WIPO. With over 170 member states, WIPO administers 20 international treaties, which together comprise the architecture of the global intellectual property system. Under these treaties, patented, copyrighted and trademarked U.S. products are protected abroad on a nondiscriminatory basis. The WIPO treaties also play a critical role in assisting U.S. companies to implement their global business strategies by facilitating the filing of intellectual property applications around the world. In 2000, for example, American companies filed over 38,000 patent applications through the WIPO Patent Cooperation Treaty (PCT), making the United States the largest user of the PCT system.

Unlike other specialized agencies of the United Nations, the operations of WIPO are funded almost entirely on fees generated from its treaty programs. In fact, fee surpluses from the PCT system have permitted WIPO to progressively reduce the mandatory contributions of Member States. Over the years, fee surpluses also have allowed WIPO to expand its technical assistance and training activities for developing countries. Unfortunately, even as the global intellectual property system has come under assault, recent budgetary constraints have forced WIPO to drastically reduce its training and technical assistance programs.

To meet the widening gap between global training needs and available WIPO resources, a number of Member States have begun to make voluntary contributions to WIPO. Such voluntary contributions, which may be earmarked for expenditure for specific projects in specific countries, are held in trust accounts maintained by WIPO. The following chart summarizes the mandatory and voluntary contributions, in US dollars, of selected countries in FY 2000:

<u>Country</u>	<u>Mandatory</u>	<u>Voluntary</u>
• Argentina	56,974	183,903
• Bhutan	890	16,736
• Brazil	56,974	1,952,912
• France	712,172	154,741
• Japan	712,172	2,101,558
• United States	712,172	0

The United States, as evidenced by its lack of financial support for critical training needs, is failing to assert its position as a world leader in the protection of intellectual property. However, a voluntary U.S. contribution to the WIPO in support of training around the world provides an unparalleled opportunity for the United States to demonstrate such leadership.²

TRIPS Article 67. Under Article 67 of the TRIPS Agreement, the United States and other developed countries agreed to provide technical and financial cooperation to both developing and the least-developed countries to assist them in building modern intellectual property systems.³ Multinational organizations such as the World Trade Organization (WTO) and WIPO have an important role to play in assisting developing countries to come into compliance with treaty obligations. But they cannot accomplish the task alone.

Article 67, moreover, squarely places the burden on developed countries themselves. It expressly states that “developed country Members shall provide, on request and on mutually agreed terms and conditions, technical and financial cooperation in favour of developing and least-developed country members.” Again, the United States does not appear to be living up to its obligations of the TRIPS Agreement.⁴ However, a voluntary contribution to WIPO earmarked for specific training and development programs will go a long way in assisting the United States to discharge its Article 67 obligations.

At the dawn of the 21st century, the United States can be proud of its accomplishments in “securing the fruits of intellectual labor” not only for its citizens but also for the citizens of all nations that participate in the global intellectual property system. To stay on this path of growth and prosperity, the United States must now take the actions necessary to affirm its position as a world leader in the protection of intellectual property.

² There is precedent for such a contribution. The United States has pledged a \$650,000 voluntary contribution to the WTO in support of technical assistance.

³ Technical and financial cooperation may include assistance in preparing legislation, assistance in enforcement of rights, exploiting intellectual assets and support in establishing or improving domestic offices responsible for enforcement, including the training of personnel such as judges, attorneys, and customs officials.

⁴ The current patchwork of U.S. programs and activities are conducted principally through USAID, U.S. Patent and Trademark Office and the U.S. Copyright Office.



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Multimedia: Problems for the Future

Paper Prepared by Hon. Bruce A. Lehman

**Presented at The Influence of Intellectual Property on World Economic
Development – A Bilingual Conference**

**Monte Carlo, Monaco
September 20, 1999**

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I. Introduction

It is an understatement to say that the law of Multimedia in electronic commerce, while evolving rapidly, remains in its earliest stages of development. What follows is a review, from the prospective of an American lawyer, of where we are now and where we may be headed. Most certainly there will be many difficulties, both legal and practical, which will have to be overcome if the wonderful new tools technology has given us are to open up the maximum potential for multimedia creations.

II. Developments in domestic U.S. law

Because I am an American Lawyer, I would like to begin with a brief review of developments in my own country.

It all began with the 1980 Computer Software Amendments to the Copyright Act supplemented by later changes such as record and software rental legislation and digital audio tapping legislation.

In the 1990s the pace of change accelerated with establishment of the Clinton Administration's Task Force on the National Information Infrastructure. The enactment by Congress of a trademark anti-dilution statute has given more legal leverage to trademark owners attempting to protect their rights on the Internet. And, the recent passage of the Digital Millennium Copyright Act (DMCA) – which implements the new WIPO Copyright treaties – has laid a new foundation for the law of the Internet.

In addition, the federal courts have begun to address threshold questions, such as liability for infringement on the net.

III. The International Context -- A three-legged stool: WTO, WIPO, and national legislation.

The World Trade Organization (WTO)

The United States put the basic framework for modern intellectual property protection into place by the aggressive use of trade policy. Beginning in the early 1980s the United States Trade Representative began to make intellectual property protection of U.S. copyrights, patents and trademarks a major goal in trade negotiations with other countries, particularly those in the developing world. Initially the efforts took place on a bi-lateral basis with individual countries, but in the 1990s intellectual property became a central feature of multilateral trade negotiations involving NAFTA and GATT.

In 1994, the successful Uruguay round led to the WTO treaty containing the TRIPS (Trade Related Aspects of Intellectual Property) agreement. Under TRIPS all countries must have effective systems of patent, trademark and copyright law protection and enforcement.

The World Intellectual Property Organization (WIPO)

Historically, the principal forum for setting minimum international norms for the protection of intellectual property has been the World Intellectual Property Organization, based in Geneva. The WIPO administers the two major IP treaties, the Bern Convention for the Protection of Literary and Artistic Works (covering copyright) and the Paris Convention for the Protection of Industrial Property (covering patents and trademarks).

In December, 1996, the WIPO sponsored a diplomatic conference which established two new treaties updating the Bern Convention and bringing world copyright law into the Internet age: The WIPO Copyright Treaty and the WIPO Performers and Phonograms Treaty.

National Laws

While WIPO treaties and the TRIPS agreement lay the broad foundation for intellectual property protection on a global basis, the specifics of protection and enforcement are determined by the national laws of the more than 150 countries which are members of both WIPO and the WTO.

The twenty-six developed country members of the Organization for Economic Cooperation and Development (OECD) have for many years enjoyed high levels of IP protection and robust trade in IP products based on compatible legislation implementing the WIPO-based treaties. As a consequence of TRIPS, however, the vast number of developing countries and the former communist countries are having to develop modern systems of IP protection, in many cases from scratch. Since the intellectual property moving over the Internet reaches into each of

these countries, the evolution of their national laws is critical to effective protection of rights in electronic commerce. Practitioners must have an understanding of how these laws are evolving.

In addition, harmonization among countries, which are members of the European Union, is creating a new category of European law which must be understood if clients in the electronic commerce business are to be effectively counseled and represented. The European Union is now in the process of drafting a directive to member states on how they are to implement the new WIPO treaties in national legislation. This directive is the counterpart to the Digital Millennium Copyright Act and will have significant consequences for users of the Internet in Europe. Along with the new U.S. law, it will be seen as a model by many developing countries. Any differences between the European Directive and the DMCA may lead to confusion for owners and users of copyright on the Internet and difficulties in copyright enforcement.

Emerging Business Practices

Treaties, statutes and case law are only a foundation for the evolving law of the Internet. Business practices, including standard licensing protocols just now being developed, will determine the real day to day life of IP on the Internet. The emergence of standard contracts and licensing agreements will affect the daily circumstances of electronic commerce. But also, as yet to be developed licensing mechanisms -- employing the unique capabilities of Internet technologies -- will have a great impact on how copyrighted works are exploited over the Internet. And, in some cases these new technologies will determine how disputes over intellectual property issues, such as the relationship between trademarks and domain names, will be resolved.

Issues to Watch

- Patents: the implications of the State Street Bank case.

Throughout most of our history, there appeared to be a clear distinction between patentable subject matter and the kind of literary and artistic works which are protected by copyright. However, since the landmark decision in the Diamond v. Diehr case, it has been understood that computer software may be subject concurrently to both copyright and patent protection. Last year the Court of Appeals for the Federal Circuit in the case of State Street Bank v. Signature Financial, extended this concept even further, holding that software which expresses a business process or method also may be patentable, providing that the statutory tests such as novelty, non-obviousness and utility are met.

- Trademarks: International Dispute Resolution of Internet Trademark issues.

The Internet poses entirely new challenges to traditional concepts of trademark law. Trademarks have for the most part been limited to national territories, with the possible exception of internationally well known marks. To obtain trademark rights in a given national territory a trademark owner either had to have a physical business presence in a market or register his or her claim to rights with the appropriate governmental authority for a given territory. The Internet, of course knows no national

border. Therefore, there are an increasing number of circumstances in which two different trademark owners may have established rights in their home territories, but a clear conflict when doing business in the borderless domain of the Internet. At the present time there is no clear solution to this problem.

In addition, a great deal of controversy has emerged over the relationship between the rights of a registrant for an Internet domain name and the rights of an owner of a confusingly similar trademark. While trademark owners in the U.S. have often been able to assert the primacy of the trademark in infringement litigation, particularly since the enactment of antidilution legislation, the remedy for trademark owners when the cyber squatter is beyond U.S. jurisdiction is less clear.

These trademark problems are now the subject of discussion in WIPO. And, WIPO is developing an electronic dispute resolution mechanism to resolve conflicting trademark claims. However, such dispute resolution is purely voluntary. A permanent solution to the problem of trademark disputes on the Internet still awaits some kind of internationally accepted solution.

- The conflict between EU law and current US law on the protection of databases and possible legislative developments in the United States.

Last year the countries of the European Union implemented a directive of the European Commission requiring them to create a new *sui generis* form of intellectual property protection for non-copyrightable data bases. The European directive specifically requires reciprocity as a condition of the protection of databases of foreign nationals. The United States has no reciprocal law. Therefore, in the near future we may see situations in which a U.S. originated database is incorporated without permission into a computerized European database and the European database owner asserts proprietary rights against the U.S. originator.

The solution to this problem either will have to involve a bi-lateral agreement between the U.S. and the E.U to grant Americans reciprocity or the enactment of a reciprocal U.S. law. Legislation establishing a *sui generis* U.S. law passed the House of Representatives last year, but failed in the Senate. Until this problem is resolved clients should be very careful about dissemination of valuable databases on the Internet.

- Implementation of the TRIPS agreement and the two new WIPO copyright treaties by developing countries.

While most of the nations in the world agreed in 1994 to establish high levels of intellectual property protection, developing countries were given until the year 2000 – and in some cases until 2005 – to comply. Many countries are woefully behind in setting up new laws and enforcement systems to meet their obligations. While owners of physical goods have the advantage of withholding products from markets with extensive piracy, there is no such possibility for intangibles moving through the Internet. Therefore, question of TRIPS compliance will have a disproportionate impact on Internet

commerce. While adherence to the new WIPO copyright treaties will resolve much of the problem for copyright owners, so far few countries other than the U.S. have implemented the treaties. This will be an area to watch

IV. The Impact of Business Practices and Technology

Apart from the problems of national and international law discussed above, there will be many practical business and technological problems to be addressed before the full potential of multimedia and the Internet is realized.

With the promulgation of the WIPO Copyright and Phonograms treaties, for the first time there is international recognition of the direct link between legal rights in the exploitation of works of authorship and technological methods of protecting those rights.

Although, authors rights have always been intangible, both the capacity to exploit them and the capacity to pirate them have been limited by fact that they could only be exploited in truly tangible media of expression. At first this meant print on paper or oil on canvass. Latter it came to include media such as vinyl disks and celluloid tape. Although these media were subject to unauthorized reproduction, the “pirate” had to manufacture and physically distribute the products of his unethical acts. Copyright owners had the ability to identify, locate and prosecute pirates. In the Internet age this is infinitely more difficult, and without the use of new technologies involving digital identification, tracking and encryption, it is impossible.

As we meet here in Monte Carlo the creative world is engaged in the process of building new business models – usually employing these technologies – to create the 21st Century market for multimedia. These business models involve both new means of distributing works and new means of licensing rights in works.

Certainly the lowest common denominator in this brave new world is the MP3 format. While this allows efficient and high quality distribution of musical performances, it suffers from the total lack of copyright control. Because of this the world’s large distributors of recorded music are now in the process of developing alternative standards and methods of distribution which permit copy control. I believe that it is fair to say that there will be no serious commercial market in digitally delivered music until these distribution methods are perfected. And, what is true for music will also be true for other media. Undoubtedly disseminators of audiovisual and graphic works will build upon the methods now being put in place by the music industry.

However, in addition to digital distribution of finished product, the new world will also bring new ways of licensing rights. This is particularly important for producers of multimedia, who wish to create new, derivative or collective works which employ newly created as well as previously created content. Ms. Koskinen-Olsson will address one evolving possibility for electronic licensing.

Other entities already are marching down this road. Well-known examples are CORBIS, the wholly owned Microsoft company that currently both securely delivers content and licenses

use of graphic images. If you log into CORBIS' web site you will find that you can choose between royalty free and royalty required images. And, CORBIS offers the ability to offer a license for every kind of user, from the student preparing an academic paper to a mass media publication reproduced in millions of copies. Prices for licenses vary accordingly, and all transactions can be handled on-line, including content delivery if the licensee has access to adequate bandwidth.

In addition to CORBIS there are other purveyors of content as well as organizations which engage only in on-line licensing. An example of on-line licensing is the web site of the Copyright Clearance Center (CCC) in the United States which is currently conducting a beta test for on-line licensing of commercial re-use of pre-existing print material. CCC also has gone into competition with CORBIS through its MIRA site, an on-line licensing agency for stock photography created by members of the Photographers Guild of the United States.

Interestingly, content delivery and licensing can be split into two separate on-line activities. As an example, archival copies of Newsweek Magazine can be downloaded directly from the Newsweek web site, while a license for commercial re-use can be obtained from CCC's web site. And, the use of hyper-linking permits this to be done seamlessly from the point of view of the consumer.

Another interesting example is the Harry Fox Agency's (HFA) site. An old-line collecting society for music publishers, Harry Fox now not only grants synchronization and mechanical licenses on-line, but also through its Lyrics.ch site, permits the downloading of the lyrics of over 100,000 compositions. As I understand it, HFA has plans for on-line delivery of sheet music. A competing site, based in France, is WEB4Music, just now getting under way. Like Harry Fox it has developed a technology for content delivery that employs copy controls to prevent unauthorized reproduction of the music. The HFA web site not only offers mechanical and synch licenses, lyrics and sheet music, but classified advertising, but books and compact discs through hyper linking with distributors of these products.

My own organization, the International Intellectual Property Institute, is currently working with WIPO to develop an Internet licensing protocol for cultural institutions in developing countries.

In addition to the activities of the Harry Fox Agency, described above, the two large U.S. performing rights societies, ASCAP and BMI, also offer licenses on-line. However, these licenses are simply an on-line version of the traditional blanket license conveyed through a paper contract. While ASCAP and BMI offer performing rights licenses to creators of web sites, issues yet to be fully explored involve the circumstances under which the creation and exploitation of multimedia will require a performing rights license.

Even though the developments I have just described are impressive, what has not yet happened is of greater importance. First, vast quantities of already creative works have yet to be digitized and enormous areas of creativity are simply unavailable for licensing for multimedia use.

The process of digitization is expensive, and vast libraries of print material – even in highly developed countries like the United States – remain unavailable in digital form, much less on line. This is even more true in the developing world, which lacks the financial wherewithal to create digital images of works unique to their culture. While the efforts of the WIPO may assist in creating the legal foundation for digital exploitation, only as yet untapped sources of international capital will provide the funds for the first step in making the treasures of the developing world available for multimedia use. The World Bank and the government of Italy will be co-hosting a conference in Florence, October 4-7, entitled “Culture Counts”. Among other things, this conference will explore the issue of financing the exploitation of cultural patrimony in the new on-line world. My colleague at the International Intellectual Property Institute, Dr. Michael Shapiro, will deliver a paper at this meeting on the topic which will be made available on our web site, <http://www.iipi.org>.

Quite apart from vast quantity of pre-existing literary works, paintings, sculpture and other objects in collections of the great museums and cultural institutions of the world, even large libraries of commercial works are currently unavailable for multimedia licensing in any form. A leading example is the collective libraries of the great Hollywood film companies. At this time none of them have been made available for on-line licensing, even where works already exist in digital format. My personal view, is that after the sound recording industry actually has gone on line with working systems of on-line distribution, employing effective anti-copying technology, Hollywood will follow and begin to exploit this market.

So, to sum up the current state of affairs, the market for easily accessible, licensed product for multi-media re-use is in its earliest infancy. At the present time it consists of some images, available from on-line stock photography organizations such as CORBIS, mechanical and synchronization rights available from Harry Fox Agency (but not recorded music itself), and considerable print material available, either directly from the publisher or through the U.S.-based Copyright Clearance Center.

The full potential for on-line access to works of authorship will be recognized only when: (1) capital becomes available for digitization, (2) standardized copy control technologies are accepted in the marketplace, and (3) major owners of collections of works either create new or utilize the existing -- but nascent-- channels of on-line distribution and licensing which I have identified.

There is little doubt in my mind that these three conditions will develop. It is only a question of when.

Thank you for your attention.