

**Submission to Gowers Review of Intellectual Property 2006**  
by  
**The AHRC Research Centre for Studies in Intellectual Property and  
Technology Law, School of Law, University of Edinburgh**

We agree that intellectual property is crucial to the success of knowledge-based industries and that these industries are increasingly important for the UK's economic competitiveness in the global economy. We also agree that the intellectual property framework must balance innovation and competition. However we would wish to stress that intellectual property has impacts upon other important fields including health, education and cultural diversity. As such we would urge that any recommendations for change should be made only after there has been the opportunity for independent multi-disciplinary investigation designed to ensure that all interests are adequately represented.

**General comments on Introduction**

The IP system

The Review refers to “the IP system”; but there is in fact no such thing as “the” or even “an” IP system in the UK. What we have is a group of forms of legal protection for different subject-matter, each with its own statutory or common law regime. Were it a system, it would have clear-cut rules detailing the relationship between the different subject-areas; but as it is, there are either no rules to deal with the problem (see e.g. software (copyright and/or patent), databases (copyright, database right)); or there are rules of diabolical complexity and obscurity leading to huge uncertainty and costly litigation damaging to business and other interests (e.g. industrial designs, for which see the recent discussion in *Dyson v Qualtex* [2006] EWCA 166 and the points below).

Competition

We welcome the recognition that the state must ensure an appropriate balance between IP and competition, in particular in respect of the efficient encouragement and development of innovation. However some practices, such as multiparty collaborations and patent pools, are in the interests of, and necessary for, innovation. There are presently excluded from the Technology Transfer Block Exemption. This requires each arrangement to be considered separately, on the basis of the EC Commission's IP Guidelines. This additional hurdle could lead small businesses, in particular, to refrain from entering into arrangements which could be conducive to innovation, because of the costs and uncertainties of assessing the risk of contravention of competition law.

Digital copying

Advances in digital technology have made it easier to download and engage in acts which could infringe copyright. The question of infringement is not, however, a simple one. Digital advances do not merely provide new means of infringing copyright which should be restrained. Rather, digital advances have created a new range of opportunities through providing a new environment; the question is whether the balance within copyright law is still adequate for this environment.

Exceptions to copyright are, subject to questions as to what is meant by “fair dealing” (see comment below), relatively clear to the lawyer. The issue is, as recognised, a lack of public awareness, or indeed willingness to accept, that taking advantage of new technologies to access, retrieve, and use material readily available online should infringe

copyright. Imposition of greater sanctions, although addressing the former issue, will not address the latter – being more likely to lead to public outcry, such as that accompanying civil and criminal court actions against individuals in the US and the UK.

A broader approach to copyright is required. Copyright law should provide the framework for creators, now and in the future, to access, utilise and develop existing works for the common benefit. Rigid adherence to existing principles or interests will not provide this.

### **Scope of the review**

#### Too limited

A specific aim of the Review is for IP's structure to reflect its importance to businesses across different sectors. Although different sectors are relevant, the Review should also recognise and address interests other than of business. References to public and third sector groups throughout the issues paper, and the presence of, for example, the National Consumer Council at the Review launch meeting, suggest that this is already accepted. It is unfortunate, however, that this point is not made more clearly at the outset.

### **General questions**

#### **How IP is licensed and exchanged**

##### Question 3(c) – use of IP for research purposes

#### **General**

Present exceptions for use of patents, copyright and database rights for research all include important restrictions. Common themes are the restriction on use which is, even partially, for commercial purposes. This has several implications. Commercial testing businesses, such as in the biotechnology sector, are faced with the risk of patent infringement. Such businesses consider relocating these parts of their operation elsewhere, in particular to Germany. The increasing pressure on those in academia to cross boundaries, and commercialise their work, or even merely publish it for gain, means that very little work can be said to be wholly for non commercial purposes (see also comments below under copyright exceptions). This can mean that valuable work is not carried out in the UK, or at all.

Research is of value and should be able to be carried out, whether for financial gain or otherwise. There would be a need, however, to compensate IP owners whose work is used as part of or as a base for this new research. Some form of sliding scale levy, similar to that operated by copyright collecting societies to deal with different types of use, may be appropriate.

#### **Public sector information and the research community**

Although the commercial use of public sector information is currently under review by the OFT, it is unclear as to whether the investigation will extend to the supply of this information to the research sector, the subject of this point.

Much research within institutions increasingly depends upon the accumulation and re-use of data. The rather uncertain boundaries of the database directive (currently the subject

of a review by the European Commission) together with the ubiquitous use of digital rights management systems and licensing terms can conspire to hamper innovation within the research sector. Of particular unease is the extent to which public sector and quasi public sector bodies (such as trading funds) supplying data (obtained as a result of public funding) to research organisations seek to exert control of, ownership over, and limitations on, the use of downstream derivations developed within the course of research. Although the database directive and implementing regulations contain their own limits on the database right (a lawful user may not be enjoined from extracting and re-utilising an insubstantial part of the contents of a database for any use whatsoever) it is questionable the extent to which these are recognised through licensing schemes. The licensing conditions may place restrictive conditions on the manipulation of the data even when carried out for research purposes, enjoin a downstream user from disseminating a final product derived from the original data if the representation exceeds a certain size, and seek to assert ownership of the resultant product even where there has been substantial downstream investment in the verification and presentation of the data and/or labour skill and effort expended in the expression of the final product. While competition law may enjoin such behaviour, it is unlikely that the risk-averse and fragmented research community would have the resources to pursue such a challenge. Additionally the use of public funds by publicly funded bodies to challenge other public bodies would seem an inappropriate use of public funds. However, this assertion of control over data can sorely hamper innovation within the research sector and severely limit the dissemination of outputs whilst seemingly resulting in no obvious innovation pressures upstream. We would urge the Gowers Review team to carry out a detailed study of the framework for the supply of data by Public Sector Information Holders to the research community with a view to developing a system that will encourage and support downstream research and innovation.

### **Challenge and enforcement of IP**

#### **Question 4(a): enforcement of different forms of IP**

Given the different nature of IP rights there are inherent and unavoidable differences. In trade marks, the key questions are how to establish, or refute, the likelihood of confusion, or whether the marks would objectively be considered similar. This can involve expensive and possibly worthless survey evidence. In copyright, the key questions are establishing that the work alleged to have been infringed is in fact the subject of copyright; is the copyright owned by the party to the action; and is the allegedly infringing work a reproduction of the whole or a substantial part of the work. All this can involve tracing records and previous drafts or versions of the work, tracing assignments of copyright through several companies, and expert evidence of what is in fact a substantial part of the work in question. These issues are the same in hard copy or digital cases. In patents, the question is how the claims of the patent are properly construed; to then establish whether the invention claimed is novel and inventive, and whether the allegedly infringing product or process comes within the claims. This can involve prior art searches and analysis, and complex and expensive expert evidence.

#### **Questions 4(b) and (f): cost**

There are significant barriers in terms of cost and also diversion of management time.

If a party is unsuccessful, they will need to pay their own costs, and also a large amount (say between one half and three quarters) of the other party's costs. The risk of failure

can never be discounted in any litigation. It is often the most powerful companies and IP owners who will resist from pursuing or defending a claim because of the potential adverse costs consequences. Even if a party is successful, they will have to pay the remaining amount of their own costs. If a case has gone to a full hearing or proof, this may still be at least around £50,000.

This risk of exposure is driven by the costs rules. There is unfortunately little alternative: no fee no win arrangements, or conditional fee agreements may assist in some cases. This may lead, however, to reasonable but not strong cases not being pursued. It is also legitimate for a successful party to recover costs, and for unsuccessful parties to contribute to those of other side. The prospect of this should be part of the risk assessment prior to proceedings. The recent decision in *Baigent v Random House* [2006] EWHC 719 (Da Vinci Code) touches on this.

Costs can arise from inefficiencies. However, the need for bills of costs to be taxed before other parties will be ordered to pay them, and efforts through the Woolf reforms and procedural changes to streamline and expedite court proceedings means that these are subject to review.

A broader question is the ability of larger companies (on either side of a case) to instruct several counsel and experts, willing to pay for them themselves if necessary, which may intimidate the other party into adopting a similar course. Again, however, this need not be so. It is possible for solicitor advocates to both prepare and present cases in both Scotland and England (although in larger cases there will be a need for multiple personnel – the benefit then is simply a potential increase in efficiency through use of solicitor advocates); for there to be single experts (although query the value and appropriateness of this in cases – such as many patent cases – where there are several legitimate viewpoints); for issues to be limited; and for patent agents to appear in the English Patents County Court. The question is willingness of parties to explore these options. Greater willingness by judges to impose costs sanctions might increase this.

#### Question 4(h): international enforcement

IP rights are national or regional rights. Thus UK companies may well have IP rights in other countries. There is no central means of litigation in respect of these. It is possible for courts in one country to have jurisdiction to consider infringement of another national IP right. It is common, however, for companies with international businesses to have large patent portfolios and be fighting the same dispute, against the same parties, in different countries with sophisticated IP systems – with different results.

This is inevitable with national rights under the international or regional umbrella of the WTO or EC, and the complex questions involved. Further, the fact that IP rights have been granted does not mean that they should always be able to be successfully enforced or, indeed, held valid. It should not be a goal of the Review to facilitate successful enforcement of IP – but to deliver efficient and effective means of progressing IP litigation, whatever the outcome.

### **Specific Issues**

#### Copyright exceptions: (a), (b), (c), (d) and (e)

The present exceptions are too limited. They restrict overly reproduction and use for private purposes, and in education and research.

There is a need to generalise the exceptions so that they apply to all types of copyright work unless there is good reason for non-application to a particular type of subject-matter. The concept of “non-commercial” in relation to research causes real difficulties in the university world. “Criticism and review” might usefully be extended to “analysis” from an academic point of view. In the digital world a “place-shifting” exception makes just as much sense as “time-shifting” did in the analogue one. As far as possible the exceptions should be rendered technology-neutral, equally applicable in the digital as in the non-digital environment. The exceptions for libraries and archives might usefully be extended to other repositories of research material, such as museums and galleries. In thinking about “private use”, the Berne Convention concept of allowing activity which is not damaging to normal exploitation of the copyright work provides a useful starting point. There is much valuable information and analysis in R Burrell and A Coleman, *Copyright Exceptions: the Digital Impact* (Cambridge University Press, 2005).

The legislation should make clear what the appropriate priorities are: the role of human rights in interpreting copyright and the remaining role of the public interest within the Copyright Designs and Patents Act 1988, together with some non exhaustive guidelines as to how these should be interpreted and applied in specific cases. This could be consistent with the permitted exceptions in TRIPS and the Berne Convention, and would also make clearer the relationship between copyright and human rights. This relationship is important in terms of the Human Rights Act 1998, article 10 and Protocol 1, article 1 European Convention on Human Rights, and also article 27(2) Universal Declaration on Human Rights and section 15(1)(c) International Covenant on Economic Social and Cultural Rights. Some guidance could be found in the *Ashdown v Telegraph* (2002) Ch 149 and *HRH Prince of Wales v Associated Newspapers* [2006] EWHC 522 (Ch).

In all the above cases, there should be no need for further compensation of the copyright owner, as any changes will have been merely to the proper scope of copyright.

#### Copyright – Orphan Works (a) and (b)

Publicly funded digitisation projects proliferate within the research and education community and are accompanied by initiatives designed to create repositories to facilitate sharing of the results. However the law of copyright (and more tangentially database right) both threatens to and does create impediments to the successful realisation of these initiatives.

- Complex and often opaque copyright ownership rules result in confusion as to legal ownership of creative works within the education sector leading to reluctance to deposit works within repositories.
- The development of innovative works drawing on what exists can be hampered both (a) because of the uncertainty over the fair dealing boundaries for the purpose of non-commercial research; and (b) because of the difficulty of and complexity involved in ascertaining ownership of the original work where the borrowing clearly extends beyond the fair dealing boundaries.

We would suggest that pursuing two related strategies could contribute to lessening the burden within the research and education community and relatedly to support innovation in this sector.

The first is to develop a supportive framework through which the exchange of materials created within the research and education sector and protected by copyright might easily and cheaply be shared amongst the community for the benefit of that community, and in the case of research results, beyond. In the context of educational materials we would draw the attention of the Gowers Review team to the Australian initiative AShareNet (<http://www.aesharenet.com.au/>). Originally established by the Australian Ministers for education and training this initiative supports a system designed to streamline the licensing of intellectual property within the education sector so that Australian learning materials are developed, shared and adapted efficiently.

The second strategy concerns 'orphan works'. Much has been said on this subject and we would hope that the weight of evidence will persuade the Gowers Review team that action is required in this area. The recent US report on orphan works provides an excellent starting point for considering the development of a mechanism suited to the domestic copyright system.

#### Designs (d), (e) and (f).

The present accumulation of UK registered and unregistered design rights along with Community registered and unregistered design rights, involving three different substantive systems as well as copyright insofar as it applies to industrial designs, is a failure of policy on a monumental scale. The minimum that can be and should be done consistently with the UK's European obligations is the alignment of UK with Community unregistered design right. The case law on UK unregistered design right, in particular the recent decision in *Dyson v Qualtex* [2006] EWCA 166, suggests that it creates too many uncertainties to be good law. It seems clear from the UK statistics on registrations and their renewal that the 1988 extension of the protection term of registered designs to 5 (rather than 3) x 5 years was unnecessary; renewals into the fourth and fifth periods are very rare. If the registration system is to continue (and it seems that this is what the EU will require), consideration should be given to shortening the term. This, coupled with licences of right during the last years of the shorter term, might be enough to create genuinely competitive conditions in the relevant replacement parts markets, which will typically come into existence some years after the first appearance of the original piece of equipment.

#### Legal sanctions (a) and (b)

It is correct that different sanctions or remedies can be applied in varying circumstances. However, in all cases this is a question for the court's discretion. There is flexibility in terms of injunction/interdict and the quantum of damages/account of profits.

If it is properly established on the basis of a balanced system of law that there has been infringement, in the civil or criminal field, then the same remedies and sanctions should apply - irrespective of the medium.

#### Coherence with competition policy: (d) and (e)

There is a role for competition law and policy in regulating IP. However, competition is not a flexible panacea. There is much uncertainty as to the function of competition, particularly in respect of IP, and within each approach to this, much rigidity. Any theory based on competition must therefore be considered carefully.

An important question is the future role of “abuse of a dominant position” in enforcement of IP. It must be remembered, however, that the starting point in competition law is market definition. If the two parties or products/services are not in the same market there is no scope for competition law; if they are, then there must be a dominant position. In some of the most criticised markets, such as media and pharmaceuticals, there may not be a dominant position if there are, say, 3 large incumbents.

Finally, the conduct in question must involve abuse of a dominant position. It is well established that holding and enforcing an IP right, which is the essence of the right, does not in itself necessarily involve an abuse. There is a role for further guidance to be provided as to what, in which circumstances, would be considered an abuse, building on existing case law eg *IMS v NDC* [2004] ECR I-5039, EC Commission decision in *Microsoft* (<http://www.europa.eu.int/comm/competition/antitrust/cases/decisions/37792/en.pdf>), *Magill* [1995] FSR 530, and *Volvo v Veng* [1988] ECR 6211.

We would be delighted to elaborate on any of the issues raised above.