Property Law – Part III

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On Tuesday morning the workshop continued with a panel focusing on the relationship between intellectual property ('IP') and property. The panel included Professor Guo He, Dr Kimberlee Wheatherall, Professor Jacques de Werra and Michael Kenneally. The session was moderated by Professor Henry Smith from Harvard Law School. His introductory remark stressed the fact that discussions about intellectual property rights makes us ask about the very nature of the concept of property, as intellectual property and its conceptualization links the notions of property rights with obligations, such that terms like quasi-property are being utilized.

The first speaker of the session was Professor GUO He from Renmin University who spoke about the influence of intellectual property on property law from the perspective of rights limitations. He emphasized that in intellectual property law, the notion of rights limitation is a dominant feature. Intellectual property does not suffer from limitations arising from physicality of other types of property, i.e. property as a thing. To give an example, tangibility of an object, e.g. a pencil, is at the same time the limitation to its exclusivity. In comparison, a song protected by copyright does not suffer from such physical limitations to the same extent. Indeed, exclusiveness of IP is created through a legal system rather than through the natural state of possession. To give intellectual property rights utility equivalent protection to other property rights, limitations must be created by the legal system itself. In his view, the limitations are endogenous to the content of the intellectual property rights due to the limited exclusivity of the IP rights. He then moved to discuss the reasons for more extensive limitations of the IP rights as opposed to the rights in rem (meaning tangible property), such as public interest for fair use (e.g. educational purposes) and the fact that IP is not subject to the problem of scarcity of resources (IP can be possessed by many people simultaneously and marginal costs for reproduction are very low). Accordingly, IP rights have a different economic basis from the rights in rem and therefore deserve a distinctive legal treatment. Prof. GUO concluded by predicting that the resulting weaker protection of IP rights will, in turn, have effect on the traditional property system with the increasing proportion of IP in the gross social wealth. For him, this influence will materialize in understanding the property rights in terms of their limitations.

The next speaker was Kimberlee Weatherall, an associate professor at Sydney Law School. Her presentation concerned a recent case before the High Court of Australia, *JTI International v. Commonwealth.* The company complained about the legislation that has removed all the branding and colouring, except for the company and product name, and replaced it with drab brown-green colour, standard fonts and graphic health warnings – the so-called plain packaging legislation. The tobacco company challenged the Australian plain packaging legislation for taking their intellectual property without paying just compensation. Professor Weatherall used this case to illustrate the limitations of IP rights, the nature of IP rights and also the limits of the Australian constitutional protection of property. As to the latter, the Constitution prohibits making laws that effect acquisition of property on other than just terms. The Court held there has been no acquisition, as the rights forming the trademark and other IP have not been acquired by Australia. This decision stands for the concept of trademarks as so-

called negative rights. Trademark protects its owner against all others who do not own or do not have a license to use the trademark. As the legislation leaves registration of the trade mark intact (and also does not lead to termination of the registration for non-use) and there is no one who is allowed to use the trademark, the content of the trademark right is not affected. She stated that as the Australian Constitution protects against 'acquisition of property', as opposed to 'taking', the Court could avoid to answer the question whether there has been any kind of taking as long as the Commonwealth had not acquired any corresponding proprietary right. From this she infers that the Australian constitution is a blunt instrument for protection of intellectual property because in IP rights, the exploitation of the right is the important thing. Prof. Weatherall concluded by stating that the judgement provides little explanation of what trademark actually protects. Whether it serves mainly to protect from consumers' confusion or whether it protects also the communication and advertising function of the trademark.

After a coffee break, the workshop resumed with a presentation of Professor Jacques de Werra from the University of Geneva. His speech focused on European perspective on the interplay between IP and property. In particular, he looked at the conceptualization of IP rights, on the question of IP ownership and enforcement. Prof. De Werra began with description of main instruments of international and EU law on the protection of IP and pointed out their problematic issues. Especially, he elaborated on the treatment of trademark applications and undisclosed confidential business information as intellectual property. He stated that there remain grey zones in the current legal framework, and domestic and international courts tend to use pragmatic approach to solving cases before them. With respect to the ownership of IP rights, he dealt with allocation of copyrights and concluded that in hard cases constitutional principles may help in defining who is the owner of the IP rights. Main part of the presentation analysed IP enforcement mechanisms, where the intricate position of IP rights, situated between contractual and proprietary rights, presents itself in the strongest form. Here De Werra analysed the remedies available against licensees, sub-licensees and third parties. He gave examples of EU cases where remedies have been granted without corresponding violation of IP rights – something which is a rather unusual outcome. He argues that EU law gives privilege to the trademark owner for which there is no justification. According to him, this is due to the equation of IP with property. In conclusion, he calls for a move from the proprietary conceptualization of IP towards a more transactional one. The solutions should be balanced, global and transdisciplinary. As a follow-up to Prof. Merrill's argument that the U.S. takings jurisprudence is not that muddy as usually presented, he said that the IP legal framework is more of a mess than commonly thought.

The last presentation of the morning session was delivered by Michael Kenneally from Harvard University. The topic he addressed was the controversial U.S. doctrine of misappropriation. This doctrine came to existence with the famous 1918 decision in *International News Service v. Associated Press.* The U.S. Supreme Court held that the news was a "quasi-property" and newsgathering companies shall not compete unfairly against one another by copying facts reported by their competitors. The doctrine, which was created by judges, protects the intellectual product of one's labour, which does not qualify for the protection of federal copyright law. This doctrine has recently regained attention with claims of some media companies that the increasingly common practice of aggregating others' news stories amounts to thievery. Because the federal copyright law does not protect news as intellectual property, the courts have invented the doctrine of misappropriation to protect the news producers. Michael Kenneally elaborated on possible justifications of this doctrine against the federal Copyright Act, which pre-empts state's legislation protecting rights equivalent to copyright. This means that individual states cannot create rights that are in

essence same as copyrights, because this is province of federal law. According to him, the crux of the issue is how to justify the prohibition of free-riding on the information generation efforts of others. He presented various theoretical justifications for misappropriation from ethical justifications, over Lockean concept of property based in the expenditure of labour to economic cost-benefit justifications. He argues, however, that the attempts to justify the misappropriation against the federal pre-emption have failed, as it is hard to find a qualitative difference between misappropriation and copyright if both are designed to achieve the same goal in the same way. Kenneally's main argument is that such explanation can be found in the ethical understanding that only certain kind of free-riding is morally prohibited. Such prohibited free-riding is based in agent-specific duty based on need. Because the newsgathering companies need their competitors' news in a competitive relationship, the doctrine of misappropriation protects those who generated this news.

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