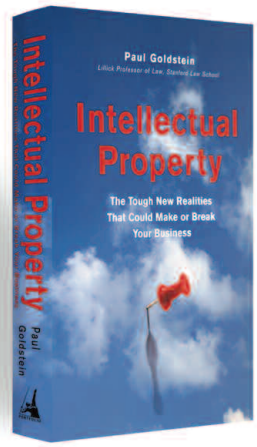
SOUNDVIEW Executive Book Summaries®






by Paul Goldstein

## CONTENTS



### The Tough New Realities That Could Make or Break Your Business

# INTELLECTUAL PROPERTY

## THE SUMMARY IN BRIEF

Intellectual property is a product of the mind. It's a song, a book, a business secret or almost any other kind of creation. These products have value — often tremendous value — in the business world. The question is how to protect these assets.

In the United States, the four main types of intellectual property (patents, copyrights, trademarks and trade secrets) each have their own body of law pertaining to creation, ownership and use. These laws have evolved over centuries, but the advent of new technologies and social and economic shifts make it difficult for them to keep up with the times. Change is coming, and how and when it comes will affect nearly every owner, creator and user of intellectual property.

The "intellectual property paradox" — the notion that giving property rights to owners of intellectual assets harms those who are unable to pay for access to the assets while helping those who are able to pay — often explains intellectual property laws differing among countries. Although treaties and agreements have somewhat homogenized the areas of intellectual property law, intellectual asset owners still must navigate the laws of each country in which they do business. Given the scalability of intellectual assets, dealing with the inconsistencies and the sometimes doubtful options for recourse can still be worthwhile.

Paul Goldstein covers these topics and more as he explains intellectual property law's history as well as some important legal cases that brought American intellectual property law to where it is today.

## IN THIS SUMMARY, YOU WILL LEARN:

- The characteristics of the four major areas of intellectual property law.
- How intellectual property law protects a business's intangible assets.
- The significance of major laws and legal precedents related to intellectual property.
- What changes you should anticipate in intellectual property law.

Published by Soundview Executive Book Summaries, P.O. Box 1053, Concordville, PA 19331 USA

# THE COMPLETE SUMMARY: **INTELLECTUAL PROPERTY**

**by Paul Goldstein**

## Introduction

No idea is entirely original; every innovative business borrows, sometimes extensively, from its competitors and others. Many of the best-known and most valuable brand names — Burger King, McDonald's — are little more than descriptive words and common names. How can a company appropriate such names for its own exclusive use? When a departing employee takes a company's trade secrets and know-how with him, what part of this information belongs to the company and what part, derived from his own skill and training, belongs to him? Elusive as intellectual property boundaries are, the business value they secure is enormous. ■

## The Intellectual Property Paradox

The name Polaroid is synonymous with instant photography, but without patents Polaroid could not have dominated the market as it did for the entire history of this once-popular medium. In the course of the *Polaroid v. Kodak* trial, in which Polaroid sued Kodak for infringing on 12 patents related to its instant photography films and cameras, one Polaroid official described the company's founder, chairman and chief investor, Edwin Land, as "fierce" about patents.

The views of innovators like Land and Kodak's George Eastman rarely change: More patents are preferable to fewer, and the broader the reach of these patents, the better. But views of lawmakers do change. Patent standards and remedies can shift even over the span of a single trial, particularly when, as in the case of *Polaroid v. Kodak*, the trial stretches over 15 years.

### *The Risks and Rewards of Legal Uncertainty and Change*

One legal standard that changed over the course of the Polaroid trial was the statutory requirement that, in order for the U.S. Patent and Trademark Office (PTO) to grant a patent, the applicant must show not only that the invention was new at the time he invented it, but also that it was "nonobvious" — not readily apparent — to workers reasonably skilled in the art.

Even if the applicant convinces a patent examiner of the invention's novelty and nonobviousness, and the PTO issues a patent, another company, if sued by the patent owner, can ask the court to invalidate the patent on the grounds that the PTO erred in its findings of novelty or nonobviousness. And even if the patent is valid, the company can ask for a finding that its own product did not infringe upon that patent.

### *The Paradox of Public Goods*

Economists classify goods whose use by one person will not diminish use by others as "public goods and services" — the classic examples (in addition to information) are lighthouses, public education and national defense. They also observe that to grant property rights in information will necessarily violate a basic tenet of contemporary economic policy by decreasing the welfare of one class of users — those unable or unwilling to pay for access to information — without increasing the welfare of another class of users — those who are willing and able to pay the intellectual property owner's asking price.

A standard solution to the problem of public goods is for government to pay for the production and maintenance of these goods out of the public treasury and to make their benefits available "free" to everyone. But few Americans would be willing to trade private for public choice over the selection of products available on the supermarket shelf or hardware counter any more than they would want government to choose the films they watch or the books they read.

**The author:** Paul Goldstein is the Lillick Professor of Law at Stanford Law School and one of the world's top experts on intellectual property. He is also counsel to Morrison & Foerster, where he works on IP litigation and transactions for corporate clients across the world.

*Intellectual Property* by Paul Goldstein.  244 pages, $27.95, ISBN 1-59184-177-7.



**For additional information on the author, go to: http://my.summary.com**

**Published by Soundview Executive Book Summaries** (ISSN 0747-2196), P.O. Box 1053, Concordville, PA 19331 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions: $209 per year in the United States, Canada and Mexico, and $295 to all other countries. Periodicals postage paid at Concordville, Pa., and additional offices.

**Postmaster:** Send address changes to Soundview, P.O. Box 1053, Concordville, PA 19331. Copyright © 2008 by Soundview Executive Book Summaries.

**Available formats:** Summaries are available in print, audio and electronic formats. To subscribe, call us at 1-800-SUMMARY (610-558-9495 outside the United States and Canada), or order on the Internet at www.summary.com. Multiple-subscription discounts and corporate site licenses are also available.

### *The Unique Scalability of Intellectual Assets*

Where economists view intellectual assets as inexhaustible, businesses view them as scalable. Through license agreements with well-placed licensees, a company can exploit its intellectual assets in product, service and geographic markets that it lacks the resources to enter itself; it can also delegate enforcement of rights to licensees. ■

---

# Patents

The U.S. Patent Act's description of the five classes of protectible inventions is straightforward enough: "any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof." At the threshold of the next great cycle in patent protection, the hard question is not whether, or even when, patent law will begin to scale back, but *how*.

### *Cycles of Protection*

The origins of contemporary patent law lie in the English Crown's grants of privileges to foreign tradesmen and craftsmen in the 14th and 15th centuries to spur the adoption of modern manufacturing methods.

The first U.S. patent law was a general rather than a private act, and authorized patents for "any useful art, manufacture, engine, machine or device, or any improvement therein not before known or used." In 1836, Congress reinstated the examination system and fixed the patent term at 14 years with a seven-year renewal period. To the chagrin of many observers, the U.S. Patent Act in force today strays little from the structure and principles of the 1836 act.

### *The High Protectionists Take Charge*

In 1982, Congress created the Court of Appeals for the Federal Circuit to hear appeals from trial court patent infringement decisions across the country. It was also created to replace, with a single national standard, the patchwork of patentability standards previously applied by the regional courts of appeal.

Congress also undertook major new initiatives to use patents to spur industrial growth, among them the 1980 Bayh-Dole Act that fostered university-industry collaborations by making it possible for universities to patent the results of federally funded research. Finally, two U.S. Supreme Court decisions in the early 1980s, one opening the door to patents for computer programs and the other holding that a live, man-made organism could qualify for patent protection, established new high-water marks for an already ascendant patent system.

### *Software Patents*

Until March 3, 1981, when the U.S. Supreme Court in *Diamond v. Diehr* for the first time upheld a patent on a computer program, the patent status of computer software had been in doubt.

In 1994, the Court of Appeals for the Federal Circuit ruled that a patent applicant could effectively bring its software within the traditional category of "machine" simply by describing his invention to include the software running on a general-purpose computer. Finally, in 1995, the Patent Office retreated from its stern antisoftware position and announced that it would treat computer programs as patentable subject matter as long as they were embodied in a tangible medium, such as floppy diskettes.

### *Patenting Life*

The Supreme Court's 5-4 decision in *Diamond v. Chakrabarty* endorsed patents for living organisms in the most ringing terms, underlining the importance of an openhanded patent system for business investment in new technologies. In 1985, the Patent Office Board of Appeals ruled that plant varieties were patentable, and in 1987, that a genetically engineered species of oyster was patentable subject matter.

The Patent Office was met with objections when it announced that it would consider patent applications for vertebrates, but it issued its first such patent in 1988, on the "Harvard Mouse," or OncoMouse. The mouse was genetically engineered by a Harvard researcher for enhanced susceptibility to cancer, and consequently of particular use in cancer research.

### *Everyone Holds a Patent*

The Court of Appeals for the Federal Circuit made it easier to enforce patents and to obtain monetary and permanent injunctive relief against infringers, and also to obtain preliminary injunctive relief against alleged infringers. Books such as *Rembrandts in the Attic* and *Edison in the Boardroom* encouraged companies to search through their portfolios for patents that could be licensed and, if not licensed, litigated. Because patent owners can file infringement cases in any U.S. judicial district where allegedly infringing products are sold, "rocket dockets" sprang up, offering patent claimants speedy discovery, early trial dates and fast trials.

### *Pharmaceuticals Versus Electronics: The Battle for Patent Law's Next Phase*

The great upsurge in patent scope and enforcement over the past quarter century has divided patent industries into two warring camps. On the one side are the high protectionists, led by the pharmaceutical compa-

nies. On the other side are the low protectionists, led by the electronics and software companies.

Probably the most consequential division between high and low protectionists centers on American patent law's "all-or-nothing principle," which empowers a patent owner to shut down a later inventor's business even if the inventor offers to pay a reasonable license fee. One solution to the standoff between the pharmaceutical and electronics industries is for Congress to tailor its reforms along industry lines.

### *eBay v. MercExchange*

The Court of Appeals for the Federal Circuit consistently ruled that, once infringement is shown, injunctive relief is virtually automatic, and this appeared to be settled law in the United States until November 2005, when the U.S. Supreme Court agreed to review the Federal Circuit court's decision in *eBay v. MercExchange*, applying the automatic injunction standard.

In September 2001, MercExchange, a Great Falls, Va. company founded by a patent lawyer-engineer, filed suit in the federal district court for the Eastern District of Virginia, alleging that eBay's "Buy It Now" feature, enabling prospective bidders to purchase an item immediately at a fixed price instead of waiting for the outcome of the auction, infringed on three electronic commerce patents owned by MercExchange's founder.

In May 2003, the jury found that eBay and its subsidiary Half.com had willfully infringed two of the three patents, and in August the judge ordered eBay to pay $29.5 million in damages but declined to order an injunction shutting down the online auction's use of the feature.

In March 2005, the Federal Circuit court affirmed the trial court's finding of patent validity and infringement. But the court reversed the trial court's decision denying injunctive relief.

On May 15, 2006, the U.S. Supreme Court announced its decision in *eBay v. MercExchange*, unanimously holding that the Federal Circuit court erred in enforcing a virtually categorical preference for permanent injunctions in patent cases and directing it in the future to require the plaintiff to pass, as it must in other fields of law, a four-factor test: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." ■

## Copyrights

For all its undeniable cultural impact, copyright is essentially about commerce. It protects not only writers, composers and artists, but also mapmakers, data compilers and software designers. The U.S. Copyright Act captures all this value by granting five exclusive rights to copyright owners: the rights to reproduce their works, to adapt them, and to publicly perform, display and distribute them.

### *How the Movie Studios Used Copyright to Tame Their Distribution Partners*

The history of the motion picture industry's encounters with new technologies, from television in the 1940s and 1950s to TiVo at the turn of the 21st century, teaches two important lessons about the use of copyright to navigate relationships with future distribution partners. One is that because copyright fosters production of competing works, no copyright owner can hope to control the spigot that releases content to distributors. The second lesson is that in law, as in life, *timing is everything.*

### *How the Computer Industry Used Copyright to Fight for Market Share*

Three central copyright rules — the rule that copyright protects expression but not ideas, the rule that a work must be original to be copyrightable, and the fair use doctrine — proved decisive in resolving conflicts between companies like IBM, Apple and Sega. These companies sought through copyright to control access to their established operating system platforms, and, on the other side, producers of competing and complementary equipment, such as Fujitsu Limited, Franklin Computer and Accolade, Inc., that sought access for their equipment to those platforms.

Why did copyright become the principal vehicle for software protection through the 1980s and 1990s? One reason is that, ill-fitting as copyright was, other intellectual properties — patents and trade secrets — were even more deficient. And although proposals abounded for laws tailor-made to the specific characteristics of software, they lacked the pedigrees of historical validation and international acceptance.

The greatest casualty of the software battles — dubbed "softwars" — was copyright itself, and not because the judicial decisions in any way injured copyright principle (they did not) but because the debate ignited a new and still enduring skepticism about the value of copyright that was unprecedented. Any business — whether it is a producer or user of copyrights — that produces or distributes copyrighted content should attend to this new direction in the law. ■

# Trademarks

Although trademark law's origins and legitimacy lie in its protection of consumers, the law has always and inescapably protected producers as well, giving them an incentive to invest in differentiating their products and brands from those of competitors. The great revolution in trademark law has been to elevate this incidental protection for producers into a full-fledged property right — much like a patent or copyright — that has only the most attenuated connection to consumer confusion, and sometimes no connection at all.

### *The Use Requirement*

Trademark rights in the United States require trademark use, and the company that is first to use its brand in connection with goods or services in the marketplace is the company that gets to own it. The use requirement effectively penalizes first adopters who lack the resources or business motive to immediately enter all of the natural markets for their brands.

However, the use requirement also rewards predators that wait for goodwill to develop around another company's brand in one market and then trade on the brand's value by introducing it on a new product in a different market. This is possible for the predators as long as consumers are not confused as to source of the brand.

### *Use and Abandonment: The McDonald's Dilemma*

Under the trademark doctrine of abandonment, a brand-name owner that fails to proceed promptly against a second user, even one in a distant product or service line, faces the risk that it will lose rights to its brand not only in the distant market, but also in the market where it first acquired goodwill.

McDonald's successful lawsuit against Quality Inns International's "McSleep" economy hotels illustrates the legal dimension of attempts to protect against trademark abandonment. Quality Inns made four arguments to support the use of the "Mc" prefix for its new chain, but the court rejected each one. Against Quality Inn's argument that the name "McSleep" would not confuse consumers into thinking McDonald's was operating or franchising the new chain, the court relied on survey results in which more than 20 percent of respondents gave "McDonald's" as their answer to the question, "Who or what company do you believe owns or operates the hotel called McSleep Inn?"

The court observed that McDonald's had obtained registrations for a range of uses wider than just food services — including "McStop" for interstate travel plazas and "McShuttle" for ground transportation — and had named its own headquarters hotel "McLodge." This effectively gave the company a "family" of marks under the "Mc" prefix and consequently a first claim on other such uses.

Avoiding abandonment requires more of brand owners than just monitoring uses and registrations of their marks in markets where they may someday want to use the marks themselves. Yet suing to enjoin an unauthorized use of a brand name can have adverse consequences for the company's public relations.

Trademark owners also suffer another comparative disadvantage in their dealings with unauthorized users. While a patent or copyright owner will frequently enter into a license with an infringer and thus expand its market, a trademark owner, like McDonald's in the McSleep case, will be concerned that such a license might bring its brand into the wrong market at the wrong time.

### *The Distinctiveness Requirement*

Trademark law protects a brand only if and to the extent that the brand distinguishes, or at least is capable of distinguishing, the goods or services of one company from those of another. Yet to give one company exclusive rights in even a partially suggestive term may deprive a competitor of words that it needs to describe its own product accurately. The U.S. Trademark Act reconciles the competing interests of the two companies by barring registration for marks that, when used in connection with the applicant's goods or services, are "merely descriptive" of them, unless the mark "has become distinctive of the applicant's goods in commerce."

### *Distinctiveness and Genericide*

The great trademark risk for a consumer brand company today is not that its chosen trademark will be insufficiently distinctive to qualify for protection. Instead, the risk is that in promoting its mark and acquiring distinctiveness, the company may also succeed in identifying the market with the class of goods generally — "Thermos," say, becoming the generic term for a vacuum-insulated bottle — thereby forfeiting any trademark rights in the term. Trademark lawyers call this "genericide."

### *Trademarks Without Confusion*

Trademark law moves slowly, and for decades the law's use requirement, confining a brand owner's exclusive rights to the goods or services that the company actually marketed, stood as an obstacle to protection for broader-reaching corporate brands. Finally, in 1995, Congress amended the federal Trademark Act to provide a remedy for the dilution of "famous" marks.

**For additional information on the McDonald's suit against Quality Inns, go to: http://my.summary.com**

Where trademark law traditionally requires a brand owner to prove that a competitor's use of its mark confused consumers into purchasing the competitor's product rather than its own, the Initial Interest Confusion Doctrine today holds that it is enough for the brand owner to show that consumers were initially confused as to the source, even though their confusion was dispelled by the time they made their purchase.

### *Mapping Trademark Change*

At the end of a century of doctrinal expansion, brand-name protection in the United States today consists of two separate but intertwined strands. One, rooted in the economics of information, seeks no more than to secure consumers' expectations about the source of goods and services. The other, aligned with the economics of public goods, seeks to protect brands for their own sake, much as patent law protects inventions and copyright law protects entertainment and information. ■

## Trade Secrets

At least three contemporary forces, none of them likely to be reversed, promise to test trade secret law's boundaries over the coming years. One is the increased pace of employee mobility, not only in high-technology industries, and not only in the United States. Second, the use of licenses to profit from the scalability of intellectual assets — a long-standing practice among patent, copyright, and trademark owners — will require crisp boundary lines to replace the behaviorally blurred edges of trade secret assets if these assets are to support fluently administered licenses. Third, where trade secret law presently draws for its content on regional as well as industry norms — and in the United States, on the rules applied by the 50 states — globalization will require harmonized definitions of rights that can be easily licensed across borders.

### *Trade Secrets as Competitive Strategy*

No case better illustrates the use of civil and criminal trade secret litigation as a harsh competitive tool than a 1995 lawsuit filed by Silicon Valley software producer Cadence Design Systems against start-up rival Avant!. In November 1995, ArcSys, which had gone public in June 1995, merged with Integrated Silicon Systems Inc. to become Avant!. Two months later, local police and FBI agents searched Avant!'s headquarters, where they seized an electronic log indicating that one of the four executives who had left Cadence in 1991 had taken with him a copy of a basic place-and-route program. Within 24 hours, Cadence filed a civil suit against Avant! alleging misappropriation of trade secrets as well as copyright infringement, unfair competition, conspiracy, breach of contract and false advertising.

The criminal case came to an end on May 22, 2001, four years after the district attorney's office first filed charges, with all of the defendants entering into plea bargains with the prosecutor, including a dismissal against one of the defendants, jail sentences for four and a prison term of up to six years for another. In addition to Avant!'s agreement to pay $27 million in fines and $190.4 million in restitution to Cadence, one executive agreed to a $2.7 million fine, but received no jail time. In return for the parties' agreement to dismiss all pending civil claims against each other, Cadence received $265 million. Adding in $47 million for settlement of a shareholder suit, Avant!'s total liability amounted to more than half a billion dollars.

### *The Evolving Contours of Trade Secret Law*

Shorter job tenure and higher employee mobility in the United States and elsewhere will not only weaken historic norms of secrecy and bonds of loyalty, it will also increase the inclination of courts to overturn non-compete covenants that they might have tolerated in times of long-term employment. Global markets will also place new, possibly unsustainable demands on a trade secret law that depends so heavily on the peculiarities of regional norms and the relations between employers and employees.

Business method patents, which have flourished more vigorously in the United States than elsewhere, can best be understood as a legal response to frustrations over the limitations of trade secret law in supporting the exploitation of such valuable business methods as stock hedging strategies and tax-reduction techniques. Copyright, too, has moved into trade secret territory.

### Secrets and Crimes

The federal Economic Espionage Act closely tracks the definition of trade secrets employed by the Uniform Trade Secrets Act, encompassing all forms of secret financial, business, scientific, technical, economic and engineering information, and imposes penalties for trade secret theft that include a fine up to $500,000 and 10 years' imprisonment for individuals, and a fine up to $5 million for organizations.

Companies are reluctant to have their secrets disclosed in civil or criminal proceedings. Although U.S. courts will issue protective orders in order to guard a company's secrets, the realities of wide-ranging discovery will often make leakage all but inevitable.

## Secrecy Law and Secrecy Norms

The Uniform Trade Secrets Act defines a "trade secret" as "information, including a formula, pattern, compilation, program, device, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use."

### *Mapping Trade Secret Change*

Best practice for company trade secrets is to watch out for the breach of security norms and to act quickly when they occur. Smart trade secret practice also means paying close attention to evolving legal regimes in an attempt to exploit traditional secret information without the requirements of secrecy — for example, using patents and patent licenses to exploit business methods and practices formerly protected by trade secret law, and being alert to other legal doctrines that over the coming years will inject propertylike rights into what has long been the domain of norms and relationships. ■

# Intellectual Assets on the Internet

If the defining attribute of intellectual assets is that they can be used by countless numbers of consumers across national borders and never be exhausted, then the Internet may be the first distribution technology to fully capture this unique quality. It is, of course, this unfettered use that represents the Internet's greatest challenge to intellectual assets.

### *Patents on the Internet*

The enforcement history of U.S. Patent No. 5,960,411, for a system of "1-Click" online purchases, granted on September 28, 1999 to Amazon.com founder Jeff Bezos and a number of co-inventors, illustrates how potent an Internet patent can be as a competitive weapon. The Internet not only suffers from overbroad, low-quality patents, but also offers an unparalleled vehicle for challenging them.

### *Copyrights on the Internet*

In 1998, Congress struck a copyright balance by insulating Internet service providers, by carving out "safe harbors" to protect the providers from monetary liability so long as they comply with prescribed conditions. One condition is that they implement a policy to terminate any users who are repeat copyright infringers. Another is prompt removal of copyrighted material as soon as the service provider received notice that it is infringing.

Few copyright owners or Internet service providers today object to the safe harbor provisions, for they have so far effectively balanced the relative needs and abilities or each to patrol and control online infringement. But if copyright owners have accepted the practical desirability of these safe harbors, they have grown increasingly concerned over the logic of the expedience they embody, a logic that could entirely transform copyright law — and, for that matter, patent and trademark law — from a property system that requires individuals to seek permission to use a particular intellectual asset, to a system that effectively casts this asset into the public domain, free for use by all, unless the asset's owner specifically requests that they be excluded.

### *Trademarks on the Internet*

Trademark law at the end of the 20th century consisted of two strands: one studded with age-old doctrines to protect consumers against confusion as to the source of goods and services, the other advancing new doctrines to protect brand-name owners against the unauthorized use of their marks, whether or not consumers are confused.

Domain names were the first battlefield. Search devices such as metatags and keywords offer more varied opportunities for diversionary use. The next big question for brand-name companies and their competitors is whether these expansionary rules crafted for the Internet will migrate from this setting into trademark law's mainstream and contribute to the broadening of trademark law generally.

### *Mapping Intellectual Asset Change on the Internet*

Any intellectual asset company that does business on the Internet will, over the coming years encounter two irreversible facts: The Internet has changed intellectual property law, and intellectual property law has changed the Internet. Companies need to monitor such changes not only on the Internet — the setting where they arose — but in the bricks-and-mortar world as well, for precedents established in one setting inescapably migrate to cases decided in other settings. ■

**For additional information on Amazon.com and the 1-Click suit, go to: http://my.summary.com**

# Intellectual Assets in International Markets

Even the most sophisticated companies encounter legal surprises in their foreign ventures, particularly if a company is habituated to sometimes idiosyncratic U.S. intel-

lectual property rules. Careful drafting of intellectual property licenses can inject some degree of certainty into transborder commerce. Of course, contract clauses govern only the conduct of the contracting parties, not infringers, whose conduct will instead be controlled by the law of the country where the alleged infringement occurred.

### *Territoriality and the Trade Economics of Intellectual Assets*

A centuries-old principle — territoriality — drives not only the law, but also the economics of international protection of intellectual property. For protection abroad, American intellectual asset owners must look to the law of the country in which the asset is being exploited.

Instead of challenging the territoriality principle, a country that is a net intellectual property exporter could enter into a bilateral treaty with a net importer, obligating it to extend strong protection to foreign intellectual assets.

### *Multilateral Treaties*

In the case of copyright, dissatisfaction with these bilateral treaties ultimately led to the adoption in 1886 of the Berne Convention for the Protection of Literary and Artistic Works, a multilateral treaty with Belgium, France, Germany and the United Kingdom, but not the United States, among the initial signatories.

The Berne Convention follows on the heels of the Paris Convention for the Protection of Industrial Property, adopted in 1883 as the multilateral convention for patents, trademarks and unfair competition, follows the principle of national treatment.

The World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), adopted in April 1994 as part of an agreement amending the General Agreement on Tariffs and Trade, expressly incorporates the minimum standards of the Berne and Paris conventions and adds substantial minimum standards of its own, including standards for enforcement.

### *Harmonizing and Diverging Tendencies in National Laws*

The American tilt toward formalities and limited rights stems from the utilitarian tradition that underlies U.S. copyright law, while the inclination elsewhere toward rigorous, formality-free rights traces to the European precept that an author has a natural right to protection for the products of his mind. Indeed, Europeans commonly refer to these rights not only as copyright, but as "author's right." Doubtless the most powerful harmonizing force — and, not coincidentally, a force that is responsible for increasing levels of copyright protection worldwide — is that the community of copyright owners crosses national boundaries.

All national trademark systems follow the principle that a brand should be registered if it signifies, or has come to signify, a single source. However, where American trademark law accepts as registerable everything from the shape of a package to a handful of musical notes to a fragrance applied to sewing thread, other countries have been slow to allow newer forms of marks in their registers.

Before TRIPs, few countries enforced trade secret protection as robustly as the United States; most other nations generally relied on such broad rubrics as unfair competitive practices and the Paris Convention standards of "honest practices in industrial or commercial matters" to protect confidential information.

SOUNDVIEW RECOMMENDED READING LIST

**If you liked *Intellectual Property*, you'll also like:**

1. ***The Starfish and the Spider* by Ori Brafman and Rod A. Beckstrom.** The authors provide a look at the decentralized companies that are taking the business world by storm.
2. ***Wikinomics* by Don Tapscott and Anthony D. Williams.** The authors address how the Internet's social network offers new, decentralized ways to produce content, goods, services and profit in the emerging world of massive peer collaboration.
3. ***Green to Gold* by Daniel C. Esty and Andrew S. Winston.** Based on the authors' years of experience and hundreds of interviews with corporate leaders around the world, the book shows how companies generate lasting value by building environmental thinking into their business strategies.

### *Mapping Change in the International Arena*

Evolving global compliance with TRIPs standards holds out three prospects to American companies that seek to exploit their intellectual assets abroad. First, because TRIPs generally embodies the high standards of U.S., European and Japanese intellectual property laws, an American company can increasingly expect the same high level of protection abroad as it does at home.

Second, because the new standards will be not only high but roughly uniform, a company will encounter fewer legal surprises than in the past. Third, as the legal playing field between developed and developing economies levels off, intellectual property protection will disappear as a source of comparative advantage for developed countries, and companies will begin to weigh other comparative advantages when deciding where to exploit and develop their intellectual assets.

Whatever its implications may be for the American economy, this newly "flat" world offers significant investment opportunities for American and other intellectual asset companies, not only in recently developed economies like that of Singapore — which has become an important world center for stem cell research — but also in developing economies like China's. ■