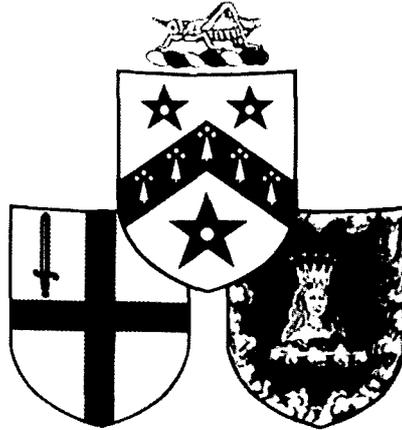


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**THE INTERNET AND
ELECTRONIC COMMERCE**

Lecture 3

**COPYRIGHT, TRADE MARK, SERVICE MARK,
DOMAIN NAME & INTELLECTUAL PROPERTY ISSUES**

by

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What is Copyright?

A copyright gives the owner of a creative work the right to keep others from using the work without the owner's permission. The key to understanding copyright law is to understand the difference between an idea and the expression of the idea. Copyright applies only to a particular expression not to the ideas or facts underlying the expression. For instance, copyright may protect a particular song, novel or computer game about a romance in space, but it cannot protect the underlying idea of having a love affair amongst the stars.

More specifically, a creative work (often referred to as a "work of authorship") must meet all of these three criteria to be protected by copyright.

1. It must be original. In other words the author must have created rather than copied it.
2. It must be a fixed in tangible medium of expression. For example, it might be expressed on paper, audio-visual tape, computer disk, clay or canvas.
3. It must have at least some creativity, that is, it must be produced by an exercise of intellect.

There is no hard and fast rule as to how much creativity is enough. To give an example it must go beyond the creativity found in the white pages of telephone numbers, which involve the non-discretionary alphabetical listing of telephone numbers rather than a creative selection of listings.

A created work is protected by copyright the moment the work assumes a tangible form, which in copyright circles, is referred to as a fixed in tangible medium of expression. Contrary to popular belief, providing a copyright notice and/or registration of the work with the copyright office are not necessary to obtain basic copyright protection.

Who Owns Copyright?

With three important exceptions, copyrights are owned by the writers, poets, musicians, choreographers, composers, artists, software designers, sculptures, photographers, movie producers, craftsperson and other persons who create them. In the copyright world these people are called authors. However there are three exceptions:

1. If a work is created by an employee in the course of his or her employment the work is called a work made for hire and the copyright is owned by the employer.

2. If the work is commissioned (created by an author working as an independent contractor), and the party signs a written contract as to ownership, the copyright will be owned by the commissioning party as long as the work falls within one of the statutory categories in which commissioned works may qualify.
3. If the author sells the copyright to someone else, the purchasing person or business owns the copyright.

May a Copyright Work be Legally used without the Authors Permission?

Some uses of a copyright work are considered fair use that is, the use is not legally considered to be infringement because of its non-commercial or incidental nature. For example, fair use is often legitimate when a work is being used for teaching, research, scholarship, criticism or journalism. A person who infringes a copyright but has good reason to genuinely believe that the use is a fair use is known as an innocent infringer. Innocent infringers usually do not have to pay any damages to the copyright owner but do have to cease the infringing activity or pay the owner for the reasonable commercial value of that use.

Let me Give Some Examples:

Millions of readers since 1926 have found A.A. Milne's stories of Pooh and Piglett and their friends Eeyore and Tigger delightfully simple and yet profound. So it is not surprising that James Milne (no relation) of Iowa State University thought that it would be a wonderful idea to put Winnie The Pooh on the world wide web. A computer attached to the internet could take a few files containing line text and pictures from the pictures in the books and make them available to children of all ages around the world. In April 1995, shortly after he created the web site, Milne received a very polite letter (as have other Pooh fans) from E P Dutton, the company which holds the rights to the text and classic Pooh illustrations, telling him in the nicest way imaginable to cease and desist. His other choice was to sequester a substantial part of his life savings for the coming legal bills.

About the same time, a scandalous new book about the private life of former French president Francois Mitterand was band from distribution in print in France. It turned up anonymously on the internet days later. There was little any one could do to prevent its rapid digital dissemination.

Some network enthusiasts assert that "information wants to be free" but an equally vociferous band of digital pioneers contend the real feature of the global internet lies "in metering every drop of knowledge and charging for every sip".

How Will Societies Legal and Cultural Institutions React?

Will tomorrow's readers be able to browse electronic works as easy as they have been able to peruse books at their favourite bookstore? Will they be able to borrow from virtual libraries? Authors, publishers, librarians and top level Government Officials are debating these questions. It is answers to these questions that need to be debated by the thinking members of societies as all are affected.

A Brief History of Copyright

The roots of copyright are old, and the lines along which it grows are complex. One of the earliest copyright disputes, from sixth century Ireland, sets the tone: St Columba had copied out for himself a manuscript of the Latin Psalter and the owner of the original, Finnian of Druimfinn objected. The king ruled: "as the calf belongs to the cow, so the copied belongs to the book". A war ensued, the copyright violator prevailed and held onto the book. (The manuscript has had a long history as a good luck charm for the Columba clan's military adventures and survive to this day in the library of the Royal Irish Academy in Dublin.)

Patents, copyright and trademarks as well as know-how or trade secrets are often referred to collectively as "intellectual property". Many firms have such property without even being aware of it or the need to take measures to protect it.

Often, people's notions of intellectual property are unrealistic. On the one hand, some foolishly believe for example, that having patents on a product would enable them to succeed in the market place. Consequently, such people may spend thousands of dollars to get the exclusive rights to market something which no one wants or could afford to buy. Yet, others may conclude that intellectual property protection is not worth the expense and bother.

Businesses that are not interested in protecting their own rights must take precautions to avoid infringing the rights of others. This calls for more than the avoidance of copying. In the first place, copying is unavoidable; it is a way of life at least from the time we try to learn speech. Beyond that, one can easily infringe the rights of others deliberately imitating specific features of goods or services found in the market place.

History of Copyright

When printing was introduced in the late 15th century England, its attractions to exploiters were irresistible, whether their prime interest was commercial or political. For Governments especially, the urge to master it was compelling. The Tudor Monarchs and their churchman developed a system of censorship which operated in conjunction with the Stationers Company, the guild of respectable publishers. The Company Charter of 1556 gave it search and seizure powers which it built up into a system of licensing through registration. This system survived the vagaries of the Stuart period until 1694 when it was finally allowed to lapse and the Stationers were left without protection of their interests against pirates, save perhaps for some common law "copyright", which at that period was anything but assured.

The statute of Anne, (1709) by which the Stationers retrieved their position, proclaimed their interest by applying only to published works and by requiring registration as a precondition of protection. But it marked itself out as the origin of modern copyright by conferring its rights upon the author or his assigns for 14 years from publication, an interest that was "returned" to him for a further 14 years if he was living at the end of the first term. Here was a foreshadowing of the more modern attempt to distinguish the author's property from the first publisher's protection of his investment.

The statute itself said nothing about the position of the unpublished works, though eventually in *Donaldson v Beckett* (1774) 2 Browns' prerogative cases; Cobbett's parliamentary history xvii 954., the house of lords decided that common law copyright ceased upon publication. The statute covers "books" a term which was extended to include sheet music, *Bach v Longmann* (1777) 2 Cowper, 623, but separate legislation was needed to protect engravings, sculptures and eventually other forms of fine art, including photographs. The engraving copyright act 1734, extended in 1766, 1776 and 1836 giving protection for 28 years from publication and the sculpture copyright act 1798 replaced in 1814 giving 14 years from publication with a revision right similar to that of the statute of Anne, and the fine arts copyright act 1862 giving the artist life and 7 years.

A performing right in dramatic works was given by Bulwer Lytton's act of 1833 and extended to musical works in 1842. In that year Talfourd's Act, preceded by a celebrated debate on the political economy of copyright, repealed the act of Anne and conferred protection for the Authors life and 7 years thereafter or for 42 years, whichever term was the longer. The registration requirements survived, but only as a precondition for bringing in action.

Thus, by the Victorian period, the classic fields of copyright – in literary, dramatic, musical and artistic works – were covered by rights partly at common law and partly under statute, the latter giving in the case of publication various limited terms subject to a variety of formal precondition.

Under an Act of 1838 (subsequently amended in 1842 & 1844) Britain had begun to build bilateral agreements with other countries for mutual recognition of copyright. These did not include arrangements with the United States, where a trade flourished in unauthorised copies of the works of British authors. A more general basis for international collaboration came only with the Berne convention. English common law adheres strictly to the principle that the countries international obligations take effect in municipal law only by statute and accordingly the International Copyright Act of 1886 was enacted. This introduced into British copyright law the rule of the shorter term which was to survive until 1957.

It was the Berlin revision of the Berne convention in 1908 that obliged the United Kingdom to make major changes to the substantive features of its copyright laws and resulted in the Act of 1911. The opportunity was used to bring together under a single statute all the forms of copyright that could exist, leaving to common law principles only the protection of confidential information.

The Act adopted as the main period of protection the authors life plus 50 years, applying this term to the works covered by the convention; literary, dramatic, musical and artistic works other than photographs which received 50 years from making. It abandoned all former requirements of the various statutes concerning registration with the Stationers Company or notification on originals or copies. The scope of what would constitute infringement was broadened, principally to bring into account the new media of sound recording and film; infringement could in particular consist of reproduction "in a material form". Films were protected as "photographs" and for any dramatic works embodied in them. The sound recordings themselves became the subject of copyright; they were deemed to be musical works, which was held to give the owner (who was initially the owner of the original plate) a performing right as well as a reproduction right. With this instance began the British willingness to confer separate copyright on investors in technical reproduction.

In its approach to pre-existing works, the act confers its own protection, including its longer term, on works which were in copyright on the commencement date of July 1 1912. This meant that, in such case, the position under the earlier act had first to be ascertained.

The Brussels revision of the Berne convention in 1948, taken in conjunction with the signing of the Universal Copyright Convention in 1952, imposed the necessity of new legislation, the 1956 act. As has become customary, an official committee conducted an enquiry into all aspects of reform and made a string of recommendations in light of the evidence that it receive from the interested persons and organisations. Report of the Gregory committee on the law of copyright CMD.8662 (1952) the 1956 Act which followed was enacted in an era of scrupulous judicial interpretation of legislation. This may help to account for the elaborate nature of its drafting. It has to be read with the greatest attention to detail, particularly to points of cross-reference.

Rights

If we now consider the rights given by the copyright act they include the following. The act confers copyright on literary, dramatic, musical and artistic works and a separate copyright in sound recordings, cinematic graphic films, broadcasts, typographical formats of published editions. Prior to 1988, a number of specific amendments to the 1956 act were sort to strengthen the legal armoury against copyright piracy; the cable and broadcasting act of 1984 has now added the "neighbouring rights" as well as adding to other aspects of the law as it affects cable and a copyright. A consumer Computer Software Act (1985) has clarified the copyright position of both computer programmes and works stored in computers in some crucial respects. However it must be appreciated that as the United Kingdom is a member state of the European Union its laws relating to intellectual property are already subject to the requirements of the treaty of Rome and may be altered by specific EU Directive.

Since English law lacks any general economic tort that covers the misappropriation of trade values as such, it has not been easy for courts to discover for themselves the means of protecting literary, musical and similar creations in their exploitation through new media. Occasionally it has been possible to extend existing notions of copyright, thus under the 1911 act films were protected as photographs. This possibility has not always been available, but the legislature has proved ready to create independent copyrights in the material used for new forms of exploitation. These are the copyrights which cover a sound recording copyright, a cinematographic film copyright, a copyright in broadcast, a copyright in cable programs, and a copyright in the format of a printed page which is effective against reprographic copying.

Before 1985, as in many countries, it fell upon British courts to define the circumstances in which a computer program could attract copyright. A number of interlocutory decisions have provided that it satisfied general requirements such as originality and fixation. The Copyright Computer Software Act 1985 has now declared the computer programmes are to be considered literary works within the copyright act. A separate right has been created in the topography of semi-conductor chips.

A proposal for a directive harmonising aspects of rules on copyright and related rights in the information society has been presented by the European commission. The proposal would adjust and compliment the existing legal framework with particular emphases on new products and services containing intellectual property (both online and on physical carriers such as CD's, CD ROM's and digital video disks), so as to ensure a single market in copyright and related right while protecting and stimulating creativity an innovation within the European Union. It would in particular harmonise rules on the rights of reproduction, the communications of the public right (including market protection material available on demand on the internet), the distribution right and the legal protection of anti-copying systems and information from managing rights. The proposal would benefit users, rights holders and investors, such as providers of online services, and facilitate cross boarder trade in copyright protected goods and services. The proposal reflects not only extensive consultations based on a 1995 green paper but also international developments in the area. In particular, the proposal would implement the main obligations of new treaties agreed in December 1996 of the framework of the world intellectual property organisation (WIPO) on the protection of authors and the protection of performers and phonogram producers.

The questions about how to apply current copyright law to new formats and media abound;

- To what extent are works on the newer, let alone, not yet created electronic media protected by law?
- Is Cyber Space a virtual Wide West where everyone can lay claim to anyone else's creations by scanning them and uploading them or simply copying a few files?
- How many works are being created through extensive electronic communities or collaborations – who owns and benefits from these?
- How can we track who owns what, assuming that ownership makes sense at all.
- How do we efficiently compensate information providers when their works can be sold by the word, phrase or even musical note.
- What are the liabilities of internet access providers who may be unaware of copying violations of their facilities.

- Should we dispense with the copyright as we have known it entirely and seek new paradigms.

Intellectual Property Provisions of GATT

The general provisions of GATT's agreement on trade related intellectual property issues (TRIPS) follow those of the Paris, Berne, Rome and semi-conductor chip conventions providing for national treatment and most favoured nation treatment, subject, however, to the exceptions of those principals that already exist in these conventions. That is to say, member states must not discriminate in favour of their own citizens against the patent, trademark and copyright rights or foreigners who are citizens of other GATT member country nor favour the rights of citizens of one member country over the rights of citizens of another. The major provisions of GATT in the field of copyright protection include the following:

1. an obligation to comply with the provisions of the Berne convention;
2. A requirement to treat computer programmes as literary books for copyright protection purposes and to provide protection for databases if their selection or arrangements constitutes intellectual creations
3. A requirement to give to authors of computer programmes and cinematographic works and producers of phonograms the rights in certain circumstances to control commercial rental of the originals or copies of their works;
4. An obligation that in respect of works other than photographs and works of applied art, the normal duration of copyright protection shall be at least 50 years from the death of the author
5. Fair use provisions and similar limitations on the exercise of copyright should be limited to "certain special cases which do not conflict with normal exploitation of a work and do not unreasonably prejudice legitimate interests of the right holder," and
6. Obligations to forward certain minimum rights for the protection of performers, producers of phonograms, and broad casting organisations.

Perhaps more striking than the substantive law provisions are those that deal with procedural issues. For example, the agreement requires member states to provide means whereby under appropriate circumstances a judicial tribunal can order production of evidence. The agreement further provides for the availability of provisional remedies. These specifically provide that judicial authorities must have the authority to act promptly to prevent infringement from occurring and/or for preservation of evidence and in appropriate circumstances to act even without giving the alleged infringer the right to be heard. In such case it is, however, necessary that the unheard party be given an early opportunity to

challenge any remedy that has been ordered. Such remedies may be subject to the right holder having to indemnify any party who has been wrongfully enjoined or restrained. The agreement specifically provides that the damages awarded for infringement of an intellectual property right must be "adequate to compensate for the injury" suffered and that judicial authorities must have the right to award attorney fees to an intellectual property right holder who proves that his or her rights have been infringed.

In addition to civil remedies set out above, countries are also required to provide for criminal procedures and penalties for at least wilful trademark infringement and copyright piracy on a commercial scale. Additionally, member states are required to establish procedures to facilitate its interception of counterfeit trademark of "pirated copyright goods" by customs authorities at national boundaries. To be entitled to take advantage of these provisions, the right holder will have to satisfy the competent authorities that prima-facie rights exist and give a sufficiently detailed description of the goods as to make them "regularly recognisable" by the customer's authorities. Implementation of such procedures may be made subject to the right holder having to provide a security or equivalent assurance sufficient to protect the importer and the authorities in case of import of legitimate goods are being impeded and to "prevent abuse". In cases where an interception has occurred, the goods will normally only have to be held for a 10 day period unless proceedings are commenced within that period for an action on the merits to determine whether the goods are in fact infringements of intellectual property rights. If no such action is commenced the goods will be released.

Industrialised countries are required to implement most provisions of the trips within one year of the WTO agreement taking affect. Less developed countries are given a five or ten year period to comply with most provisions depending on their state of economic development.

Trade Marks

Human society uses signs, symbols or marks in many ways. Name tags, cattle brands and shipping symbols indicate ownership of chattels. Car registration numbers may be used to trace a person having charge of a vehicle, and "special" or "personalised" registration numbers are highly valued. When a commercial undertaking provides goods or services, trade marks or brand names providing important information as to the nature and origin of those products. Such information is essential to the functioning of a competitive market.

To indicate a trade connection, the mark must enable someone to distinguish goods or services which enjoy such a connection from those which do not. A good mark will be distinctive, attractive and memorable, generating a frisson of favourable associations.

The information carried by a trade mark is concentrated and concise, symbolic form. Like a poem, the information content and uses of the mark depend not just upon its inherent and perceptible features, but also on the characteristics of the perceiver, especially the extent to which she or he has been educated in the significance of the mark. Advertising influences interpretation of a mark, but changing social conditions also play their part. The effect of a mark may be altered by current affairs and the activities of third parties as well as the activities of its proprietor. The owner must be particularly careful to avoid using the mark "generically", as a product description.

As each link in the chain of commercial transactions the trade mark plays its part. Manufacturers, wholesalers, retailers, agents and consumers use marks to identify, order, catalogue, advertise, sell or buy products. The mark may also be used when returning faulty goods or complaining about unsatisfactory service.

A trader uses a mark to educate customers as to the characteristics of a product: recognition of a mark will stimulate purchase. For a product which is bought repeatedly, customer satisfaction associated with the trade mark would encourage repeat purchases. For a major one off transfer, marks can act as a banner under which the consumer acquires information.

Thus trade marks can function in a number of different ways. The function and uses appear to fall into three main categories:

1. advertising
2. quality
3. origin.

Only the last, the origin function, is universally recognised as the proper object of protection by registration. In its explanatory memorandum on the creation of a community trade mark, the EU refers to a trade mark function: "*of providing consumers with a guide to the particular origin of the product and its particular quality and characteristics, although these are not legally guaranteed*". It goes on "*both economically and legally the function of a trade mark as an indication of origin is paramount... from this basic function of a trade mark are derived all the other functions which the trade mark for fuls in economics life... the quality function*

predominates in the mind of the consumer and the publicity function predominates in the mind of the producer..."

The Mark Itself

Section 1 of the UK 1994 Act defines a trade mark as: *"any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of another undertaking"*. For the sign to get its message through, it must be perceptible to the human senses. Although information is received through all five senses, the 1938 definition of mark and use ensure that only visual marks are registered and only visual use infringed. However the white paper (Reform of Trade Mark Law) cites and endorses a statement from the European Commission's explanatory memorandum on the community trade mark: *"no type of sign is automatically excluded from registration... depending on the circumstances, therefore, the trade marks office, the national courts or in the last resort the court of justice will be responsible for determining whether, for example, solid colours or shades of colours, and signs denoting sound, smell or taste may constitute community trade marks"*.

Thus, it seems clear that aural, olfactory and taste marks are not excluded from registration, provided they can be represented graphically.

Trade Marks and the Internet

Internet users interested in communicating with a particular company, obtaining information about its products or services, or, increasingly, buying its products and services, are presented with a significant problem: there is no satisfactory, complete directory of the domain names of businesses. As a result, users often seek to guess the domain name of a prominent company. With a domain name that includes a company's trade mark, often a house mark, a company ensures that its promotions, information and commercial offerings are easy to find. Although the internet has not been managed by any central authority, the National Science Foundation (NSF) has created the InterNIC (Internet Network Information Centre) to act as a central information source about the internet's burgeoning on-line resources. The NSF has contracted with three commercial companies to run three divisions of InterNIC. Of these three groups only the InterNIC Registration Service (the registry) is relevant for the purposes of this discussion. The registry, run by Network Solutions Inc of Herndon, Virginia, has the responsibility of registering internet domain names.

In assigning domain names, the registry registers domain name on a first come, first served basis. At one time, the registry permitted companies to obtain more than one domain name. Trade mark holders sought to take advantage of this by requesting dozens of derivative of their trade mark names. This tactic and the sheer volume of requests for registration has forced the registry to return to an old policy of limiting domain names to one per organisation. The InterNIC provides, however, no legal definition of what is meant by an organisation. As a result companies with subsidiaries with different names have been refused a domain name for those subsidiaries. However the registry has not forced any of the approximately 670 companies that were able to obtain more than two domain names each to relinquish them.

In registering domain names the registry seeks only to make sure that two entities do not try to use the same domain name. In registering domain names, the registry does not perform any trade mark "likelihood of confusion" analysis with existing registrations. Rather, for reasons for lack of staffing and inclination, the InterNIC policy is that trade mark violations are the requesters responsibility. InterNIC does not consider trade mark infringement issues to be its problem.

As a result of the InterNIC policy of not considering trade mark issues, opportunities for both extortion and harassment have been vigorously exploited by domain-grabbing. The result of the policy binding has resulted in many litigation cases in the US being fought by the owners of international trade marks.

Obviously this situation could not be allowed to continue indefinitely and the US issued a white paper entitled Management of Internet Names and Addresses in June 1998.

Business associations around the world were invited to contribute to a co-ordinated international business approach to the formation of a new internet Domain Name Supporting Organisation (DMSO). The invitation in the form of an open letter from key business groups that has been published on the web-site of the International Chamber of Commerce. For the time being, the ICC has agreed to act as an informal secretariat for developing the business consensus. The letter said that it was essential for business to have a significant voice within the DNSO the organisation that will make policy recommendations to the new Internet Corporation for Assigned Names and Numbers (ICANN). Key DNSO issues are competition, the introduction of new top level domain names that go beyond "doc.com", trade mark rights and dispute resolution mechanisms. Signatories are so far:

- Business and Industry Advisory Committee to the OECD (BIAC)
- European Brands Association (AIM)

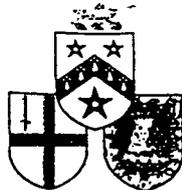
- European Community Trade Mark Association (ECTA)
- The Federation of European Direct Marketing (FEDMA)
- Federation Desconselis en Propriete Intellectuelle (FICPI)
- The International Chamber of Commerce (ICC)
- The International Telecommunications Users Group (INTUG)
- The International Trade Mark Association (INTA)
- Marquees
- The Union of Industrial Employers Confederation of Europe (UNICE)
- The US Council for International Business (USCIB)

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