

The Indian Journal of Intellectual Property Law

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EDITORIAL NOTE

It is with immense pleasure that we bring to you the Eleventh Volume of the Indian Journal of Intellectual Property Law (IJIPL). IJIPL is the flagship intellectual property law journal of NALSAR University of Law, Hyderabad. It is India's first student-run journal that is wholly devoted to the study of intellectual property law with ten successful volumes. This year, we were delighted to receive an overwhelming engagement and response from hundreds of contributors to present to you a wide array of contemporary topics and issues in the field of intellectual property law. Despite the difficult circumstances of the COVID-19 pandemic, for the Eleventh Volume, the Editorial Board of 2020-21 has sought to publish rich and diverse academic scholarship from many renowned academicians, lawyers and student contributors.

The past year posed unimaginable challenges to the world with the onset of the pandemic in May 2020. It is in this context that we would like to thank the friends and well-wishers of IJIPL, without whom this edition would not have been possible. We are especially grateful to our peer reviewers, Prof. Sourabh Bharti, Prof. Niharika Salar, Prof. Aakanksha Kumar, Prof. Chinmay Deshmukh, Prof. Prashant Reddy, Harshavardhan Ganesan, Trishi Jindal, Kartik Chawla, Mathews P. George, Sandhya Surendran, Kruttika Vijay, Balaji Subramanian, and Prateek Suriseti for taking the time to provide their valuable feedback.

As expected, the global intellectual property law regime was challenged as well. The most glaring issue pertained to prioritizing access to

medicines over intellectual property safeguards especially for the developing economies in such unusual times. In pursuance of the same, a big event in the field in the past year was the proposal to waive certain provisions of the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement by India and South Africa. It has taken many months to garner even limited support from other developed countries delaying the formal text-based negotiations at the TRIPS Council until recently. Relaxing IP and legal barriers is indispensable for easier transfer of technology, speedy manufacturing, controlling over-ordering of doses, lifting export restrictions and ultimately, combatting the virus.

The world may have stopped moving for a little while, but there have also been other developments in the discipline. Despite the Supreme Court upholding its constitutionality in 2020, the Intellectual Property Appellate Board (IPAB) was recently abolished through the Tribunal Reforms Ordinance, 2021. This was due to its long-standing reputation of lacking sufficient infrastructure, resources, and technical members delaying delivery of justice. The Copyright Amendment Rules of 2021 also brought out relevant changes to accommodate the removal of the Appellate Board. This is in addition to other provisions for the publication of Copyrights Journal, increasing transparency of Copyright Societies, dealing with undistributed royalties, compliance requirements for registering software codes and time limits for examining applications.

Aside from the legislative changes, there has also been due progress in jurisprudence. The Delhi High Court has used dynamic injunctions on rogue websites which provide new means of accessing the enjoined websites, like Sci-Hub and Libgen. The Court also set aside its previous order against e-commerce platforms prohibiting sale of direct selling products as per the Direct Selling Guidelines, 2016. It invoked the safe harbour clause in Section 79 of the IT Act to remove distinction between active and passive intermediaries and hold that there is no privity of contract between direct selling entities and e-commerce platforms. Globally, India has also filed for an exclusive trademark over the sole ownership of the *Basmati* Geographical Indication (GI) in EU only to be challenged by Pakistan. As the largest rice exporter in the world, for India, this has particularly become an issue of promoting economic interests as well as culture-related interests.

While that dispute stays yet to be resolved, the Indian Journal of Intellectual Property Law is honoured to bring to you its first article by Professor Irene Calboli, discussing how GIs are important instruments carrying economic benefits for producing high-quality products and promoting local trade. Moreover, she argues that GIs could contribute towards preserving and promoting cultural heritage and expression nationally and internationally. This piece comprehensively presents GIs to be the inter-relating legal link between trade and culture-related interests helping re-affirm cultural identities and encouraging economic development.

Next, Professor Mira Burri and Zaira Zihlmann write on the never-ending quandary of intermediary liability. The disruptive digitization of the last three decades has enabled not only an exponential creative boom, but also the technology with which to circumvent copyright laws. Technology has become a tool of copyright management and legislators have increasingly entrusted platforms with a critical role in copyright enforcement. Prof. Burri and Ms. Zihlmann explore the hotly-debated Article 17 of the EU's Directive on Copyright in the Digital Single Market and analyse its standing against other pieces of legislation and existing case-law. The authors examine the likely effects of Article 17, and highlight some of the perils of algorithmic enforcement for creativity online.

Third, we have a short piece by Michael Palmedo and Professor Srividhya Ragavan. This contemporary relevant piece looks into the interplay between the trade policy of the United States and the global pharmaceutical patent regime, through an enquiry into the US Trade Representative's Special 301 Report. The authors make crucial arguments calling for the reassessment of USTR policies, especially in light of the COVID-19 pandemic exposing several frailties of this system.

Continuing on the theme of US law, our fourth piece by Professor Tyler T. Ochoa enquires into the multi-territorial application of US copyright laws. Analyzing a variety of scenarios where the US copyright law enables engagement with extraterritorial issues, the piece

clearly illustrates how US copyright laws effectively provide several exceptions to the general rule against cross-territorial application.

In another thought-provoking article, Professor Rohan Cherian Thomas presents his case for recognition of voice actors and their contributions as performers. He takes an empirical as well as a doctrinal approach towards understanding the deprivation of performers' rights to such voice actors in the Bollywood industry. Diving into the existing jurisprudence on the definition of a 'performer', Prof. Thomas discusses the need and manner of protection to be granted to voice actors through royalty payments and inclusion in performers' societies.

Our sixth piece is an article by Eashan Ghosh and Anindita Mitra who make the case for the retention of transnational reputation under trademark law. This piece traces conflicting jurisprudence, including the judgment in *Toyota v. Prius Auto Industries* (which reopened several questions on this issue), before presenting the case for retaining transnational reputation. This article expertly navigates through the relevant case law to comprehensively illustrate the present challenges which exist in this regime, before recommending a concrete method of overcoming the same.

Our next piece is by Pranay Bali and Nayantara Malhotra, who conduct an enquiry into data piracy and the impact of dynamic injunctions in tackling the same. This article comprehensively analyses the circumstances surrounding digital piracy in the post-Covid world, before presenting the legislative and jurisprudential mechanisms which

are in place to tackle this issue. The authors critically look at the mechanism of dynamic injunctions as one such method. While drawing from foreign jurisprudence, this article provides suggestions on how to strengthen this mechanism and resultantly address the issue of digital piracy more effectively.

Following that, Anuna Tiwari writes on trademark exhaustion law in India and the debate around the same. The article analyses the two models of exhaustion – national and international, while addressing the Draft E-Commerce Policy in light of the Delhi High Court's decision in *Kapil Wadhwa v. Samsung Electronics Company Limited*. The article makes a case for amending and clarifying the scope of 'market' under section 30(3) of the Trademarks Act, 1999, to cater to e-commerce platforms that have transcended the limits of traditional markets.

Continuing on the theme taken up by Professor Burri and Ms Zihlmann, Kali Srikari Kancherla writes on the unexpected side-effects of another provision of the EU Directive on Copyright in the Digital Single Market - Article 15, the 'snippet tax.' The 'snippet tax' has created a new set of exclusive intellectual property rights giving news publishers the right to charge royalties to anyone who uses or shows news snippets. Ms. Kancherla discusses the unintended consequences that the snippet tax has had on the market for information, studying the impact that the implementation of the Directive by EU member states will have on news publishers, consumers, and innovation, and false reporting in the industry.

Next, we have A. Swetha Meenal and Sayantan Chanda addressing a much-debated issue in the field pertaining to the treatment of autonomous artworks created by Artificial Intelligence. The authors deeply explore the fair-use and fair-dealing doctrines to discuss the legality of the process of data-base creation and machine-learning. They review law from various jurisdictions to analyse and understand application of copyright laws for transformational uses in emergent works.

Finally, we have an article by Bhavik Shukla and Iravati Singh which makes a compelling case for the provision of data exclusivity when dealing with orphan drug development in India. The authors look at various problems presently plaguing the pharmaceutical industry on the issue of developing drugs for rare diseases. The solutions proposed by the authors seek to strike a balance between incentivizing drug development and ensuring accessibility of drugs to the public.

GEOGRAPHICAL INDICATIONS OF ORIGIN, ECONOMIC DEVELOPMENT, AND CULTURAL HERITAGE: GOOD MATCH OR MISMATCH?

Irene Calboli*

Abstract

In this article, I propose that geographical indications (GIs) carry important economic benefits. First, GIs are essential instruments to facilitate investments in high-quality products and niche markets, and promote local trade and development. Second, GIs offer an additional layer of information for consumers about the geographical origin and quality of the products they identify, in turn reducing the information asymmetries between producers and consumers. Third, because of this information function, GIs can assist in rewarding or holding producers accountable for their products based on the additional information they convey to the market. Yet, GIs can also protect culture-related interests and not only trade. Specifically, in this article, I suggest that protecting GIs can promote local products and their associated knowledge as cultural expressions. In particular, GIs could contribute to preserving cultural heritage and existing traditions, and in turn could promote the recognition of the heritage and traditions nationally and internationally. In the past decade, discussions over the recognition of culture-related concerns have led to the adoption of the Convention

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for the Safeguarding of the Intangible Cultural Heritage under the patronage of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 2003. A few years later in 2005, another relevant convention, the Convention on the Protection and Promotion of the Diversity of Cultural Expressions, was adopted by the UNESCO General Conference. Even though neither the 2003 nor 2005 UNESCO Conventions refer to intellectual property or GIs, GIs seem well-suited to also protect culture-based interests under the framework established by these Conventions.

INTRODUCTION

In this article, I address the following question: can geographical indications of origin (GIs) function as viable instruments to promote and protect both trade-related and culture-related interests under the current legal framework that is in place to protect GIs? As the reader will soon discover, my answer to this question is “yes”, GI protection can indeed promote and protect trade and cultural heritage, particularly intangible cultural heritage. In my opinion, GIs are, in fact, one of the best legal instruments currently available to promote these interests.¹

¹ I have endorsed this position in my previous writings in this area. See I. Calboli, *Geographical Indications of Origin at the Crossroads of Local Development, Consumer Protection, and Marketing Strategies*, 46 INT'L REV. OF INTELL. PROP. AND COMPETITION L. 760 (2005) [hereinafter, I. Calboli, *GIs at the Crossroads*]; I. Calboli, *Of Markets, Culture, and Terroir: The Unique Economic and Culture-Related Benefits of Geographical Indications of Origin*, in RESEARCH HANDBOOK IN INTERNATIONAL INTELLECTUAL PROPERTY 433 (Daniel Gervais ed., Edward Elgar, 2015) [hereinafter I. Calboli, *The Benefits of GIs*]; I. Calboli, *In Territorio Veritas? Bringing Geographical Coherence into the Ambiguous Definition of Geographical Indications of Origin*, 6 WIPO J. 57 (2014) [hereinafter I. Calboli, *In Territorio Veritas*]; I. Calboli, *Expanding the Protection of Geographical Indications of Origin Under TRIPs: “Old” Debate or “New” Opportunity?*, 10 MARQ. INTELL. PROP. L. REV. 181 (2006) [hereinafter I. Calboli, *Expanding the Protection of GIs*].

However, this answer is not widely accepted amongst legal experts, and my position would prove controversial in the eyes of many scholars.² That GIs are a controversial topic is certainly not news as most aspects of the debate surrounding GIs are riddled with controversy – not only amongst scholars but also by national governments and businesses.³ Proponents of GI protection have traditionally advocated that GIs should be protected because they identify unique product qualities and characteristics linked to the specific *terroir* where products are grown, processed, or manufactured. Against this position, opponents of GIs have argued that most products today can be replicated almost anywhere thanks to modern agricultural and manufacturing techniques. In addition, producers from the “new world” countries have argued that many GIs have been generic terms in their countries for a long time.⁴

The adoption of the International Agreement on Trade Related Aspects on Intellectual Property Rights (TRIPS) in 1994 established a minimum standard for protecting GIs for all member countries of the

² For recent discussions over the arguments in favour or against the protection of geographical indications [hereinafter GIs], see D. GANGJEE, RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY AND GEOGRAPHICAL INDICATIONS (2016) and 46 7 INT’L REV. OF INTELL. PROP. AND COMPETITION L., (2005). See also Dev Gangjee, *Relocating the Law of Geographical Indications*, 44 INT’L REV. OF INTELL. PROP. AND COMPETITION L. (2012) [hereinafter Gangjee, *Relocating GIs*]; DANIELE GIOVANNUCCI ET AL., GUIDE TO GEOGRAPHICAL INDICATIONS: LINKING PRODUCTS AND THEIR ORIGINS (2009); K. Raustiala, S.R. Munzer, *The Global Struggle Over Geographic Indications*, 18 EUR. J. OF INT’L L. 337, 359-360 (2007); J. Hughes, *Champagne, Feta, and Bourbon: The Spirited Debate About Geographical Indications*, 58 HASTINGS L. J. 299, 305 (2006); B. O’CONNOR, THE LAW OF GEOGRAPHICAL INDICATIONS (2004).

³ For a summary of this controversy, see I. Calboli, *The Benefits of GIs*, *supra* n. 1, at 438-442.

⁴ *Id.*

World Trade Organization (WTO).⁵ Moreover, it requires the implementation of a national system for enhanced protection of GIs identifying wines and spirits.⁶ WTO member countries have also agreed to participate in future negotiations to expand this enhanced protection granted to GIs identifying wines and spirits and also to GIs in general, even though these negotiations have never achieved any concrete results, at least until today.⁷ Still, discussions over GIs have continued and have intensified over the past few years, especially during negotiations for free trade agreements (FTAs).⁸

In my scholarship, I have highlighted the benefits of GI protection and advocated for the acceptance of enhanced GI protection across all WTO members.⁹ In my view, GIs are valuable instruments to facilitate investments in high-quality products and niche markets, thus promoting local trade and development. GIs also provide an additional layer of information for consumers about the geographical origin and quality of the products they identify, in turn assisting in rewarding or holding producers accountable for their products. In this piece, I repeat this argument but additionally stress that GIs can also protect culture-related interests.¹⁰ Specifically, I support that protecting GIs can promote local products and their associated knowledge as cultural expressions. In this respect, GI protection could contribute to

⁵ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C; Legal Instruments – Result of the Uruguay Round vol. 31, 33 I.L.M. 81 (1994) [hereinafter “TRIPS”].

⁶ See *infra* Part. II.

⁷ *Id.*

⁸ *Id.*

⁹ I. Calboli, *Expanding the Protection of GIs*, *supra* n. 1, at 181.

¹⁰ See also I. Calboli, *The Benefits of GIs*, *supra* n. 1, at 452-57.

preserving cultural heritage and existing traditions, and also promote recognition of the same at national and international levels. In the past decade, discussions over the recognition of culture-related concerns have led to the adoption of the Convention for the Safeguarding of the Intangible Cultural Heritage under the patronage of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 2003.¹¹ A few years later in 2005, another relevant convention, the Convention on the Protection and Promotion of the Diversity of Cultural Expressions, was adopted by the UNESCO General Conference.¹² Even though neither the 2003 nor the 2005 UNESCO Conventions refer to intellectual property or GIs, GIs seem well-suited to also protect culture-based interests under the framework established by these Conventions.

Based on this premise, the remainder of this article is structured as follows. In Part II, I summarize the protection currently granted to GIs. In Part III, I consider the unique benefits that GI protection provides for the economic development of the nations and the groups operating in the GI-denominated regions, as well as for the marketplace in general. In Part IV, I elaborate on the role of GIs in protecting cultural heritage and promoting cultural diversity. In this part, I argue that the debate over GI protection should explicitly recognize the cultural interests that can be promoted as part of a comprehensive policy on GIs and how this culture-related component

¹¹ Convention for the Safeguarding of the Intangible Cultural Heritage, UNESCO, Oct. 17, 2003, in force Apr. 20, 2006, 2368 U.N.T.S. 1 [hereinafter “UNESCO ICH Convention”].

¹² Convention on the Protection and Promotion of the Diversity of Cultural Expressions, UNESCO, Oct. 20, 2005, 45 I.L.M. 269 [hereinafter “UNESCO CD Convention”].

needs to become a fundamental pillar in the ongoing discussions on GIs.

THE INTERNATIONAL FRAMEWORK FOR THE PROTECTION OF GEOGRAPHICAL INDICATIONS OF ORIGIN

Prior to TRIPS, GI protection was scattered in several international agreements and implemented only in a few countries. The most relevant sources for international protection of GIs were found in three separate international agreements. In particular, the 1883 Paris Convention for the Protection of Industrial Property (Paris Convention),¹³ offered protection against the use of GIs as “false, fictitious, or deceptive trade names”¹⁴ and when such use was “liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”¹⁵ However, this protection was limited to unfair competition and not specifically tailored for GIs. Instead, the 1891 Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (Madrid Agreement),¹⁶ and the later adopted 1958 Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (Lisbon Agreement)¹⁷ offered more

¹³ Paris Convention for the Protection of Industrial Property, opened for signature Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305 (revised 1967) [hereinafter “Paris Convention”].

¹⁴ *Id.*, Art. 10(1).

¹⁵ *Id.*, Art. 10*bis* (3).

¹⁶ Madrid Agreement for the Repression of False and Deceptive Indications of Source on Goods, Apr. 14, 1891, 828 U.N.T.S. 163 [hereinafter “Madrid Agreement”].

¹⁷ Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, Oct. 31, 1958, 923 U.N.T.S. 205 [hereinafter “Lisbon Agreement”]. *See also* International Convention on the Use of Appellations of Origin and Names for Cheeses, June 1, 1951, JOURNAL OFFICIEL DE LA RÉPUBLIQUE FRANÇAISE [J.O.] [OFFICIAL GAZETTE OF FRANCE], June 11, 1952, p. 5821 [hereinafter “Stresa Convention”].

extensive and specific protection to geographical indicators. The Lisbon Agreement also included the creation of a system of international registration for indications of origin.¹⁸ Hence, both the Madrid Agreement and the Lisbon Agreement had only a few signatories – probably due to their high level of protection – and thus, their international impact was generally limited.¹⁹

Therefore, the adoption of TRIPS in 1994 marked a milestone in advancing the GI protection agenda worldwide. In particular, under TRIPS, all WTO Members have to provide the “legal means” to prevent the use of GIs that “misleads the public as to the geographical origin of the goods,”²⁰ or that “constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention.”²¹ Even though TRIPS did not mandate any specific means to achieve these objectives, Article 22 requires that Members “refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated” when the use of the GI “is of such a nature as to mislead the public as to the true place of origin.”²²

Additionally, TRIPS establishes a system of higher protection for GIs relating to wines and spirits, requiring Members to protect those GIs

¹⁸ Lisbon Agreement, *supra* note 17, Art. 5.

¹⁹ As of 2021, fifty five States are signatories to the Madrid Agreement. See *Contracting Parties, Madrid Agreement*, WIPO, https://wipolex.wipo.int/en/treaties/ShowResults?search_what=C&treaty_id=21.

Similarly, only thirty States are signatories to the Lisbon Agreement. See *Contracting Parties, Lisbon Agreement*, WIPO, http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=10.

²⁰ TRIPS, *supra* note 4, Art. 22.

²¹ *Id.*, Art. 22(2).

²² *Id.*, Art. 22(3).

against “usurpation,” regardless of consumer confusion or unfair competition.²³ Article 23 encapsulates this higher protection by prohibiting the use of terms similar or identical to GIs related to wines and spirits when products do not “originat[e] in the place indicated by the geographical indication” including when “the true origin of the goods is indicated or the [GI] is used in translation or accompanied by expressions such as ‘kind’, ‘type’, ‘style’, ‘imitation’, or the like.”²⁴ Article 23 also provides that Members may refuse or invalidate trademark registrations containing or consisting of GIs identifying wines or spirits.²⁵

Still, Article 24 of TRIPS grandfathers the existing rights for trademarks that were in use or had been registered in good faith before the date of the implementation of TRIPS in the Member country where the mark was registered, or before the GI was protected in its country of origin.²⁶ Furthermore, because of the existence of similar names of regions in the world, Article 24 exempts Member countries from having to “prevent continued and similar use of a particular [GI] of another Member identifying wines or spirits in connection with goods and services” where the GI has been used “in a continued manner with the same or related goods or services” in the territory of that Member for at least ten years prior to April 15, 1994 (the date on which TRIPS was formally concluded), or where this continuous use

²³ *Id.*, Art. 23(1).

²⁴ *Id.*

²⁵ *Id.*, Art. 23(2).

²⁶ TRIPS, *supra* note 4, Art. 24(5).

has been in good faith.²⁷ Moreover, according to Article 24, terms that have entered the lexicon as the generic names of a type of product in a Member country can also continue to be used as such in the territory of that Member.²⁸ The ongoing disputes over the use of words like Champagne, Parmesan, or Feta between Europe, North American countries, Australia, New Zealand are relevant examples of the impact of this exception and likely the reason behind the adoption of this provision.²⁹

Finally, Articles 23 and 24 of TRIPS mandate that Members engage in further negotiations to consider enhancing GI protection, namely: a) to establish a multilateral system of notification and registration of GIs for wines and spirits that would facilitate their enforcement and prevent their illegal use,³⁰ and b) to consider extending the protection of individual geographical indications under Article 23 to all GIs.³¹ In 2001, the Doha Ministerial Declaration directly placed the protection of GIs on the agenda of the Doha “Development” Round of WTO negotiations in an attempt to promote these negotiations.³² The Doha mandate included negotiations over: (a) creation of a multilateral register for wines and spirits (and possibly for all GIs); and (b)

²⁷ *Id.*, Art. 24(4).

²⁸ *Id.*, Art. 24(6).

²⁹ On this point, see the detailed discussion in I. Calboli, *Time to Say Local Cheese and Smile at Geographical Indications? International Trade and Local Development in the United States*, 53 HOUS. L. REV. 373 (2015) [hereinafter, I. Calboli, *Say Local Cheese*].

³⁰ TRIPS, *supra* note 4, Art 23(4). See also J.M. Waggoner, *Acquiring A European Taste for Geographical Indications*, 33 BROOK. J. INT'L L. 578 (2008).

³¹ TRIPS, *supra* note 4, Art 24(1).

³² See Ministerial Declaration, WTO Doc. WT/MIN(01)/DEC/1, adopted in Doha, Qatar, Nov. 14, 2001 [hereinafter “Doha Declaration”]. For a detailed analysis, see TRIPS: *Issues, Geographical Indications*, WTO (2015), http://wto.org/english/tratop_e/trips_e/gi_e.htm.

extension of the higher level of protection provided by Article 23 beyond wines and spirits.³³ Even though both issues were supposed to be debated by the end of 2003 at the WTO meeting in Cancun, Mexico,³⁴ in the October of 2003, WTO members could not overcome the disagreements between the supporters and the opponents of GI protection. Almost a decade later, in 2011, the Director General of the WTO again confirmed that the WTO Members' positions on GIs continued to diverge sharply,³⁵ and no common ground has been found as part of WTO negotiations. In 2015, a glimpse of hope appeared when a revised text of the Lisbon Agreement was adopted after a Diplomatic Conference held in Geneva under the auspice of WIPO. Still, the adoption of the Geneva Act was marred by controversy, and the gridlock on multilateral GI negotiations will likely continue for the next several years.³⁶

³³ *Id.*, para 18.

³⁴ Details about the WTO negotiations in Cancun are available at http://www.wto.org/english/tratop_e/trips_e/gi_background_e.htm.

³⁵ *Id.*, at 4. See WTO, Document No. TN/C/W/61, Apr. 21, 2011, “*Status of Play*—Delegations continued to voice the divergent views that have characterized this debate, with no convergence evident on the specific question of extension of Article 23 coverage: some Members continued to argue for extension of Article 23 protection to all products; others maintained that this was undesirable and created unreasonable burdens.”

³⁶ A diplomatic conference was convened in Geneva, Switzerland, in May 2015 to review the Lisbon Agreement. See *Diplomatic Conference for the Adoption of a New Act of the Lisbon Agreement – The Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications*, WIPO (2015), http://www.wipo.int/meetings/diplomatic_conferences/2015/en/. The Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications, May 20, 2015, <http://www.wipo.int/wipolex/en/details.jsp?id=15625>. [hereinafter “Geneva Act”]. As of February 2017, only fifteen States are signatories to the Geneva Act. See *Contracting Parties, Geneva Act*, WIPO, <http://www.wipo.int/treaties/en/registration/lisbon/>.

As a result, discussions over GI protection have continued primarily under the umbrella of bilateral or plurilateral FTA negotiations in the recent years. In these smaller fora, pro-GI and GI-skeptic advocates have continued to promote their positions in favor of, or against GI protection.³⁷ To date, however, pro-GI advocates (particularly the EU) seem to have had better fortune in several of these negotiations. In particular, the EU has succeeded in obtaining protection for a long list of EU GIs and “clawing back” several terms that are protected as GIs in the EU³⁸ in FTAs concluded with Canada, South Korea, Singapore, Vietnam, and several South American countries.³⁹ Additional negotiations are currently ongoing between the EU and, *inter alia*, Japan, Malaysia, New Zealand, Australia, and the U.S.⁴⁰ GI-skeptic countries such as the U.S., Australia, and New Zealand have also negotiated provisions defending their marks against EU GIs as well as the terms that they consider generic. This is reflected primarily in the GI provisions of the Trans-Pacific Partnership (TPP).⁴¹ Still, because

³⁷ See, e.g., D.J. Gervais, *Irreconcilable Differences? The Geneva Act of the Lisbon Agreement and the Common Law*, 53 HOUS. L. REV. 339 (2016).

³⁸ I. Calboli, *Say Local Cheese*, *supra* note 29, at 408–18 (discussing the EU’s strategy as part of CETA and suggesting a compromising solution for the TTIP negotiations).

³⁹ *Id.*

⁴⁰ For details on the FTAs concluded by the EU and other countries, or currently under negotiation, see EUROPEAN COMMISSION, *European Commission’s Trade Policy Portal*, <http://ec.europa.eu/trade/policy/accessing-markets/intellectual-property/geographical-indications/>.

⁴¹ See Trans Pacific Partnership Agreement, Chp. 18: Intellectual property, <https://ustr.gov/sites/default/files/TPP-Final-Text-Intellectual-Property.pdf> [hereinafter “TPP”]. The TPP members are: Australia, Brunei Darusalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the U.S., and Vietnam. However, the U.S. has officially withdrawn from the TPP in January 2017. See *The United States Officially Withdraws from the Transpacific-Partnership*, Office of the United States Trade Representative (USTR), <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/january/US-Withdraws-From-TPP>.

of the diverging interests of some TPP members – Mexico, Japan, Chile, Vietnam, and Malaysia have stronger interest in GIs as compared to Canada, the U.S., Australia, and New Zealand – and the desire of TPP members to remain free to enter other FTAs, the final draft of the TPP leaves signatories free to partially “negotiate around” TPP provisions should any of the signatories enter into an FTA with a non-TPP member.⁴² Moreover, for the time being, the fate of the TPP is far from certain due to recent events in international politics, particularly in the U.S.⁴³

THE ECONOMIC-RELATED BENEFITS OF GEOGRAPHICAL INDICATIONS OF ORIGIN

As I have supported before, despite the opposition of the GI-skeptics, it seems certain that GIs can offer unique economic benefits to both, the producers, in terms of economic incentives, and to the consumers, in terms of product information.⁴⁴ As such, GIs are an important instrument to promote trade-related interests of local communities, and in turn regional and national governments, in the marketplace.

In particular, granting exclusive rights on GIs can translate to incentivizing and promoting local and rural development. This is the strongest argument in support of GI protection which rests on the

⁴² *Id.*, Art. 18.36. Several TPP members—Vietnam, Malaysia, and Singapore—have concluded, or are discussing, FTAs with the EU. *See* EU-Vietnam Free Trade Agreement, EU-Viet., Aug. 5, 2015, http://trade.ec.europa.eu/doclib/docs/2015/august/tradoc_153674.pdf; EU-Singapore Free Trade Agreement, EU-Sing., Sept. 20, 2013, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/singapore/>.

⁴³ *See* USTR, *supra* note 41.

⁴⁴ *See, e.g.*, M. Agdomar, *Removing the Greek From Feta and Adding Korbelt to Champagne: The Paradox of Geographical Indications in International Law*, 18 *FORDHAM INTELL. PROP. MEDIA & ENT. L. J.* 541, 577–80 (2008) [hereinafter “M.Agdomar”].

preposition that granting exclusive rights on GIs can motivate groups of regional producers to invest in the production of certain types of products that traditionally originate from the region.⁴⁵ Notably, GIs are not individual, but rather collective rights, as the right to use a GI to identify products is granted to a group of producers as a whole. Accordingly, GIs necessarily promote collaboration between the various members of the group, as local producers need to co-ordinate the process of GI registration collectively. As a part of this process, producers should also identify and agree on selected product standards for the GI products along with setting up *ad hoc* quality control authorities to certify and monitor the quality of the products in the marketplace.⁴⁶ Notably, the agreed upon product standards are then recorded in the GI specifications setting rules for all GI producers to follow in order to be entitled to the right to use the GI at issue. This serves as a guarantee for the consistency of the quality and characteristics that consumers expect to find in all GI-denominated products identified by that GI.⁴⁷ Post-GI registration, GIs incentivize

⁴⁵ See I. Calboli, *The Benefits of GIs*, *supra* note 1, at 447–52 (summarizing the economic arguments in favor of GI protection).

⁴⁶ This is a very important step in the process of GI registration, which traditionally sees the involvement of the state, as a certifying public authority, and the selection of private, yet independent, bodies for quality control. For example, the quality control body for Parmigiano Reggiano is the Organismo di Controllo Qualità Produzioni Regolamentate. See ORGANISMO DI CONTROLLO QUALITÀ PRODUZIONI REGOLAMENTATE, <http://www.ocqpr.it/>. The quality control body for Prosciutto di Parma is Institution Parma Qualità. See INSITUTO PARMA QUALITÀ, <http://www.parmaqualita.it/> (last visited Feb.1, 2017).

⁴⁷ For examples, all European GIs for agricultural products and food stuff are registered in the online database “DOOR,” which is available at DOOR, EUROPEAN COMMISSION, <http://ec.europa.eu/agriculture/quality/door/list.html>. Moreover, the websites of many registered PDO and PGI indicate the specifications and quality control related to the products.

the same groups to continue to invest in the quality of the products when GI products become established in the marketplace as a symbol of product quality. In other words, GIs facilitate both creation and maintenance of social capital for an entire group, which in turn may also benefit the localities where these producers operate—not only by directly benefiting GI producers, but also other economic operators in the GI-denominated area.⁴⁸

In addition to incentivizing local development, GIs provide consumers with important information about the products, namely the physical location and other associated characteristics of the products.⁴⁹ As such, GIs offer to consumers, including retailers purchasing GI-denominated products for resale, information that may serve to reduce the product information asymmetries that consumers usually face as compared to the GI-producers at the time of sale. In particular, GIs offer additional information about the product quality and characteristics which can empower consumers to make informed decisions about their purchase.⁵⁰ This includes important details of the practices that go into making the products, their safety and the health,⁵¹

⁴⁸ See Gangjee, *Relocating GIs*, *supra* note 2, at 266 (“Since consumers are willing to pay more for such goods, this encourages framers to invest in making the transition from producing un-differentiated bulk commodities, towards producing higher quality niche products.”). See also M. Agdomar, *supra* note 44, at 586–87 (noting that granting property rights through geographical indications allows producers to control the quality of their goods in order to build consumer confidence). But see Raustiala & Munzer, *supra* note 2, at 352–54, 361–64 (critiquing the argument that GIs protect the valid interests of producers or protect consumers from confusion).

⁴⁹ M. Agdomar, *supra* n. 44, at 586–87.

⁵⁰ *Id.* (Highlighting the importance of GIs in reducing asymmetrical information as they signal quality and expertise and enable consumers to distinguish between premium quality products and low-end products).

⁵¹ *Id.* at 587–88.

the impact of these manufacturing and other practices on the environment, and even information about the labor practices in relation to human rights.⁵² Again, this set of information could assist consumers in identifying potentially healthier foods for their individual needs, or even artefacts made with traditional or environmental-friendly manufacturing techniques.

In essence, by acting as identification links between regions and products, GIs incentivize producers to adopt long-term strategies to safeguard the well-being of the regions. This brings us back to the role of GIs in local and rural development. As the use of GIs is linked to a particular location, that is, the land and the human factor used in producing the GI-denominated products, the health of the land and resources of the region are crucial for the long-term success of GI producers. GIs are also “badges of accountability” for those producers who do not respect the GI specification standards, because these producers could be forbidden from using the GI to further identify their products. In this respect, GIs also reduce possible “contagion effects” due to negative incidents in a given geographical market for a certain type of product.⁵³ This was the case with the scandal of the contaminated “mozzarella di bufala campana,” a GI-denominated product from Italy.⁵⁴ In such a case, and other similar cases, consumers

⁵² *Id.*

⁵³ See I. Calboli, *The Benefits of GIs*, *supra* note 1, at 447–52.

⁵⁴ For example, consumers could avoid contaminated cured meat or cheese from a given area, as was the case with the contaminated “mozzarella” scandal in Campania (Italy) several years ago. See M. McCarthy & J. Phillips, *Italy's Toxic Waste Crisis, the Mafia—and the Scandal of Europe Mozzarella*, THE INDEPENDENT (Mar. 22, 2008), <http://www.independent.co.uk/news/world/europe/italys-toxic-waste-crisis-the-mafia-and-the-scandal-of-europes-mozzarella-799289.html>.

can use the information provided by the GI to know whether they can safely continue to purchase the same type of products – i.e., the generic product “mozzarella di bufala” – as long it does not originate from the GI-denominated area—the region of Campania, in that case.

Moreover, despite GI-critics’ argument that GIs are anti-competitive,⁵⁵ GIs can actually promote more competition in the marketplace, both between GI products and similar non-GI products, as well as between similar products that are identified by GIs. In this respect, it should first be noted that GIs secure exclusive rights only over the names of the products and not on the product themselves, hence, competitors can produce identical goods for identical markets. For example, cheese-makers are not prevented from making blue-veined cheese, but they simply should not call their products Gorgonzola or Roquefort because their products do not originate from the GI-denominated regions where Gorgonzola and Roquefort cheeses are respectively made.⁵⁶ Additionally, GI protection does not eliminate competition amongst GI producers of similar products from different regions – for example, red wines from Chianti, Rioja, and Bordeaux – and from the same regions, like Chianti wines from Frescobaldi, Antinori, and several other producers.⁵⁷ Aside from the fact that GIs are not anti-competitive, GIs can also promote a higher number of high-quality products – a win-win for economic development and consumers. As I have noted many times, it was only after Australia ceased to use several

⁵⁵ See Hughes, *supra* note 2, at 357; Raustiala & Munzer, *supra* note 2, at 359.

⁵⁶ D. Gangjee, *Quibbling Siblings: Conflicts Between Trademarks and Geographical Indications*, 82 CHI.-KENT L. REV. 1253, 1268 (2007); M. Agdomar, *supra* note 44, at 591.

⁵⁷ I. Calboli, *Say Local Cheese*, *supra* note 29, at 407.

terms protected as GIs in the EU, and developed its own GI protection scheme, that the wine industry in Australia boomed.⁵⁸ Similarly, the U.S., one of the notoriously anti-GI protection countries, has long protected its appellation of wines precisely through a *sui generis* system.⁵⁹ It is precisely this protection that has led to the success of Californian wines.

Finally, GI critics have expressed concerns over the language monopoly that GI producers can exercise. However, with the exception of GIs identifying wines and spirits, GI protection under TRIPS does not extend to the use of GIs in descriptive and comparative advertising settings, i.e., competitors can still promote their goods along with delocalizing terms such as “style,” “like,” “type,” and similar. In my scholarship, I have consistently supported a change in the language of TRIPS to allow competitors to use GIs identifying wines and spirits with delocalizing terms. Certainly, this change would be strongly opposed by GI beneficiaries, particularly in the EU, which currently provides enhanced protection for all GI

⁵⁸ See I. Calboli, *Expanding the protection of GIs*, *supra* note 1, at 200–01. For a review of the growth of the Australian wine industry, see K. Anderson & R. Osmond, *How Long Will Australia's Wine Boom Last? Lessons From History*, 417 AUSTRALIAN AND NEW ZEALAND GRAPEGROWER & WINEMAKER 15, 15-18 (1998); K. Anderson, *Contributions of the Innovation System to Australia's Wine Industry Growth*, Wine Economics Research Centre Working Papers No. 0310, https://www.adelaide.edu.au/wine-econ/papers/0310_Aust_Wine_RD_rev0210.pdf.

⁵⁹ In particular, the U.S. grants protection to GIs identifying wines as appellations of origin for wine. This protection applies both at the federal and state level. At the federal level, it is the Treasury Department's Alcohol and Tobacco Tax and Trade Bureau (TTB) (until 2003 the same function was performed by the Bureau of Alcohol, Tobacco, and Firearms) that grants applicants the permission to indicate that a certain wine, which meets specific requirements, originates from a particular geographical area in the U.S. See 27 C.F.R. 4.25, 4.25a; 27 U.S.C.A. § 201, § 205. See M. Maher, *On Vino Veritas? Clarifying the Use of Geographic References on American Wine Labels*, 89 CAL. L. REV. 1881 (2001).

products and has long advocated for this type of protection to be extended to all GIs under TRIPS.⁶⁰ However, this change towards accepting as legitimate the use of GIs accompanied by de-localizers as long as consumers are not confused as to the actual origin of the products could resolve the concerns that have been raised, with valid reasons, with respect to GIs as monopolies over expression.⁶¹

CULTURE-RELATED BENEFITS OF GEOGRAPHICAL INDICATIONS OF ORIGIN

In addition to representing incentives that can lead to important economic benefits, GIs are also important instruments to safeguard and promote another set of interests i.e. culture. GIs are important tools in protecting the cultural identity of the localities and regions that they identify, and with it, the culture of the communities living in these areas. By protecting local culture and identities, GIs are also excellent

⁶⁰ In the European Union, GI protection extends to the use of GIs with delocalizers, such as “type,” “like,” etc. See Regulation 1151/2012 of the European Parliament and of the Council of Nov. 21, 2012 on Quality Schemes for Agricultural Products and Foodstuff, 2012 O.J. (L 343) 1; Council Regulation 479/2008 of Apr. 29, 2008 on the Common Organization of the Market in Wine, Amending Regulations 1493/1999, 1782/2003, 1290/2005, 3/2008 and Repealing Regulations (EEC) No 2392/86 and 1493/1999, 2008 O.J. (L 148) 1; Regulation 110/2008, of the European Parliament and of the Council of Jan. 15, 2008 on the Definition, Description, Presentation, Labeling and the Protection of Geographical Indications of Spirits Drinks and Repealing Council Regulation (EEC) 1576/89, 2008 O.J. (L 39) 16. In addition, comparison between GI-denominated products and non-GI-denominated products is excluded under Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (codified version) (Text with EEA relevance), 2006 O.J. (L 376) 21.

⁶¹ In the U.S., banning these uses would run against the test established by the Supreme Court in the *Central Hudson* case. *Central Hudson Gas & Electric Corp. v. Pub. Serv. Comm’n*, 447 U.S. 557 (1980). In the EU, despite the additional protection granted to GIs, it could be argued that the same could give rise to a challenge under the principle of freedom of expression embodied in Article 10 of the European Convention on Human Rights. *Convention for the Protection of Human Rights and Fundamental Freedoms*, Art. 10(1), Nov. 4, 1950, 213 U.N.T.S. 222.

vehicles in promoting cultural diversity on a larger scale, both nationally and internationally.⁶² As prominent scholars have noted before, the cultural-protection argument parallels the market-diversity argument with respect to GI protection. This parallel argument is based on the assumption that granting exclusive rights as a reward for local production is needed to permit that a multitude of cultural products (which otherwise could be swept away by unscrupulous competitors from outside the region) are produced and offered for sale in the market. Likewise, GI-denominated products embody a cultural component related to local and traditional knowledge of the region where the products are made.⁶³ The protection of GI-denominated products could thus promote the continuation of traditional manufacturing techniques, which would otherwise succumb to the competition of mass production techniques.⁶⁴ Moreover, by encapsulating the uniqueness arising from the interplay between producers and the land where products are grown or made, GI

⁶² See, e.g., B. Hazucha, *Intellectual Property and Cultural Diversity: Two Views on the Relationship Between Market and Culture*, 28 INTELL. PROP. L. & POL'Y J. 39 (2010); A. Kamperman Sanders, *Incentives for Protection of Cultural Expression: Art, Trade and Geographical Indications*, 13 J. OF WORLD INTELL. PROP. 81 (2010); T. Kono, *Geographical Indication and Intangible Cultural Heritage*, in LE INDICAZIONI DI QUALITÀ DEGLI ALIMENTI (B. Ubertazzi and E.M. Espada (eds), Giuffrè, 2009); C. Antons, *Intellectual Property Rights in Indigenous Cultural Heritage: Basic Concepts and Continuing Controversies*, in INTERNATIONAL TRADE IN INDIGENOUS CULTURAL HERITAGE: LEGAL AND POLICY ISSUES (C.B. Graber, K. Kulprecht, J. Lai (eds), Edward Elgar Publishing, 2012) 144. See also the various contributions to the following collective works, GRABER, KULPRECHT, AND LAI, ABOVE; T. KONO (ED.), INTANGIBLE CULTURAL HERITAGE AND INTELLECTUAL PROPERTY: COMMUNITIES, CULTURAL DIVERSITY AND SUSTAINABLE DEVELOPMENT (Intersentia, 2009).

⁶³ See, e.g., T.W. Dagne, *Harnessing the Development Potential of Geographical Indications for Traditional Knowledge-based Agricultural Products*, 5 J. INTELL. PROP. L. & PRAC. 441, 447 (2010).

⁶⁴ See T. Cottier, M. Panizzon, *Legal Perspectives on Traditional Knowledge: the Case for Intellectual Property Protection*, 7 J. INTELL. ECON. L. J. 371, 380 (2004).

protection can contribute to a system that rewards communities for becoming the custodians of traditional culture.

In this respect, turning to intellectual property rights to protect culture-related interests is not something unheard of before. For example, the Philippines enacted a *sui generis* system, which grants property rights to indigenous communities over their traditional knowledge, including “controlling access to ancestral lands, access to biological and genetic resources, and to indigenous knowledge related to these resources.”⁶⁵ Similarly, Canada has extended copyright, industrial design, and GI protection to grant property rights to domestic and foreign cultural works such as “tradition-based creations including masks, totem poles and sound recordings of Aboriginal artists.”⁶⁶ In several countries, the potential of GIs as promoters of culture-related interests also expands beyond agricultural products and frequently concerns non-agricultural goods, namely handicrafts and local artworks. In recent decades, for example, countries like India, Indonesia, and Thailand have resorted to GI registrations to protect numerous locally made textiles and handicrafts.⁶⁷ In a similar fashion, Mexico has maintained valuable GI

⁶⁵ See Indigenous Peoples’ Rights Act of 1997 of the Philippines (Republic Act No. 8371 of 1997), <http://www.wipo.int/wipolex/en/details.jsp?id=5755>. See also Commission on Intellectual Property Rights, *Final Report*, Chapter 4: *Traditional Knowledge and Geographical Indications* (2002) 79, http://www.cipr.org.uk/papers/pdfs/final_report/Ch4final.pdf. The Commission is a forum set up by the British Government to examine the relationship between, and the integration of, intellectual property rights and development policies. See <http://www.cipr.org.uk/home.html>.

⁶⁶ Commission on Intellectual Property Rights, *supra* note 65, at 79 (including additional national examples).

⁶⁷ For several examples in this respect, see the various contributions in I.CALBOLI & NG-LOY W.L. (EDS), *GEOGRAPHICAL INDICATIONS AT THE CROSSROADS OF TRADE, DEVELOPMENT, AND CULTURE: FOCUS ON ASIA-PACIFIC* (Cambridge University Press, 2017).

protection for Olinalá, a specific type of lacquered product, which uses an intricate technique that was developed and perfected over centuries in the Mexican city of Olinalá.⁶⁸ Many additional examples could be used, as the list of protected GIs for handicrafts and other artisanal products is very large, especially but not exclusive to developing countries.⁶⁹

Based on these examples, it seems that, by linking the cultural practices used in producing certain products with the right to identify the products with the geographical area where they originate from, GIs may directly promote the conservation of cultural practices and greater product diversity. This is particularly helpful in an economy where third parties would otherwise copy traditional techniques and products. In turn, this would lead to sales of increasingly similar products across many countries without any relation to the actual traditional origin of the goods. Tomer Broude summarized this phenomenon very well when he wrote: “[I]t is often asserted that the devastation of local cultures is the product of a triumph of cultural hegemony or cultural imperialism on the ideological battleground of culture. The result of which ... is westernisation or ‘Americanisation.’”⁷⁰ In addition to “Americanisation” of culture, this author may add that the de-localization of product manufacturing (frequently to save costs in manufacturing, assembling, and packaging the products) led to the

⁶⁸ See S. Scafidi's remarks in J. Hughes, L. Beresford, A. Kur, K. Plevan and S. Scafidi, *That's a Fine Chablis You're Not Drinking: the Proper Place for Geographical Indications in Trademark Law*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 933, 958 (2007) [hereinafter 'Fine Chablis'].

⁶⁹ See contributions in CALBOLI & NG-LOY, *supra* note 67.

⁷⁰ T. Broude, *Taking "Trade and Culture" Seriously: Geographical Indications and Cultural Protection in WTO Law*, 26 U. PA. J. INT'L ECON. L. 623, 634-653 (2005) [hereinafter Broude, *Trade and Culture*].

“Chinanisation” or “South Asia-nisation” of product manufacturing, as outsourcing focuses on promoting mass production, mass distribution, and uniformity of products across various countries and internationally. Though the effects of the “Americanisation,” “Chinanisation” or “South Asia-nisation” theories may have been exaggerated in many circles,⁷¹ it seems clear that “globalization ... does (...) produce (...) changes in local cultures and traditions,”⁷² when it does not eliminate them completely, due to economic pressures of efficiency and maximum exploitation.⁷³

In this context, GIs can contrast this business model of uniformity and standardization as they are expressions of local *terroir*. As such, GIs can offer incentives for the preservation of culture as embodied in the traditional methods of production, which stem directly from the use of the natural resources and the traditional yet evolving knowledge of the geographical region that is identified under the GI in question.⁷⁴ Even though it does not directly refer to GIs, the legal framework that has been building up as part of two international conventions adopted in the first decade of the 2000s under the auspices of UNESCO also confirms the suitability of GIs (and similar legal instruments) in protecting and promoting culture-related interests. In particular, in 2003, UNESCO adopted the Convention for the Safeguarding of the

⁷¹ See T. Broude, *Conflict and Complementarity in Trade, Cultural Diversity and Intellectual Property Rights*, 2 ASIAN J. WTO & INT'L HEALTH L. & POLICY 345, 348-9 (2007).

⁷² Broude, *Trade and Culture*, *supra* note 70, at 635.

⁷³ UNESCO ICH Convention, *supra* note 11.

⁷⁴ See D. Gangjee, *Geographical Indications and Cultural Heritage*, 4 WIPO J. 92, 99 (2012) [hereinafter Gangjee, *GIs and Cultural Heritage*].

Intangible Cultural Heritage.⁷⁵ This Convention, which entered into force in 2006, defines “intangible cultural heritage” in Article 2(1) as “the practices, representations, expressions, knowledge, skills – as well as the instruments, objects, artifacts and cultural spaces associated therewith – that communities, groups and, in some cases, individuals recognize as part of their cultural heritage.”⁷⁶ More specifically, Article 2(2) refers to a non-exhaustive list of five “domains” in which intangible cultural heritage is revealed: (1) oral traditions and expressions (including language); (2) performing arts; (3) social practices, rituals, and festive events; (4) knowledge and practices concerning nature and the universe; and (5) traditional craftsmanship. In this context, GIs can certainly include and be used to protect any of these five “domains,” as any of these domains can be included within, and constitute a part of the required processes and techniques to produce the GI products.⁷⁷ In other words, the impact of GI protection can certainly extend to the “culture component” embodied by GIs. As Tomer Broude has highlighted before, there are three dimensions of culture that can be relevant within GIs, namely: a) “the culture of production” which is the knowledge and techniques that are needed in order to create the GI products; b) “the culture of consumption” which is, the experience related to the consumption of the GI products;⁷⁸ and c) “the culture of identity” since GIs refer to

⁷⁵ UNESCO ICH Convention, *supra* note 11.

⁷⁶ *Id.* Art. 2(1). Cf. T. Voon, *UNESCO and the WTO: A Clash of Cultures?*, 55 635 INT’L COMP. L. Q. (2006).

⁷⁷ UNESCO ICH Convention, *supra* note 11, Art. 2(2).

⁷⁸ Broude, *Trade and Culture*, *supra* note 70, at 640.

products that are representative of the regions’, and thus the communities’ cultural identity.

The 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions is also relevant in this context.⁷⁹

This Convention, which came into effect on March 18, 2007, aims at addressing persistent concerns about cultural diversity in cultural industries and refers to the importance of cultural diversity as a “defining characteristic of humanity.”⁸⁰ In particular, the Preamble to the Convention states that “cultural activities, goods and services have both an economic and a cultural nature, because they convey identities, values and meanings, and must therefore not be treated as solely having commercial value.”⁸¹ Article 4 then specifies that “cultural diversity” refers to

the manifold ways in which the cultures of groups and societies find expression. These expressions are passed on within and among groups and societies. Cultural diversity is made manifest not only through the varied ways in which the cultural heritage of humanity is expressed, augmented and transmitted through the variety of cultural expressions, but also through diverse modes of artistic creation,

⁷⁹ UNESCO, CD Convention, *supra* note 12. See also, J. BLAKE, INTERNATIONAL CULTURAL HERITAGE LAW (2015); L. R HANANIA, CULTURAL DIVERSITY IN INTERNATIONAL LAW: THE EFFECTIVENESS OF THE UNESCO CONVENTION ON THE PROTECTION AND PROMOTION OF THE DIVERSITY OF CULTURAL EXPRESSIONS (2014); J. SHI, FREE TRADE AND CULTURAL DIVERSITY IN INTERNATIONAL LAW (2013); S. BORELLI & F. LENZERINI, CULTURAL HERITAGE, CULTURAL RIGHTS, CULTURAL DIVERSITY: NEW DEVELOPMENTS IN INTERNATIONAL LAW (2012); T. VOON, CULTURAL PRODUCTS AND THE WORLD TRADE ORGANIZATION (2007).

⁸⁰ UNESCO, CD Convention, *supra* note 12.

⁸¹ *Id.*, Preamble.

*production, dissemination, distribution and enjoyment, whatever the means and technologies used.*⁸²

The same provision defines “cultural activities, goods and services” as “those activities, goods and services, which at the time they are considered as a specific attribute, use or purpose, embody or convey cultural expressions, irrespective of the commercial value they may have.”⁸³ This is even more on point with respect to the GIs which identify products that are offered for sale in the market.

Clearly, the value of GIs as vehicles to protect and promote both cultural identity and also cultural diversity at large becomes obvious when reading the text of both the 2003 and the 2005 UNESCO conventions. Hence, several concerns have been raised by scholars as to the ability of GIs to effectively act as tools to promote and protect cultural heritage. Notably, some scholars have argued that a cultural approach to justifying GIs would basically amount to disguising economic protectionism with culture-related interests.⁸⁴ Furthermore, other scholars have underscored that incorporating heritage and culture narratives into intellectual property rights poses the danger of oversimplifying the notion of culture.⁸⁵ Even supporters of cultural

⁸² *Id.*, Art. 4.

⁸³ *Id.*

⁸⁴ See, e.g., T. Voon, *Geographical Indications, Culture and the WTO*, LE INDICAZIONI DI QUALITÀ DEGLI ALIMENTI 300, 311 (B. Ubertazzi and E. M. Espada eds., Giuffrè, 2009) (arguing that “the cultural justification for GI protection is largely subsumed within the broader purposes of preventing unfair competition and consumer confusion” and that a cultural argument would essentially be reduced to protectionism interests). See also the well-reconstructed discussion in this respect by Gangjee, *GIs and Cultural Heritage*, *supra* note 74, 100–1.

⁸⁵ J. Gibson, *Knowledge and Other Values—Intellectual Property and the Limitations for Traditional Knowledge*, in EMERGING ISSUES IN MODERN INTELLECTUAL PROPERTY: TRADE,

protection have warned that “[a]ssimilation’ of the value of intellectual property within Western notions of property is an inadequate and often destructive means by which to protect traditional knowledge.”⁸⁶

Scholars have also questioned the ability of GIs to preserve cultural heritage since “local traditions and cultures of production ... change when markets cause them to, and remain constant when markets cause them to.”⁸⁷ However, as a response to these critiques, it should be pointed out that, like production requirements, cultural practices also naturally evolve. Notably, as recognized in the UNESCO definition of intangible cultural heritage,⁸⁸ culture is a dynamic rather than a static concept, and GIs can facilitate the protection of cultural knowledge even in a dynamic context, where natural changes may prompt product variations—for example, sweeter wine due to changes in the quality of the local grapes due to warmer seasons, different colors used for traditional saris, and so forth. Similarly, GIs can promote the type of cultural diversity that is precisely at the core of the UNESCO 2005 Convention. As the 2005 Convention directly states, economic and cultural interests almost necessarily merge today in a variety of contexts. This includes the products that are produced under the framework of GI protection and identified by GIs. Ultimately, despite skepticisms, the value and suitability of GIs to promote both economic and cultural interests can no longer be understated in our

TECHNOLOGY, MARKET FREEDOM, ESSAYS IN MEMORY OF HERCHEL SMITH 309, 312 (G. Westkamp (ed), Edward Elgar Publishing, 2007).

⁸⁶ *Id.*

⁸⁷ For a further discussion on counter arguments to the “cultural heritage rationale” for GI protection, see Broude, *Trade and Culture*, *supra* note 70, at 663.

⁸⁸ UNESCO ICH Convention, *supra* note 11, Art. 2(1).

society today. Moreover, it is virtually impossible to separate cultural interests from economic interests in this debate, as both sets of interests are deeply intertwined and relevant with respect to the conservation and management of culture.

CONCLUSION

In a previous draft, this piece was titled “Can GIs Link Trade and Culture?” In the Introduction, I asked the same question but in a longer format: can geographical indications of origin function as viable instruments to promote and protect both trade-related and culture-related interests under the current legal framework that is in place to protect GIs? As I anticipated in the Introduction, the answer to this question is, in my view, “yes”. In other words, GIs represent perfectly suitable vehicles to link trade and culture-related interests. In particular, GIs represent legal instruments that can offer unique benefits both in terms of economic incentives to local communities, as well as with respect to the protection and promotion of the cultural identity of the same communities. Namely, GI protection may promote the development of niche-markets and incentivize investments in high-quality products. GIs also contribute to creating a mechanism of rewards and accountability for producers, thus potentially supporting more sustainable development. Moreover, by promoting local products, GIs safeguard and promote the cultural expressions that are associated with these products. Ultimately, GIs can not only contribute to preserving cultural heritage and existing traditions — but they can also (re)affirm cultural identities and promote these identities nationally and internationally.

INTERMEDIARIES' LIABILITY IN LIGHT OF THE RECENT EU COPYRIGHT REFORM

Mira Burri & Zaira Zihlmann*

Abstract

The field of copyright law is dynamic and shaped by technological advances. The disruptive digitization of the last three decades has enabled on the one hand more creativity, and on the other hand facilitated copyright infringement. Technology has become a tool of copyright management and legislators have increasingly entrusted platforms with a critical role in copyright enforcement. The article is set against this backdrop and seeks to explore in particular the recent reform of the European Union's copyright law that only amplifies the two highlighted trends. The article's focus is on the much-contested Article 17 of the new Directive on Copyright in the Digital Single Market and provides a careful analysis of the legal provision, its standing against other pieces of legislation and existing case-law. The article ultimately provides an appraisal of the likely effects of Article 17, underscoring some of the perils of algorithmic enforcement for creativity online.

INTRODUCTION

COVID-19-triggered shutdowns have silenced concert halls and turned theatre stages into empty places. In an attempt to compensate for lost exposure and revenues, many artists have moved to digital

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platforms to stream concerts live or re-broadcast archived content. However, they do encounter difficulties in these endeavours. Musicians who wish to stream pieces by composers, for instance by Mozart or Bach, whose works are long in the public domain, are regularly muted or have their content blocked.¹ One discrete reason for this is that content recognition technologies, as employed by user-generated content platforms like YouTube, scan content, detect, and block allegedly illegal use of copyrighted works.² This is not necessarily a COVID-19 unique situation, nor is it typical only for a particular jurisdiction but one that is indeed common and results from filtering systems employed by platforms to curb copyright infringement.³ Such systems tend to be driven by algorithms and may ultimately limit the availability of both content that is already in the public domain as well as content that is permitted under the copyright exceptions and limitations. The ensuing concerns for creativity, free speech, and

¹ See, e.g., Ulrich Kaiser, *Can Beethoven Send Takedown Requests? A First-hand Account of One German Professor's Experience with Overly Broad Upload Filters* (2018), available at: <https://wikimediafoundation.org/news/2018/08/27/can-beethoven-send-takedown-requests-a-first-hand-account-of-one-german-professors-experience-with-overly-broad-upload-filters/> (accessed Jan. 22, 2021).

² Michael Andor Brodeur, *Copyright Bots and Classical Musicians Are Fighting Online. The Bots Are Winning*, WASHINGTON POST, May 21, 2020; according to YouTube, 98% of copyright issues are decided by Content ID, see Google, *How Google Fights Piracy*, at 24 (2018), available at: https://www.blog.google/documents/27/How_Google_Fights_Piracy_2018.pdf (accessed Jan. 22, 2021).

³ While Content ID is the best-known automated content recognition system, there are others: see, e.g., Audible Magic, available at: <https://www.audiblemagic.com/solutions/#rights> (accessed Jan. 22, 2021).

private power, among others, have long been voiced and are well documented.⁴

This article is set against this backdrop of both the increasing role of intermediaries as actors in copyright enforcement and the intensified use of technology as a tool for copyright management. The article seeks to explore in particular the recent reform of the European Union's (EU) copyright law that only amplifies the two highlighted trends and may have pernicious implications for creativity online. The article's focus is on the much-contested Article 17 of the new Directive on Copyright in the Digital Single Market.⁵ We provide a careful analysis of this provision, its standing against other pieces of legislation and existing case-law and ultimately, its likely effects as well as the means for mitigating its possible negative impact.

To set the scene for our enquiry, we start with a brief primer on intermediaries' liability as a useful, albeit imperfect, solution to manage copyright in the digital environment (section II), and an examination of the EU copyright reform, as well as the political and legal processes that led to the adoption of Article 17 (section III). We then take a closer and critical look at the liability schemes established under Article 17 and sketch possibilities to counter the perils that may arise from them (section IV).

⁴ See KRISTOFER ERICKSON & MARTIN KRETSCHMER, *EMPIRICAL APPROACHES TO INTERMEDIARY LIABILITY* (Giancarlo F. Frosio ed. 2020) (reviewing the body of empirical studies on copyright intermediary liability until 2018); see also Niva Elkin-Koren, *Fair Use by Design*, 64 *UCLA LAW REVIEW* 1083, 1090 (2017).

⁵ Directive 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC [hereinafter *Directive on Copyright in the Digital Single Market* or *EU Copyright Directive*].

INTERMEDIARIES AS KEY ACTORS IN COPYRIGHT ENFORCEMENT

I. From Analogue to Digital

At the time the international copyright regime was created back in the 19th century, the relevant technology that permitted multiplication and distribution of copyrighted works was the printing press.⁶ The Internet came only a century later, so neither the 1886 Berne Convention⁷ nor even the 1995 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)⁸ contain any specific rules for digital technologies or intermediaries' liability, except for the fact that TRIPS extended the scope of copyright protection to explicitly cover computer programs and databases.⁹ The international community was quick however to acknowledge the far-reaching effects of digitisation, both as a powerful tool to create and distribute content and as a facilitator of copyright infringement. While the enforcement of copyright has always been demanding, in the online environment, characterized by its borderless nature, accessibility, and capability to perfectly reproduce original works and instantaneously distribute them

⁶ PAUL EDWARD GELLER, *INTERNATIONAL COPYRIGHT: THE INTRODUCTION* at § 2[3][a] (Lionel Bently ed. 2018).

⁷ Berne Convention for the Protection of Literary and Artistic Works, of 9 September 1886, last revised at Paris on 24 July 1971, and amended on 28 September 1979, 25 U.S.T. 1341; 1161 U.N.T.S. 3 [hereinafter *Berne Convention*].

⁸ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 3; 33 I.L.M. 1197 (1994) [hereinafter *TRIPS*].

⁹ Article 10 TRIPS.

to millions, it almost seemed impossible.¹⁰ Policy-makers were confronted yet again with the fundamental questions underlying copyright: how to secure an effective protection of the copyright holders' package of rights, while at the same time allowing the public to access and use works and engage in creative activities. The stakes and the risks on both sides appear somewhat higher in the digital space, which on the one hand, facilitates massive copyright infringement, and on the other hand, enables unprecedented user-driven creativity.¹¹ With the adoption of the WIPO Copyright Treaty in 1996,¹² the international community moved towards designing some solutions in the domain of digital copyright; these were, however, cautiously formulated, and left room for different implementation approaches, as at the time the Internet was still quite young. Many of the Internet's applications as we use them today were yet unknown, nor could the pervasive societal embeddedness of the digital medium be fully anticipated.¹³ A critical development in the post-WIPO Copyright Treaty environment, that this article discusses, was the increased role of Internet intermediaries in the field of copyright enforcement and their effective transformation into critical copyright management

¹⁰ SANDRA SCHMITZ, *THE STRUGGLE IN ONLINE COPYRIGHT ENFORCEMENT: PROBLEMS AND PROSPECTS* at 49 et seq. (2015); see TRISHA MEYER, *THE POLITICS OF ONLINE COPYRIGHT ENFORCEMENT IN THE EU* at 39 et seq. (2017).

¹¹ Hannibal Travis, *Opting out of the Internet in the United*, 84 NOTRE DAME LAW REVIEW 331, 338 et seq. (2008).

¹² WIPO Copyright Treaty, of 20 December 1996, S. Treaty Doc. No. 105-17 (1997); 2186 U.N.T.S. 121; 36 I.L.M. 65 (1997) [hereinafter *WIPO Copyright Treaty*].

¹³ See Ruth L. Okediji, *The Regulation of Creativity Under the WIPO Internet Treaties*, 77 FORDHAM LAW REVIEW 2379, 2380 (2009); see also Pamela Samuelson, *Pushing Back on Stricter Copyright ISP Liability Rules*, MICHIGAN TECHNOLOGY LAW REVIEW at 4 (forthcoming 2021), available at: <https://ssrn.com/abstract=3630700> (accessed Jan. 22, 2021).

actors.¹⁴ As rightsholders were “faced with a major enforcement failure”,¹⁵ it appeared appropriate that intermediaries carry some of the burden and costs associated with copyright enforcement, especially as they were well positioned and technically capable to monitor, filter, block, and disable infringing material.¹⁶ At the same time, it was felt that this liability ought not to be too burdensome, since this would limit companies’ economic freedom and hamper growth and innovation.¹⁷ A model of limited and conditional liability, the so-called “safe harbour”, was created as a viable solution but implemented differently at national levels – in the European Union, through the 2000 E-Commerce Directive¹⁸ and in the United States, through the 1998 Digital Millennium Copyright Act (DMCA).¹⁹ We briefly discuss the existing approaches to intermediaries’ liability before looking at newer developments and the 2019 EU Copyright Directive in particular.

¹⁴ See PHILIPPE JOUGLEUX, THE ROLE OF INTERNET INTERMEDIARIES IN COPYRIGHT LAW ONLINE ENFORCEMENT at 269 (Tatiana-Eleni Synodinou et al. eds. 2017).

¹⁵ NIVA ELKIN-KOREN, AFTER TWENTY YEARS: REVISITING COPYRIGHT LIABILITY OF ONLINE INTERMEDIARIES at 2 (Susy Frankel & Daniel Gervais eds. 2014).

¹⁶ ELKIN-KOREN, *supra* note 15, at 4 et seq.

¹⁷ ALEKSANDRA KUCZERAWY, FROM ‘NOTICE AND TAKEDOWN’ TO ‘NOTICE AND STAY DOWN’: RISKS AND SAFEGUARDS FOR FREEDOM OF EXPRESSION at 525 et seq. (Giancarlo F. Frozio ed. 2020); ELKIN-KOREN, *supra* note 15, at 8 et seq.

¹⁸ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce), OJ L [2000] 178/1 [hereinafter *E-Commerce Directive*]; Samuelson, *supra* note 13, at 6.

¹⁹ Digital Millennium Copyright Act (DMCA) § 103, 17 U.S.C. § 1201 (2006) [hereinafter *DMCA*]; GERALD SPINDLER, COPYRIGHT LAW AND INTERNET INTERMEDIARIES LIABILITY at 3 (Tatiana-Eleni Synodinou et al., eds. 2020).

II. Different Approaches to Intermediaries' Liability

Systems for intermediary governance can largely be split into two groups.²⁰ On the one hand, there are horizontal systems that apply rules for all types of intermediaries' liability – be it with regard to hate speech, misleading information, trademark or copyright infringements, as the EU framework does.²¹ On the other hand, there are systems, such as Section 512 DMCA, that specifically target copyright violations.²² Common to both systems is the aforementioned wish to strike a balance between the different interests through mechanisms that mitigate the risk of legal liability of Internet intermediaries while providing copyright holders with protection and means that enable them to have infringing content removed.²³

Both the DMCA and the E-Commerce Directive, albeit with some differences, enact a “notice and takedown” procedure, in the sense that once notified of an alleged infringement, intermediaries must expeditiously take the said content down.²⁴ Besides this procedure, there are certain variations under the umbrella term “notice and

²⁰ Urs Gasser & Wolfgang Schulz, *Governance of Online Intermediaries: Observations from a Series of National Case Studies*, Berkman Center Research Publication No. 2015-5, at 4 et seq.

²¹ CHRISTINA ANGELOPOULOS, HARMONIZING INTERMEDIARY COPYRIGHT LIABILITY IN THE EU: A SUMMARY at 316 (Giancarlo F. Frosio ed. 2020).

²² Matthew Sag, *Internet Safe Harbors and the Transformation of Copyright Law*, 93 NOTRE DAME LAW REVIEW 499, 511 (2018).

²³ GWENITH ALICIA HINZE, A TALE OF TWO LEGAL REGIMES: AN EMPIRICAL INVESTIGATION INTO HOW COPYRIGHT LAW SHAPES ONLINE SERVICE PROVIDERS' PRACTICES AND HOW ONLINE SERVICE PROVIDERS NAVIGATE DIFFERENCES IN U.S. AND EU COPYRIGHT LIABILITY STANDARDS at 55 (2019); Elkin-Koren, *supra* note 4, at 1086.

²⁴ Christina Angelopoulos & Stijn Smet, *Notice-and-Fair-Balance: How to Reach a Compromise between Fundamental Rights in European Intermediary Liability*, 8 JOURNAL OF MEDIA LAW 266, 267 (2016).

action”.²⁵ The best-known such variations are the so-called “notice and notice” and “notice and stay down” mechanisms.²⁶ While similar in that they are triggered by a notification, they differ in the intermediary’s required response and ultimately, in the resulting balance of interests.²⁷ In case of the notice and notice procedures, as found in Canada, Chile and South Korea,²⁸ the intermediary forwards the received notice to the content provider, who is given the opportunity to take action to restore compliance with all legal requirements or to defend her behaviour within a certain time limit.²⁹ The “notice and stay down” regime is substantially more stringent in that the provider must not only take the notified content down, but also prevent the reuploading of the same or similar content.³⁰ Such a procedure has been applied in Germany³¹ and has been recently introduced in Swiss copyright law.³² Many intermediaries have, in addition to the legally prescribed measures, implemented proactive enforcement measures, such as filters or monitoring mechanisms, to detect infringing content – largely

²⁵ Angelopoulos & Smet, *supra* note 24, at 286; see KUCZERAWY, *supra* note 17, at 526.

²⁶ KUCZERAWY, *supra* note 17, at 526.

²⁷ United States Copyright Office, *Section 512 of Title 17: A Report on the Register of Copyrights* at 52 (May 2020), available at: <https://www.copyright.gov/policy/section512/section-512-full-report.pdf> (accessed Jan. 22, 2021).

²⁸ KUCZERAWY, *supra* note 17, at 533.

²⁹ Angelopoulos & Smet, *supra* note 24, at 267; United States Copyright Office, *supra* note 27, at 52.

³⁰ KUCZERAWY, *supra* note 17, at 526.

³¹ Angelopoulos & Smet, *supra* note 24, at 287; with respect to the German approach, see Jan Bernd Nordemann, *Liability for Copyright Infringements on the Internet: Host Providers (Content Providers) – The German Approach*, 2 JIPITEC 37 (2011).

³² Article 39d of the Federal Act on Copyright and Related Rights; see Peter Ling, *Significant Revisions to the Swiss Copyright Act* (Apr. 1, 2020), available at: <http://ipkitten.blogspot.com/2020/04/significant-revisions-to-swiss.html> (accessed Jan. 22, 2021).

as a response to pressure from rightsholders.³³ YouTube, for instance, introduced its automated content recognition and filtering mechanism, “Content ID”, as a reaction to being exposed to a major copyright lawsuit in 2012.³⁴ Such mechanisms have come to be known as “DMCA plus” systems, since they go beyond the DMCA requirements, shift responsibilities and move from reactive to proactive methods.³⁵ While these applications may offer efficient tools to deal with the allegedly vast amount of infringing content,³⁶ they do trigger some negative implications, in particular with regard to the fair use of copyrighted content or the use of works in the public domain, as the example at the outset of this article showed.³⁷

The safe harbour model has evolved over the years, especially as the role of intermediaries has increased due to the ongoing platformization of the digital space.³⁸ There is a discrete trend towards heightened intermediaries’ responsibilities,³⁹ and this shift, while pushed by

³³ ELKIN-KOREN, *supra* note 15, at 18 et seq.; HINZE, *supra* note 23, at 6 et seq.

³⁴ *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19 (2d Cir. 2012); see GIANCARLO F. FROSIO, ALGORITHMIC ENFORCEMENT ONLINE at 8 et seq. (Paul Torremans ed., 4th ed. 2020).

³⁵ STEFAN KULK, INTERNET INTERMEDIARIES AND COPYRIGHT LAW: TOWARDS A FUTURE-PROOF EU LEGAL FRAMEWORK at 280 (2018); see ANNEMARIE BRIDY, COPYRIGHT’S DIGITAL DEPUTIES: DMCA-PLUS ENFORCEMENT BY INTERNET INTERMEDIARIES (John A. Rothchild ed. 2016).

³⁶ Jonathon W. Penney, *Privacy and Legal Automation: The DMCA as a Case Study*, 22 STANFORD TECHNOLOGY LAW REVIEW 412, 419 (2019).

³⁷ Giancarlo F. Frosio, *The Death of “No Monitoring Obligations”*, 8 JIPITEC 199, 212 (2017).

³⁸ JOUGLEUX, *supra* note 14, at 279; see Valentina Moscon, *Free Circulation of Information and Online Intermediaries – Replacing One “Value Gap” with Another*, 51 IIC 977, 978 (2020) (pointing also to the growing economic power of intermediaries). For an overview on the intermediary liability worldwide, see World Intermediary Liability Map, available at: <https://wilmap.law.stanford.edu/> (accessed Jan. 22, 2021).

³⁹ GIANCARLO F. FROSIO & SUNIMAL MENDIS, MONITORING AND FILTERING: EUROPEAN REFORM OR GLOBAL TREND? at 547 (Giancarlo F. Frosio ed. 2020); see Jeremy de Beer & Christopher D. Clemmer, *Global Trends in Online Copyright Enforcement: A Non-Neutral Role for Network Intermediaries?*, 49 JURIMETRICS 375, 376 (2009); see also Natalia E. Curto, *EU*

rightsholders, has now largely been acknowledged by policy-makers.⁴⁰ The new EU Copyright Directive is an expression of this recognition and marks a significant step towards making intermediaries active “gatekeepers”⁴¹ of content uploaded and shared by their users.⁴² It changes the existing regime to the extent that it has been fittingly labelled as “safe harbor’s *coup de grace*”.⁴³ This rings true in particular if one looks at the new liabilities created under Article 17 of the Directive.

III. The EU Regime for Intermediaries’ Liability: Key Elements and Legal Practice

The E-Commerce Directive, albeit relatively old as stemming from 2000, is still the core of the legislative framework for information society service providers (ISPs)⁴⁴ in the European Union.⁴⁵ The regime

Directive on Copyright in the Digital Single Market and ISP Liability: What's Next at International Level?, 11 CASE WESTERN RESERVE JOURNAL OF LAW, TECHNOLOGY & THE INTERNET 84, 87 et seq. (2020) (observing that despite the growing trend in many countries of the world, ISPs are not being granted such an active role or are offered safe harbours like those in the EU).

⁴⁰ See European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Tackling Illegal Content Online Towards an Enhanced Responsibility of Online Platforms, COM(2017) 555 final (Sept. 28, 2017), at 2; see also Daithí Mac Síthigh, *The Road to Responsibilities: New Attitudes towards Internet Intermediaries*, 29 INFORMATION & COMMUNICATIONS TECHNOLOGY LAW 1, 4 et seq. (2020) (interpreting different policy documents published by the European Commission).

⁴¹ See Jonathan L. Zittrain, *A History of Online Gatekeeping*, 19 HARVARD JOURNAL OF LAW AND TECHNOLOGY (2006).

⁴² FROSIO & MENDIS, *supra* note 39, at 547; see Thomas Spoerri, *On Upload-Filters and Other Competitive Advantages for Big Tech Companies under Article 17 of the Directive on Copyright in the Digital Single Market*, 10 JIPITEC 173, 175 (2019); see also Moscon, *supra* note 38, at 981.

⁴³ JOUGLEUX, *supra* note 14, at 277.

⁴⁴ Definitions for “information society” and “service provider” are found in Article 2(a) and (b) respectively.

⁴⁵ CHRISTINA ANGELOPOULOS, EUROPEAN INTERMEDIARY LIABILITY IN COPYRIGHT: A TORT-BASED ANALYSIS at 42 (2016); Maria Lilla Montagnani & Alina Yordanova Trapova, *Safe Harbours in Deep Waters: A New Emerging Liability Regime for Internet Intermediaries in the*

is spelled out in Articles 12 to 15: while Articles 12 to 14 provide that ISPs, depending on their interaction with the content (mere conduit, caching or hosting) cannot be held liable for illegal third-party content under certain circumstances, Article 15 prohibits EU Member States from imposing a general monitoring obligation. Article 14 on hosting providers is key and sets out the “notice and takedown” obligations.⁴⁶ In order for an ISP to fall under the scope of Article 14 and benefit from the limited liability, its conduct must be neutral – that is, it should not play an active role in knowing or controlling the data provided by its users.⁴⁷ The ISP is not held liable for the information stored if the provider does not have actual knowledge⁴⁸ of illegal activity or information, and – as regards claims for damages – is not aware of facts or circumstances from which the illegal activity or information is apparent (Article 14(1)(a)). Furthermore, the provider must, upon obtaining such knowledge or awareness, act expeditiously to remove or disable access to the information (Article 14(1)(b)).⁴⁹ As the notice and takedown system of Article 14 is reactive, the burden of

Digital Single Market, 26 INTERNATIONAL JOURNAL OF LAW AND INFORMATION TECHNOLOGY 294, 295 (2018).

⁴⁶ See Montagnani & Trapova, *supra* note 45, at 296; see also Martin Senftleben & Christina Angelopoulos, *The Odyssey of the Prohibition on General Monitoring Obligations on the Way to the Digital Services Act: Between Article 15 of the E-Commerce Directive and Article 17 of the Directive on Copyright in the Digital Single Market* at 6 (Oct. 2020), available at: https://ssrn.com/abstract_id=3717022 (accessed Jan. 22, 2021).

⁴⁷ See Joined Cases C-236/08 to C-238/08, C-360/10, *Google France v. Louis Vuitton et al.*, ECLI:EU:C:2010:159, at paras. 113-114.

⁴⁸ ALEXANDRE DE STREEL, ALEKSANDRA KUCZERAWY & MICHÈLE LEDGER, ONLINE PLATFORMS AND SERVICES at 3-059 (Laurent Garzaniti et al. eds. 2020).

⁴⁹ Angelopoulos & Smet, *supra* note 24, at 268. Article 14 of the E-Commerce Directive, and unlike the DMCA, does not provide guidelines with respect to the application of its notice and takedown system. Implementation in national jurisdictions differ, albeit many Member States have implemented the Directive almost verbatim; See DE STREEL, KUCZERAWY & LEDGER, *supra* note 48, at 3-064.

monitoring for infringements rests on the rightsholders and intermediaries are not under an obligation to actively filter infringing content or monitor their systems to prevent access to it.⁵⁰ Indeed, as earlier noted, Article 15 explicitly *prohibits* the introduction of general monitoring obligations for ISPs. Yet, monitoring obligations in a *specific* case are permitted,⁵¹ and the distinction between the different types of monitoring has been highly controversial and the subject of discussion in a number of cases.⁵²

In *L'Oréal v eBay* (regarding trademark infringement in online marketplaces),⁵³ the Court of Justice of the European Union (CJEU) ruled that eBay could not be exempt from liability under Article 14(1), when it played an active role in the sale of goods by optimising the presentation of the offers or promoting them. With regard to Article 15, the CJEU concluded however “that the measures required of the online service provider concerned cannot consist in an active monitoring of all the data of each of its customers in order to prevent any future infringement of intellectual property rights via that

⁵⁰ Annemarie Bridy, *The Price of Closing the “Value Gap”: How the Music Industry Hacked EU Copyright Reform*, 22 VANDERBILT JOURNAL OF ENTERTAINMENT & TECHNOLOGY LAW 323, 329 et seq. (2020); ELKIN-KOREN, *supra* note 15, at 8.

⁵¹ Recital 47 of the E-Commerce Directive. DE STREEL, KUCZERAWY & LEDGER, *supra* note 48, at 3-067.

⁵² KUCZERAWY, *supra* note 17, at 540 et seq.; see Senftleben & Angelopoulos, *supra* note 46, at 8 et seq. Note that a clear delineation between prohibited general monitoring obligations and allowed specific monitoring obligations has not yet been established. Confusingly, for instance, the French Federal Supreme Court (Cour de Cassation) rejected stay down obligations for hosting providers as conflicting with the prohibition of general monitoring duties (Cour de Cassation Arrêt no. 831, 11-13.669, Jul. 12, 2012 – *Google France/Bach films*; Cour de Cassation Arrêt no. 828 of Jul. 12, 2012 – *Google France/Bach films*).

⁵³ Case C-324/09, *L'Oréal SA and Others v eBay International AG and Others*, ECLI:EU:C:2011:474.

provider's website".⁵⁴ The cases of *SABAM v Scarlet* and *SABAM v Netlog* further clarified monitoring in the area of copyright.⁵⁵ In *Scarlet v SABAM*, the Belgian collecting society SABAM applied for a permanent order requiring a network access provider to monitor and block peer-to-peer transmission of music files from SABAM's catalogue.⁵⁶ The CJEU decided that a broad order of the type requested would go against both the prohibition of general monitoring obligations under E-Commerce Directive and the fundamental rights of Internet users to the protection of their personal data and freedom of expression guaranteed under the EU Charter of Fundamental Rights.⁵⁷ In the *Netlog* case, which concerned an online social networking site and a similar request for filtering from SABAM, the CJEU held again for the hosting provider and against an active monitoring obligation.⁵⁸ The monitoring ban has been somewhat punctuated in a more recent judgment involving liability for defamation, where an Austrian court ordered Facebook to proactively filter all posts on the platform to ensure that no user could make the

⁵⁴ *Id.*, at para. 139.

⁵⁵ DE STREEL, KUCZERAWY & LEDGER, *supra* note 48, at 3-067; see Stefan Kulk & Frederik Zuiderveen Borgesius, *Filtering for Copyright Enforcement in Europe after the Sabam Cases*, 34 EUROPEAN INTELLECTUAL PROPERTY REVIEW 791 (2012).

⁵⁶ Case C-70/10, *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, ECLI:EU:C:2011:771, at paras. 20 et seq.

⁵⁷ *Id.*, at paras. 40 and 50.

⁵⁸ Case C-360/10, *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV*, ECLI:EU:C:2012:85, at para. 38. See also Opinion of Advocate General Saugmandsgaard Øe in Joined Cases C-682/18 and C-683/18, *Frank Peterson v Google LLC, YouTube LLC, YouTube Inc., Google Germany GmbH (C-682/18) and Elsevier Inc. v Cyando AG (C-683/18)*, ECLI:EU:C:2020:586.

specific prohibited or similar statements again, and this on a global level; the CJEU upheld this far-reaching judgment.⁵⁹

The general monitoring prohibition does not in any case preclude intermediaries from taking voluntary steps in order to enforce copyright.⁶⁰ As noted earlier, many platforms do implement proactive enforcement measures, such as filters, to detect infringing content. Such voluntary (algorithmic) enforcement used to be a decision based on the freedom of companies to conduct their business. However, in its proposal for a Directive on Copyright in the Digital Single Market, the European Commission explicitly envisaged a requirement for deploying content recognition systems, such as the Content ID, to prevent copyright infringement (Article 13(1) of the proposal).⁶¹ The now enacted Article 17 (formerly Article 13) of the EU Copyright Directive no longer mentions such a duty to use content recognition technology; yet, as will be shown below, a closer reading of the provision may still call for such an intervention.

⁵⁹ Case C-18/18, *Eva Glawischnig-Pieszczyk v Facebook Ireland Limited*, ECLI:EU:C:2019:821; see Aleksandra Kuczerawy & Clara Rauegger, *Injunctions to Remove Illegal Online Content under the E-Commerce Directive: Glawischnig-Pieszczyk*, 57 COMMON MARKET LAW REVIEW 1495, 1501 et seq. (2020) (providing a comprehensive analysis of the case).

⁶⁰ ALEKSANDRA KUCZERAWY, GENERAL MONITORING OBLIGATIONS: A NEW CORNERSTONE OF INTERNET REGULATION IN THE EU? IN RETHINKING IT AND IP LAW (2019); Kimberlee Weatherall, *Internet Intermediaries and Copyright: A 2018 Update: A Policy Paper for the Australian Digital Alliance* at 5 (Feb. 11, 2018), available at: <https://www.aph.gov.au/DocumentStore.ashx?id=79110429-08ee-4b3b-8219-85071c8c0cee&subId=563534> (accessed Jan. 22, 2021).

⁶¹ Article 13(1) of the proposal stated that information society service providers should “take measures to ensure the functioning of agreements concluded with rightsholders for the use of their works or other subject-matter or to prevent the availability on their services of works or other subject-matter identified by rightsholders through the cooperation with the service providers. Those measures, such as the use of effective content recognition technologies, shall be appropriate and proportionate”.

THE EU COPYRIGHT REFORM

In April 2019 the European Parliament approved the final text of the Directive on Copyright in the Digital Single Market, which marked the end of a lengthy legislative process and brought about substantial changes to EU copyright law.⁶² The reform in the domain of copyright law is part of a broader initiative of the European Union to update its legal framework and make it fit for the digital age – the so-called “Digital Single Market Strategy”.⁶³ The Strategy envisages far-reaching initiatives that seek to ensure (1) better access for consumers and businesses to online goods and services across Europe; (2) creating the right conditions for digital networks and services to flourish; and (3) maximizing the growth potential of the European Digital Economy.⁶⁴ The implementation of the Digital Market Strategy has already led to critical transformations in the areas of EU data protection⁶⁵, media law,⁶⁶ and now copyright law.

⁶² Bridy even calls the Directive “the most substantial change to EU copyright law in a generation”. See Bridy, *supra* note 50, at 325; see also Ted Shapiro & Sunniva Hansson, *The DSM Copyright Directive: EU Copyright Will Indeed Never Be the Same*, 41 EUROPEAN INTELLECTUAL PROPERTY REVIEW 404, 404 (2019).

⁶³ European Commission, A Digital Single Market Strategy for Europe, COM(2015) 192 final (May 6, 2015); see also Montagnani & Trapova, *supra* note 45, at 294 et seq.

⁶⁴ European Commission, *Id.*, at 3 et seq.

⁶⁵ Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), OJ L [2016] 119/1.

⁶⁶ Directive 2018/1808 of the European Parliament and of the Council of 14 November 2018 amending Directive 2010/13/EU on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive) in view of changing market realities, OJ L [2018] 303/69.

The EU copyright reform is an ambitious endeavour that strengthens the role of the EU as “a genuine regulatory actor”⁶⁷ but has been subject to controversies from its very outset. The criticism has focused mainly on the new press publishers’ right, the so-called “links tax” (Article 11 of the Commission’s proposal, now Article 15) and on the so-called “upload filter” provision (Article 13 of the Commission’s proposal, now Article 17).⁶⁸ The critical voices were not limited to experts and academic communities but involved the broader public as well. Around 5 million people signed an opposing petition, demonstrations were held, and a coalition of 240 EU-based online companies called on members of the European Parliament to reject the strict liability rules because of the sizeable financial and operational burdens resulting from the requirement of filtering systems, the inherent inaccuracies of current filtering technologies and the disregard for small- and medium-sized enterprises (SMEs).⁶⁹ Wikipedia Europe closed its site for an entire day in protest against “dangerous copyright law”;⁷⁰ scholars criticized the proposal as incompatible with the jurisprudence of CJEU and the rights and freedoms enshrined in the EU Charter of Fundamental Rights.⁷¹ This mass-scale opposition

⁶⁷ Séverine Dusollier, *The 2019 Directive on Copyright in the Digital Single Market: Some progress, a Few Bad Choices, and an Overall Failed Ambition*, 57 COMMON MARKET LAW REVIEW 979, 980-981 (2020).

⁶⁸ João Pedro Quintais, *The New Copyright in the Digital Single Market Directive: A Critical Look*, 42 EUROPEAN INTELLECTUAL PROPERTY REVIEW 28, 29 (2020).

⁶⁹ HINZE, *supra* note 23, at 103; Spoerri, *supra* note 42, at 174.

⁷⁰ James Vincent, *European Wikimedias Have Been Turned off for the Day to Protest Dangerous Copyright Laws* (Mar. 21, 2019), available at: <https://www.theverge.com/2019/3/21/18275462/eu-copyright-directive-protest-wikipedia-twitch-pornhub-final-vote> (accessed Jan. 22, 2021).

⁷¹ See, e.g., Sophie Stalla-Bourdillon et al., *An Academic Perspective on the Copyright Reform*, 33 COMPUTER LAW & SECURITY REVIEW 3 (2017); see also Martin Senftleben et al., *The*

showed on the one hand that digital copyright is no longer a purely technical topic that interests no one, and prompted on the other hand, concrete amendments to the Directive.⁷² This is reflected in the final text of Article 17, which differs substantially from the initial wording in the Commission’s proposal.⁷³ The contention around Article 17 is also discernible in its lengthy and convoluted formulations, with the provision spanning over 10 paragraphs, accompanied with numerous clarifications in the Directive’s Preamble.⁷⁴

ARTICLE 17 OF THE EU COPYRIGHT DIRECTIVE

I. Rationale behind Article 17

Article 17 has been prompted by the so-called “value gap”.⁷⁵ The term describes the (alleged)⁷⁶ imbalance between the revenues Internet

Recommendation on Measures to Safeguard Fundamental Rights and the Open Internet in the Framework of the EU Copyright Reform, 40 EUROPEAN INTELLECTUAL PROPERTY REVIEW 149 (2018).

⁷² SPINDLER, *supra* note 19, at 5 et seq.

⁷³ Karina Grisse, *After the Storm—Examining the Final Version of Article 17 of the New Directive (EU) 2019/790*, 14 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 887, 887 (2019); see HINZE, *supra* note 23, at 150. see also Samuelson, *supra* note 13, at 11 (pointing to the fact that without certain amendments the Directive would not have received sufficient political support to be adopted).

⁷⁴ Recitals 61 to 71 EU Copyright Directive; see also Axel Metzger et al., *Selected Aspects of Implementing Article 17 of the Directive on Copyright in the Digital Single Market into National Law – Comment of the European Copyright Society* at 7 (2020), available at: <https://ssrn.com/abstract=3589323> (accessed Jan. 22, 2021); Mac Sithigh, *supra* note 40, at 10.

⁷⁵ Christina Angelopoulos, *On Online Platforms and the Commission’s New Proposal for a Directive on Copyright in the Digital Single Market* at 1 (Jan. 2017), available at: <https://ssrn.com/abstract=2947800> (accessed Jan. 22, 2021); see also European Commission, Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market, COM(2016) 593 final (Sept. 14, 2016), at 3.

⁷⁶ Some authors doubt that such value gap actually exists, see, e.g., Bridy, *supra* note 50, at 326 et seq.; see also Giancarlo F. Frosio, *Reforming Intermediary Liability in the Platform Economy: A European Digital Single Market Strategy*, 112 NORTHWESTERN UNIVERSITY LAW REVIEW 19, 27 et seq. (2017), pointing out the lack of evidence “on the scale, nature, or effects of copyright infringement in the digital environment” (at 28).

service providers generate from the use of copyright protected content uploaded by their users and the revenues copyright holders obtain.⁷⁷ The problem was said to arise from the safe harbour regime, which provides platforms with a liability privilege and thus does not incentivize them to enter into licensing agreements or otherwise provide for conditions more accommodating for rightsholders.⁷⁸ From the EU perspective, the problem was only more acute, as most dominant platforms are US-based and the generated revenues rarely remained in the EU.⁷⁹ Article 17 sought to address this “value gap” through changes in the existing intermediaries’ liability regime under Article 14 of the E-Commerce Directive.

II. Scope and Obligations under Article 17

In contrast to the initial proposal, Article 17 no longer targets information society service providers as a generic category but defines a new sub-category of “online content-sharing service providers” (OCSSPs).⁸⁰ An OCSSP is “a provider of an information society service of which the main or one of the main purposes is to store and give the public access to a large amount of copyright-protected works or other protected subject matter uploaded by its users, which it

⁷⁷ Giancarlo F. Frosio, *To Filter, or Not to Filter?*, 36 CARDOZO ARTS & ENTERTAINMENT 331, 337 (2018); Angelopoulos, *supra* note 75, at 2.

⁷⁸ Frosio, *Id.*, at 337 et seq.; Angelopoulos, *supra* note 75, at 2.

⁷⁹ See European Commission, Communication to the European Parliament, the Council, and the European Economic and Social Committee, and the Committee of the Regions, *Online Platforms and the Digital Single Market: Opportunities and Challenges for Europe*, COM(2016) 288 final (May 25, 2016), at 9.

⁸⁰ Article 17(1) EU Copyright Directive. Bridy, *supra* note 50, at 351. On reasons for this narrower scope, see, e.g., HINZE, *supra* note 23, at 150.

organizes and promotes for profit-making purposes”.⁸¹ Certain providers, such as non-profit online encyclopaedias, open source software-developing and sharing platforms, as well as business-to-business cloud services, are excluded.⁸² These exclusions are based on the recognition that the notice and takedown system of the E-Commerce Directive works well enough for most ISPs, and that Article 17 may harm entities which do not bear the risks of infringement that it is designed to address.⁸³ The scope of application is further narrowed down by Recitals 62 and 63, which require, among other things, a case-by-case evaluation, taking into account a platform’s audience and amount of works uploaded.⁸⁴ Overall, although the scope of application has been reduced in comparison to the Commission’s proposal, the vague language used leaves a number of questions open and induces uncertainty.⁸⁵ For now, it appears clear that Article 17 captures user generated content hosting providers of a particular size, such as YouTube and Facebook.⁸⁶

⁸¹ Article 2(6) EU Copyright Directive.

⁸² The list is non-exhaustive; see Grisse, *supra* note 73, at 888.

⁸³ Pamela Samuelson, *Before the United States Senate Committee on the Judiciary, Subcommittee on Intellectual Property, Hearing on the Digital Millennium Copyright Act at 22: How Other Countries Are Handling Online Piracy: Statement of Pamela Samuelson* at 9 (Mar. 10, 2020), available at: <https://www.judiciary.senate.gov/download/samuelson-testimony> (accessed Jan. 22, 2021).

⁸⁴ See MARK D. COLE, ET AL., CROSS-BORDER DISSEMINATION OF ONLINE CONTENT: CURRENT AND POSSIBLE FUTURE REGULATION OF THE ONLINE ENVIRONMENT WITH A FOCUS ON THE EU E-COMMERCE DIRECTIVE at 146 (2020).

⁸⁵ Sebastian Felix Schwemer, *Article 17 at the Intersection of EU Copyright Law and Platform Regulation*, 3 NORDIC INTELLECTUAL PROPERTY LAW REVIEW 1, at 10 et seq. (2020); Grisse, *supra* note 73, at 888.

⁸⁶ FROSIO & MENDIS, *supra* note 39, at 558.

Article 17(1) stipulates that when an OCSSP gives the public access to copyright-protected works or other subject matter uploaded by its users, the provider performs an act of communication to the public. Thus, Article 17(1) assigns primary liability to OCSSPs for copyright infringements committed by their users.⁸⁷ The limitation of liability, as established in Article 14(1) E-Commerce Directive, does not apply to situations covered by Article 17,⁸⁸ and this effectively creates a *lex specialis* rule for this particular category of hosting providers.⁸⁹

The liability regime of Article 17 follows a two-level approach – the first establishes direct liability and the second specifies distinct ways to “escape” this liability burden.⁹⁰ OCSSPs can avoid liability in two ways: they must either obtain an authorization from rightsholders, for example, by concluding a licensing agreement (Article 17(1), second sentence);⁹¹ or, if no authorization has been granted, pursuant to Article 17(4), the provider may not be liable if three cumulative conditions are met. Under these conditions an OCSSP must demonstrate that (1) it made best efforts to obtain an authorization from the right holder; (2) made best efforts to ensure that specific

⁸⁷ FROSIO & MENDIS, *Id.*, at 559 et seq.; KUCZERAWY, *supra* note 60.

⁸⁸ Article 17(3) EU Copyright Directive.

⁸⁹ Dirk J. G. Visser, *Trying to Understand Article 13* at 6 (Mar. 16, 2019), available at: <https://ssrn.com/abstract=3354494> (accessed Jan. 22, 2021); Kuczerawy & Rauegger, *supra* note 59, at 1510 et seq. See for an extensive analysis of the interplay between Article 17 EU Copyright Directive and Article 15 E-Commerce Directive: Senftleben & Angelopoulos, *supra* note 46, at 24 et seq.

⁹⁰ Martin Senftleben, *Institutionalized Algorithmic Enforcement – The Pros and Cons of the EU Approach to UGC Platform Liability*, 14 FLORIDA INTERNATIONAL UNIVERSITY LAW REVIEW at 4 (2020).

⁹¹ Such authorization covers also non-commercial user actions as well as user activities that do not generate significant revenues. See Article 17(2) EU Copyright Directive; *also* Schwemer, *supra* note 85, at 14.

content is as inaccessible as possible, and (3) disabled access or removed content expeditiously after becoming aware of it and made best efforts to prevent future uploads of the respective content.⁹² When determining whether the provider has complied with these obligations, Article 17(5) requires certain aspects to be taken into account, such as (a) the type, the audience and the size of the service and the type of content uploaded by the users, as well as (b) the availability of suitable and effective means, including their cost for the provider.⁹³ Additional “bright-line” limitations are given by Article 17(6), which specifies that new online content-sharing service providers whose services have been available to the public in the EU for less than three years and which have an annual turnover below EUR 10 million are exempted from the obligation set out paragraph 4 point (b). That is, they only have to act expeditiously upon receiving a sufficiently substantiated notice, to disable access to the notified works or to remove those works from their websites. This limitation does not apply when an OCSSP’s average number of monthly unique visitors exceeds 5 million.⁹⁴

Article 17(7) demands in addition that the cooperation between OCSSPs and rightsholders does not result in the prevention of justified use of copyright protected content. Consequently, EU Member States must ensure that users are able to rely on exceptions and limitations to

⁹² COLE, ET AL., *supra* note 84, at 146.

⁹³ Felipe Romero Moreno, ‘Upload Filters’ and Human Rights: Implementing Article 17 of the Directive on Copyright in the Digital Single Market, 34 INTERNATIONAL REVIEW OF LAW, COMPUTERS & TECHNOLOGY 153, 156 (2020).

⁹⁴ See Shapiro & Hansson, *supra* note 62, at 412.

copyright for the purposes of quotation, criticism, review, caricature, parody, or pastiche.⁹⁵ This is a new provision outside the original Commission proposal and recognizes the fact that many websites contain significant amounts of user-generated works, such as remixes and mashups, which may be lawful under EU copyright law.⁹⁶ Next to this explicit reference to fair use situations, Article 17(9) sets out complaint and redressal mechanisms as procedural safeguards.⁹⁷

Article 17(8) states further that the application of Article 17 shall not lead to any general monitoring obligation. It however obliges OCSSPs to provide rightsholders, at their request, with certain information. Finally, Article 17(10) requires the European Commission to organize stakeholder dialogues in order to discuss best practices for cooperation between the platform providers and the rightsholders.⁹⁸

III. Critical Analysis of Article 17's Liability Regime

Against the backdrop of the complex liability regime under Article 17 and its “escape” routes, it appears critical to ask how viable these really are; whether certain negative effects may result in the course of their

⁹⁵ See Moreno, *supra* note 93, at 156.

⁹⁶ Samuelson, *supra* note 83, at 10; Shapiro & Hansson, *supra* note 62, at 412 et seq.

⁹⁷ Sebastian Schwemer & Jens Schovsbo, WHAT IS LEFT OF USER RIGHTS? ALGORITHMIC COPYRIGHT ENFORCEMENT AND FREE SPEECH IN THE LIGHT OF THE ARTICLE 17 REGIME at 8, 12 (Paul Torremans ed., 4th ed. 2020); see Bridy, *supra* note 50, at 356; Samuelson, *supra* note 83, at 10; see also French Ministry of Culture, *Mission Report: Towards More Effectiveness of Copyright Law on Online Content Sharing Platforms*, at 5 et seq. (Jan. 29, 2020).

⁹⁸ Only recently the EU Commission has hosted such stakeholder dialogues and plans to publish guidelines on the implementation for Article 17. Yet, it is unclear whether the Commission will be able to present satisfactory guidance, given the wide disagreement among stakeholders regarding Article 17. See Samuelson, *supra* note 83, at 11.

implementation; and how these potential harms can be mitigated. The following sections seek to address these questions.

(a) *The Licensing Approach and its Pitfalls*

Article 17(1) sets out authorisation from the rightsholders as the default way to avoid primary liability⁹⁹ and mentions licensing as a way to receive such authorisation. Other options include collective licensing mechanisms or statutory licensing.¹⁰⁰ Whereas it is understandable that Article 17(1) seeks to encourage rights' clearance, it presents platforms with an enormously cumbersome obligation, which bears a resemblance to a "mission impossible",¹⁰¹ as it is hard to imagine that a platform can obtain *all* the necessary licenses for *all* the works uploaded by its users.¹⁰² The impracticality of this task is linked on the one hand to the existence of overlapping rights – for instance, most videos involve, other than copyright(s), rights of phonogram or film producers, and/or performers' rights, which can belong to or be managed by different entities.¹⁰³ Furthermore, while it may be feasible for platform providers to contact known rightsholders as well as collecting societies, in the case of unknown rightsholders, this is evidently not the case.¹⁰⁴ Copyright does not require formalities to be

⁹⁹ João Quintais et al., *Safeguarding User Freedoms in Implementing Article 17 of the Copyright in the Digital Single Market Directive*, 10 JIPITEC 277, 277 et seq. (2019); Curto, *supra* note 39, at 91.

¹⁰⁰ Quintais et al., *supra* note 99, at 277; see Alina Trapova, *Reviving Collective Management – Will CMOs Become the True Mediators They Ought to Be in the Digital Single Market?*, 42 EUROPEAN INTELLECTUAL PROPERTY REVIEW 272, 272 et seq. (2020).

¹⁰¹ Senfleben, *supra* note 90, at 5; Samuelson even says that the licencing objectives of Article 17 cannot be achieved; see Samuelson, *supra* note 83, at 14.

¹⁰² Christina Angelopoulos & João Pedro Quintais, *Fixing Copyright Reform*, 10 JIPITEC 147, 148 (2019); Dusollier, *supra* note 67, at 1014.

¹⁰³ Dusollier, *supra* note 67, at 1014.

¹⁰⁴ Grisse, *supra* note 73, at 893.

adhered to and there is nothing like a global or even national register for all protected works that can be consulted.¹⁰⁵ In the absence of such a register, platforms cannot identify rightsholders of works uploaded by users and must rely on the declarations of uploaders or those claiming to be rightsholders. This is problematic given that false copyright claims are common and many user uploads do not contain any copyright information at all.¹⁰⁶ As Dusollier notes, the situation is close to a paradox: “how to contact copyright owners to get the proper authorization for a content that could be identified only when put online, which will be infringing if no licence precedes its making available?”¹⁰⁷

Even if the platform is able to identify and contact a rightsholder, it may encounter other difficulties. These include, among others,¹⁰⁸ the fact that rightsholders are under no obligation to enter into licensing agreements offered under fair terms.¹⁰⁹ Furthermore, it is doubtful that copyright holders and collecting societies will offer all-encompassing umbrella licenses. Platforms will probably need to make use of algorithmic tools to ensure that the content being uploaded does not exceed the limits of the acquired licenses and in this sense even

¹⁰⁵ Julia Reda, *Before the United States Senate Committee on the Judiciary, Subcommittee on Intellectual Property, Hearing on the Digital Millennium Copyright Act at 22: How Other Countries Are Handling Online Piracy: Statement of Julia Reda* (Mar. 10, 2020), available at: <https://www.judiciary.senate.gov/download/reda-testimony> (accessed Jan. 22, 2021).

¹⁰⁶ Reda, *supra* note 105.

¹⁰⁷ Dusollier, *Id.*

¹⁰⁸ See Martin Husovec & João Pedro Quintais, *How to License Article 17? Exploring the Implementation Options for the New EU Rules on Content-Sharing Platforms* (Working Paper, 2019).

¹⁰⁹ Grisse, *supra* note 73, at 888; see United States Copyright Office, *supra* note 27, at 62.

licensing can be a starting point for algorithmic enforcement measures.¹¹⁰ Such measures may affect the freedom of users to actively participate in the creation of online content, as a user-generated remix will not pass the content filter if it is not compliant with the repertoire and usage restrictions set out in the licensing agreements. Platforms that rely on licensing agreements are also likely to focus on mainstream works and face difficulties in providing access to the wide variety of content uploaded by users with different social, cultural, and ethnic backgrounds.¹¹¹ Given the adversities in meeting the requirements set out in Article 17(1), it may be assumed that platforms will heavily rely on the second option of filtering to avoid liability.¹¹²

(b) *The Promises and Perils of Filtering*

1. Filtering Obligations under Article 17

As explained earlier, platforms must meet three cumulative conditions in order to avoid direct liability.¹¹³ OCSSPs must demonstrate that they have (a) made best efforts to obtain an authorisation, and (b) made, in accordance with high industry standards of professional diligence, best efforts to ensure the unavailability of specific works for which the rightsholders have provided the relevant and necessary information; and in any event (c) acted expeditiously, upon receiving a sufficiently substantiated notice from the rightsholders, to disable access to, or to remove from their websites, the notified works, and made best efforts

¹¹⁰ Senftleben, *supra* note 90, at 6 et seq.; see French Ministry of Culture, *supra* note 97, at 106.

¹¹¹ Senftleben, *supra* note 90, at 6.

¹¹² Angelopoulos & Quintais, *supra* note 102, at 148; Quintais, *supra* note 68, at 38.

¹¹³ Grisse, *supra* note 73, at 892; Quintais, *supra* note 68, at 38; see COLE, ET AL., *supra* note 84, at 146.

to prevent their future uploads. The qualification of “best efforts” appears particularly important for understanding the real implications of the provision; yet, the Directive offers little guidance to this effect.¹¹⁴ One can assume that the Directive’s implementation in the EU Member States is likely to bring more clarity but the development of different standards is also possible.¹¹⁵

With regard to the first condition of making “best efforts” to obtain authorisation, one can think of several possibilities. One option may be that the OCSSP would have to proactively identify each piece of protected material and the respective rightsholder and then offer fair licensing conditions. Yet, this would amount to a general monitoring obligation for all uploaded content and would thus contradict Article 17(8) of the Copyright Directive and Article 15 of the E-Commerce Directive, as well as the freedom of the OCSSPs to conduct business in accordance with Article 16 of the Charter of Fundamental Rights. Another possibility would be to oblige rightsholders to always take the first step and notify the OCSSP that unlicensed protected material is available on the platform. This would result in the OCSSP only having to react when notified by the rightsholder.¹¹⁶ However, such an interpretation would likely contradict the very aim of the Directive to

¹¹⁴ Michael Bechtel, *Algorithmic Notification and Monetization: Using YouTube’s Content ID System as a Model for European Union Copyright Reform*, 28 MICHIGAN STATE INTERNATIONAL LAW REVIEW 237, 256 (2020); on the different language versions of “best efforts”, see Eleonora Rosati, *DSM Directive Series #5: Does the DSM Directive Mean the Same Thing in all Language Versions? The Case of “Best Efforts” in Article 17(4)(a)* (May 22, 2019), available at: <http://ipkitten.blogspot.com/2019/05/dsm-directive-series-5-does-dsm.html> (accessed Jan. 22, 2021).

¹¹⁵ Reda, *supra* note 105.

¹¹⁶ Metzger et al., *supra* note 74, at 4 et seq.

strengthen the negotiating position of rightsholders and reduce some of their burden.¹¹⁷ Finally, one can imagine a somewhat more pragmatic approach: if the content is obviously protected material and the rightsholders are publicly known, the OCSSP must actively contact these known rightsholders and offer serious negotiations on licensing terms. If the content is not obviously protected material or no rightsholder is known, the OCSSP may remain passive until the rightsholders, including collective management organizations, contact the provider. As soon as the OCSSP receives such notification, it must then react and start negotiations.¹¹⁸

The second condition specified in Article 17(4) is the obligation of the provider to make best efforts to ensure the unavailability of specific works for which the rightsholders have provided relevant and necessary information. This sets out a proactive duty of care¹¹⁹ and necessitates the active involvement of the rightsholders.¹²⁰ In case the OCSSP is provided with the relevant information, it must block the upload of the respective content in accordance with high industry standards of professional diligence. Although this formulation is

¹¹⁷ See Recital 61 EU Copyright Directive; see also Martin Husovec, *How Europe Wants to Redefine Global Online Copyright Enforcement*, TILEC Discussion Paper No. 2019-16 (observing that filtering tools shift the enforcement burden and costs from rightsholders onto providers); see in contrast Dusollier, *supra* note 67, at 1050 (advocating for interpreting the “best efforts” criterion reasonably, even if it might seem contradictory to the verbatim meaning of the provision).

¹¹⁸ Metzger et al., *supra* note 74, at 6; see Grisse, *supra* note 73, at 892 et seq.

¹¹⁹ See Matthias Leistner, *European Copyright Licensing and Infringement Liability Under Art. 17 DSM-Directive – Can We Make the New European System a Global Opportunity Instead of a Local Challenge?*, 12 ZEITSCHRIFT FÜR GEISTIGES EIGENTUM / INTELLECTUAL PROPERTY JOURNAL 123, 131 (2020).

¹²⁰ Grisse, *supra* note 73, at 894.

technology-neutral and unlike the initially proposed Article 13 does not explicitly mention the use of content recognition technologies, there is wide agreement that this requirement can hardly be met by anything else than algorithm-driven tools (also referred to as “upload filters”).¹²¹ This marks a distinct shift “from a regime in which the law is enforced after a violation of law has taken place (*ex post*) to a system where technology ensures that violations do not even occur in the first place (*ex ante*)”.¹²²

Another question that arises in this context is to what extent removing content entails monitoring.¹²³ Some suggest that this will result in general monitoring,¹²⁴ while others are of the view that such content review is only specific monitoring and would not conflict with the ban on general monitoring under Article 17(8).¹²⁵ If the latter view is not vindicated, there may be a major conflict with EU primary law,¹²⁶ as discussed above in the two *SABAM* cases, where the CJEU found general monitoring to not only be an infringement of the E-Commerce Directive but also pose serious harm to fundamental rights – in

¹²¹ Senftleben, *supra* note 90, at 7 et seq.; FROSIO & MENDIS, *supra* note 39, at 563; Samuelson, *supra* note 83, at 13; see also Giovanni Sartor & Andrea Loreggia, The Impact of Algorithms for Online Content Filtering or Moderation: “Upload Filters”, Report for the Policy Department for Citizens’ Rights and Constitutional Affairs Directorate-General for Internal Policies PE 657.101 (2020), available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/657101/IPOL_STU\(2020\)657101_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/657101/IPOL_STU(2020)657101_EN.pdf) (accessed Jan. 22, 2021) at 33.

¹²² Maria Lillà Mongnani, *Virtues and Perils of Algorithmic Enforcement and Content Regulation in the EU: A Toolkit for a Balanced Algorithmic Copyright Enforcement*, 11 CASE WESTERN RESERVE JOURNAL OF LAW, TECHNOLOGY & THE INTERNET 1, 3 (2020).

¹²³ See Spindler, *supra* note 131, at 355 et seq.

¹²⁴ See, e.g., KUCZERAWY, *supra* note 17, at 541; Moreno, *supra* note 93, at 157.

¹²⁵ See, e.g., Husovec, *supra* note 117; see Leistner, *supra* note 119, at 139 et seq.

¹²⁶ Stalla-Bourdillon et al., *supra* note 71, at 6; Frosio, *supra* note 77, at 355 et seq.

particular users' right to the protection of their personal data and the freedom to receive and impart information.

Similar problems exist also with regard to the third and last obligation that a provider must fulfil, that OCSSPs must act expeditiously and disable access to infringing content or remove it from their platform as well as make best efforts to prevent future uploading of the respective content. This effectively changes the “notice and takedown” mechanism and replaces it with a new “stay down” obligation,¹²⁷ which although already introduced through national jurisprudence and practiced by some countries, such as Germany,¹²⁸ is novel for EU law.¹²⁹ The Directive does not mention a specific measure to prevent the re-uploading of content but states that OCSSPs must have made “best efforts to prevent their future uploads in accordance with point (b)”.¹³⁰ Hence again, the provider is likely to make use of automatic content recognition technologies to fulfil the stay down obligation.¹³¹ The question of whether this involves general monitoring is pertinent again. Some authors are of the opinion that an obligation to detect future infringements which are not only the same but also similar merely constitutes a specific monitoring obligation and is therefore permissible.¹³² Others argue that it is difficult to imagine how providers

¹²⁷ Metzger et al., *supra* note 74, at 9.

¹²⁸ Leistner, *supra* note 119, at 186.

¹²⁹ See KUCZERAWY, *supra* note 17, at 539.

¹³⁰ Article 17(4)(c) EU Copyright Directive.

¹³¹ Gerald Spindler, *The Liability System of Art. 17 DSMD and National Implementation*, 10 JIPITEC 344, 350 (2019); see also Bridy, *supra* note 50, at 354; see also Sartor & Loreggia, *supra* note 121, at 33.

¹³² See Shapiro & Hansson, *supra* note 62, at 413; see also KUCZERAWY, *supra* note 17, at 541.

can ensure that copyright protected works are not re-uploaded unless they use a technological tool that systematically monitors all uploaded content.¹³³

Although no longer mentioned explicitly in Article 17, the preceding analysis shows that OCSSPs can *de facto* meet the statutory requirements only if they employ automated content recognition technology and so the question of to filter or not filter¹³⁴ seems to be answered in the positive.¹³⁵ While the use of technology for copyright enforcement is not new,¹³⁶ what is distinct in the case of the new EU copyright framework is the legislative incentive and legitimisation of such systems through Article 17.¹³⁷ Senftleben labels this as “institutionalised algorithmic enforcement”.¹³⁸ This development opens an array of questions with regard to users' rights, transparency and due process.

2. The Risks of Algorithmic Enforcement

Algorithmic copyright enforcement through Internet intermediaries is illustrative not only of the employment of technology but also of the

¹³³ KUCZERAWY, *supra* note 60.

¹³⁴ Frosio, *supra* note 77.

¹³⁵ See FROSIO & MENDIS, *supra* note 39, at 562 (wondering whether the “best efforts” requirement could mean, taking into account industry standards, that OCSSPs might even be obligated to use algorithmic monitoring and enforcement systems if these are regarded as the most effective and proportionate tools to ensure the unavailability of protected copyright content).

¹³⁶ Maayan Perel & Niva Elkin-Koren, *Accountability in Algorithmic Copyright Enforcement*, 19 STANFORD TECHNOLOGY LAW REVIEW 473, 476 (2016).

¹³⁷ Mongnani, *supra* note 122, at 10; see FROSIO & MENDIS, *supra* note 39, at 577 et seq.

¹³⁸ Senftleben, *supra* note 90, at 1.

shift towards privatisation of enforcement.¹³⁹ In contrast to traditional law enforcement, which involves detection, prosecution, adjudication, and punishment through different authorities with various institutionalised checks and balances, algorithmic enforcement combines all functions in one actor: which ultimately are a small number of profit-oriented mega-platforms.¹⁴⁰ These platforms will tend to encode the legal provisions into their content recognition technologies.¹⁴¹ This process inevitably involves decisions regarding the interpretation of the law and may be influenced by a variety of conscious and unconscious considerations.¹⁴² There is a considerable risk that intermediaries would build bias into the code, favouring their interests and discriminating against certain persons or groups.¹⁴³

Another concern is the shortage of public oversight on private enforcement. Due to the sheer volume of content removal, there is no way of tracing which content is permitted or not, and then removed; under what conditions; and whether such removal was permissible.¹⁴⁴ Especially in the case of *ex ante* algorithmic enforcement, the possibility of correcting errors is limited, which in turn reduces the public's ability

¹³⁹ Joanne E. Gray & Nicolas P. Suzor, *Playing with Machines: Using Machine Learning to Understand Automated Copyright Enforcement at Scale*, BIG DATA & SOCIETY at 2 (2020); see Dusollier, *supra* note 67, at 1016.

¹⁴⁰ Perel & Niva Elkin-Koren, *supra* note 136, at 473.

¹⁴¹ Mongnani, *supra* note 122, at 30.

¹⁴² Perel & Elkin-Koren, *supra* note 136, at 518; see Dan L. Burk, *Algorithmic Fair Use*, 86 THE UNIVERSITY OF CHICAGO LAW REVIEW 283, 291 et seq. (2019).

¹⁴³ Andrea Katalin Tóth, *Algorithmic Copyright Enforcement and AI: Issues and Potential Solutions through the Lens of Text and Data Mining*, 13 MASARYK UNIVERSITY JOURNAL OF LAW AND TECHNOLOGY 361, 371 et seq. (2019).

¹⁴⁴ Perel & Elkin-Koren, *supra* note 136, at 509.

to intervene.¹⁴⁵ Public oversight is further hampered by the fact that the underlying algorithms of these technologies are often proprietary and protected as trade secrets and as such remain hidden from the public,¹⁴⁶ which links to one of the key issues in the general discourse on the use of algorithms – their opaqueness.¹⁴⁷ Further, given that algorithms today combine more than one decision tree to generate the desired output and amount in complex code, they are inherently non-transparent (so-called “black boxes”¹⁴⁸). This opacity is exacerbated in the case of self-learning algorithms, as they can evolve independently and adapt to the environment in unpredictable ways.¹⁴⁹

While one can argue that technology is merely a tool that can be used for a number of different purposes, both restricting and enabling access to content, content recognition technologies are able to filter out identical or matching content but are not mature enough to differentiate an unlawful use from a lawful one.¹⁵⁰ To distinguish parody, transformative use, or critical review from the infringing use of copyrighted material requires the ability to recognize context. Context-aware decision-making is relatively easy for humans, but not

¹⁴⁵ Mongnani, *supra* note 122, at 30.

¹⁴⁶ Tóth, *supra* note 143, at 368 et seq.

¹⁴⁷ Maayan Perel & Niva Elkin-Koren, *Black Box Tinkering: Beyond Disclosure in Algorithmic Enforcement*, 69 FLORIDA LAW REVIEW 181, 185 (2017).

¹⁴⁸ Perel & Elkin-Koren, *supra* note 147, at 188.

¹⁴⁹ Mongnani, *supra* note 122, at 30; see French Ministry of Culture, *supra* note 97, at 50.

¹⁵⁰ Tóth, *supra* note 143, at 369; Toni Lester & Dessislava Pachamano, *The Dilemma of False Positives: Making Content ID Algorithms More Conducive to Fostering Innovative Fair Use in Music Creation*, 24 UCLA ENTERTAINMENT LAW REVIEW 51, at 64 (2017); Burk, *supra* note 142, at 290.

necessarily for algorithms.¹⁵¹ Even works in the public domain may be a challenge for algorithms, as seen in the example at the article's start.¹⁵²

In addition, one has to keep in mind that both the licensing and the maintenance of content recognition technologies require substantial resources.¹⁵³ It is for instance known that Google invested over \$100 million in its Content ID.¹⁵⁴ Given that the platforms are profit-oriented and not all of them as affluent as Google, it is likely that they will implement content recognition systems that are cost-effective and operate as efficiently as possible. There is an associated risk that not the most sophisticated filtering systems will be implemented, but rather ones that are prone to excessive blocking of content as a result of false positive results.¹⁵⁵ Overblocking, i.e. the removal of access to more content than is desirable or the law demands,¹⁵⁶ has been one of the persistent issues in copyright enforcement through intermediaries.¹⁵⁷ While it is possible that humans cause overblocking

¹⁵¹ Sag, *supra* note 22, at 531; Samuelson, *supra* note 13, at 15 (pointing to the fact that even representatives of filtering technology firms acknowledged that their technologies are unable to understand context).

¹⁵² Spoerri, *supra* note 42, at 182. CHRISTOPHE GEIGER, ET AL., INTERMEDIARY LIABILITY AND FUNDAMENTAL RIGHTS at 146 (Giancarlo F. Frosio ed. 2020); Frosio, *supra* note 37, at 212.

¹⁵³ Spoerri, *supra* note 42, at 174, 179 et seq.

¹⁵⁴ Paul Sawers, *YouTube: We've Invested \$100 Million in Content ID and Paid over \$3 Billion to Rightsholders*, VentureBeat (2018), <https://venturebeat.com/2018/11/07/youtube-weve-invested-100-million-in-content-id-and-paid-over-3-billion-to-rightsholders/> (accessed Jan. 22, 2021).

¹⁵⁵ Senftleben, *supra* note 90, at 10; see Maria Lilla Montagnani & Alina Trapova, *New Obligations for Internet Intermediaries in the Digital Single Market – Safe Harbors in Turmoil?*, 22 JOURNAL OF INTERNET LAW 3 (2019); Frosio, *supra* note 37, at 212.

¹⁵⁶ KRZYSZTOF GARSTKA, GUIDING THE BLIND BLOODHOUNDS: HOW TO MITIGATE THE RISKS ART. 17 OF DIRECTIVE 2019/790 POSES TO THE FREEDOM OF EXPRESSION (Paul Torremans ed., 4th ed. 2020).

¹⁵⁷ See, e.g., studies cited in Daphne Keller, *Empirical Evidence of “Over-Removal” by Internet Companies under Intermediary Liability Laws*, Stanford Center for Internet and Society Blog,

too, for instance due to different legal interpretations, it appears that algorithmic enforcement technologies only increase the risk of overblocking.¹⁵⁸ First, and as earlier noted, because they encounter difficulties when identifying legitimate reuse of copyright protected material. Second, because it is less critical for an intermediary to remove more content than necessary instead of only removing clear cases of infringement and thereby risking liability under Article 17(1). As intermediaries have strong incentives to minimize exposure to liability, overblocking seems tempting.¹⁵⁹ Yet, its effects can be pernicious, as overblocking not only impairs the user's right to freedom of expression, both in its active and passive dimensions, but also has a broader societal impact, as it diminishes content diversity, discriminates between types of content and genres,¹⁶⁰ and defeats the realization of the "marketplace of ideas".¹⁶¹ Freedom of expression is at risk also because of the broader "chilling effects":¹⁶² as shown earlier, the lack of transparency of content recognition systems makes it impossible for users to understand how to use the platform legally. Users are left in the dark as to which content triggers the algorithm and may be identified and labelled as infringing. This potentially creates

available at: <http://cyberlaw.stanford.edu/blog/2015/10/empirical-evidence-over-removal-internet-companies-under-intermediary-liability-laws> (accessed Jan. 22, 2021).

¹⁵⁸ GARSTKA, *supra* note 156.

¹⁵⁹ Martin Husovec, *The Promises of Algorithmic Copyright Enforcement: Takedown or Staydown? Which Is Superior? And Why?*, 42 COLUMBIA JOURNAL OF LAW & THE ARTS 53, 59 (2018); Senftleben, *supra* note 90, at 10; Leistner, *supra* note 119, at 175 et seq.

¹⁶⁰ It appears that filtering errors are for instance hurting hip hop artists more than musicians in other genres. See Lester & Pachamano, *supra* note 150, at 53.

¹⁶¹ Perel & Elkin-Koren, *supra* note 136, at 491.

¹⁶² GARSTKA, *supra* note 156; see FROSIO & MENDIS, *supra* note 39, at 563.

a discouraging environment for active users and might trigger self-censorship.¹⁶³

(c) *Mitigating the Risks of Article 17's Liability Regime*

Given the many pitfalls of the liability regime under Article 17, some authors have taken up the question of the availability of less problematic alternatives.¹⁶⁴ Dusollier, for instance, argues that it would have been easier to revise the liability regime of the E-Commerce Directive so as to distinguish better between hosting providers that only provide for storage of web content and service providers that benefit from, organise and make available content uploaded by its users.¹⁶⁵ A similar distinction, although not without criticism,¹⁶⁶ has been made under the new Swiss copyright law, which while implementing a notice and stay down obligation, limits its application only to hosting providers that have created a particular risk of copyright infringement – for example, because their technical functioning or economic orientation favours an infringement.¹⁶⁷ While this is not the path chosen by the EU, some improvements in

¹⁶³ Tóth, *supra* note 143, at 369.

¹⁶⁴ GARSTKA, *supra* note 156; Dusollier, *supra* note 67, at 1010.

¹⁶⁵ Dusollier, *Id.*, at 1010.

¹⁶⁶ See, e.g., Florian Schmidt-Gabain, *Ein Trojanisches Pferd im Entwurf für ein neues Urheberrechtsgesetz*, JUSLETTER 3 (Mar. 12, 2018) (stating that Article 39d is merely of a symbolic nature, in that it does not provide for consequences in case the provider does not fulfil its obligations).

¹⁶⁷ Article 39d of the Federal Act on Copyright and Related Rights; see Federal Department of Justice and Police, *Federal Council Adapts Copyright Law to the Digital Age* (Nov. 22, 2017), available at: <https://www.ejpd.admin.ch/ejpd/en/home/latest-news/news/2017/2017-11-221.html> (accessed Dec. 11, 2020); see also Botschaft zur Änderung des Urheberrechtsgesetzes sowie zur Genehmigung zweier Abkommen der Weltorganisation für geistiges Eigentum und zu deren Umsetzung (Nov. 22, 2017), available at: <https://www.admin.ch/opc/de/federal-gazette/2018/591.pdf> (accessed Jan. 22, 2021), at 673 (estimating that only five providers are likely to be affected by the regulation).

comparison to the initial Commission's proposal must be noted. Especially, the newly introduced safeguards in Article 17, paragraphs 7 and 9.¹⁶⁸ As noted earlier, Article 17(7) requires that the cooperation between OCSSPs and rightsholders provided for in Article 17(4) does not lead to prevention of the lawful use of content, and that EU Member States *must* ensure that users can invoke copyright exceptions and limitations when they quote, criticize, review, use caricature, parody or pastiche.¹⁶⁹ The mandatory nature of recognizing this fair use is certainly a step in the right direction, given that the exceptions listed are the "main, publicly beneficial uses of copyrighted works on OCSSP"¹⁷⁰ and the relatively high possibility of situations where content is wrongfully identified as infringing and subsequently removed.¹⁷¹ Importantly, this also contributes to the long-aspired-to harmonization of exceptions and limitations at the European level:¹⁷² while these exceptions and limitations were optional under the regime of EU Information Society Directive¹⁷³ and were either not implemented or differently implemented across Member States, Article 17(7) explicitly endorses them as a set of *user rights*.¹⁷⁴ Going forward, national legislatures and courts can interpret these concepts

¹⁶⁸ Maxime Lambrecht, *Free Speech by Design – Algorithmic protection of exceptions and limitations in the Copyright DSM directive*, 11 JIPITEC 68, 73 (2020); Dusollier, *supra* note 67, at 1018 et seq; GARSTKA, *supra* note 156.

¹⁶⁹ Schwemer & Schovsbo, *supra* note 97, at 7; Dusollier, *supra* note 67, at 1019.

¹⁷⁰ GARSTKA, *supra* note 156.

¹⁷¹ Schwemer, *supra* note 85, at 20.

¹⁷² Lambrecht, *supra* note 168, at 74; see Quintais et al., *supra* note 99, at 278.

¹⁷³ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L [2001] 167/10, at Article 5(3).

¹⁷⁴ Quintais et al., *supra* note 99, at 278.

broadly and provide legal certainty for users to engage in creative activities online.¹⁷⁵ In the absence of clearer distinctions, it may be hard for OCSSPs to properly assess whether or not a work falls under an exception or a limitation, and duly fulfil the obligations under Article 17(7) as well as those under Article 17(4).¹⁷⁶ Furthermore, the Directive fails to provide guidance on possible remedies for non-compliance with Article 17(7), which is indeed unfortunate.¹⁷⁷

As to the safeguards installed by paragraph 7, Article 17(9) states that Member States shall require that OCSSP put in place an effective and expeditious complaint and redressal mechanism that is available to their users in the event of disputes relating to matter uploaded by them. Given the pitfalls of algorithmic enforcement, this procedural safeguard appears all the more important, as it gives users viable ways to challenge algorithmic content restriction decisions.¹⁷⁸ While Article 17(9) appears in this sense to be a particularly valuable add-on, various questions remain still unanswered: for instance, how long can the complaint and redressal mechanism take to be considered as “effective and expeditious”?; or, what conditions must the rightsholder’s removal request meet to be considered as “duly” justified?¹⁷⁹

¹⁷⁵ *Id.* The CJEU has already interpreted broadly the concepts of “parody” and “quotation” in the InfoSoc Directive in a number of judgments: *see, e.g., Painer* (C-145/10), *Deckmyn* (C-201/13), *Funke Medien* (C-469/17), *Pelham* (C-467/17) and *Spiegel Online* (C-516/17).

¹⁷⁶ Schwemer, *supra* note 85, at 20.

¹⁷⁷ Schwemer, *supra* note 85, at 20.

¹⁷⁸ *See* Perel & Elkin-Koren, *supra* note 136, at 506; *see* FROSIO, *supra* note 34, at 20; *see also* Sartor & Loreggia, *supra* note 121, at 49 et seq.

¹⁷⁹ GARSTKA, *supra* note 156.

We did earlier criticize the notice and takedown procedure and its implementation through Content ID-like systems, since although on the books offering the possibility for a counter-notice, in practice they have not been effective in ensuring that users are able to respond to algorithmic decisions.¹⁸⁰ There is a distinct concern that within the notice and stay down procedure set out by Article 17(4)(c), the situation is only exacerbated. Montagnani argues that the complaint and redressal mechanisms under Article 17(9) are barely a workable solution, as it remains for the platforms to define how these mechanisms should operate on the basis of a cooperative process among themselves. This creates a discrepancy between the rights of copyright holders, whose interests are well protected by law and those of users, who are merely protected by a self-regulatory procedure with no adequate checks and balances.¹⁸¹ In contrast, Kuczerawy seems more optimistic about due process, pointing to the wording in Recital 70, which states that “[u]sers should have access to a court or another relevant judicial authority to assert the use of an exception or limitation to copyright and related rights” and considers the provision of the new Copyright Directive reasonable.¹⁸² In this context, while Article 17(9) has its problematic aspects, it still offers some basis to address the shortcomings of algorithmic enforcement, in particular as platforms

¹⁸⁰ Mongnani, *supra* note 122, at 30; Sag, *supra* note 22, at 559.

¹⁸¹ Mongnani, *Id.*, at 31; *see also* Lambrecht, *supra* note 168, at 75 et seq.; Leistner, *supra* note 119, at 193; Dusollier, *supra* note 67, at 1018 et seq.

¹⁸² KUCZERAWY, *supra* note 17, at 542.

should “ensure human review where appropriate”.¹⁸³ There are different possibilities to enact such a “human in the loop”¹⁸⁴ that do not to fully automate content removal but employ automated tools solely for the purpose of pre-selection of content and leave the ultimate decision to human moderators.¹⁸⁵ Garstka refers to this as “detect-and-notify” instead of a “detect-and-block” system.¹⁸⁶ Another possibility is that decisions made by automatic filters are reviewed and corrected by platform employees in a sort of appeal process.¹⁸⁷ Both these approaches would establish human review in the process of content moderation and thus reduce the risk of over blocking.¹⁸⁸ Yet, this would only work if the humans involved can duly examine the relevant information and do not simply approve a removal because they have to comply with excessive time expectations that may be implemented within the platform company.¹⁸⁹

Another viable approach of bringing back the “human in the loop” is pre-upload “labelling” by users. The idea here is that users who upload content and believe that their content qualifies for one of the copyright exceptions can label it as such.¹⁹⁰ Doing so initiates different treatment of that content, such as human review, instead of immediate blocking

¹⁸³ Committee of Ministers of the Council of Europe, Recommendation CM/Rec(2018)2 of the Committee of Ministers to member States on the roles and responsibilities of internet intermediaries (Mar. 7, 2018), at 9.

¹⁸⁴ Kuczerawy & Rauchegger, *supra* note 59, at 1518 et seq.; see GARSTKA, *supra* note 156.

¹⁸⁵ Kuczerawy & Rauchegger, *Id.*; see GARSTKA, *Id.*

¹⁸⁶ GARSTKA, *supra* note 156.

¹⁸⁷ Kuczerawy & Rauchegger, *supra* note 59, at 1518 et seq.

¹⁸⁸ Kuczerawy & Rauchegger, *Id.*

¹⁸⁹ GARSTKA, *supra* note 156; see also Lambrecht, *supra* note 168, at 76 (pointing also to the concern that human reviewer might be biased by the algorithmic assessment).

¹⁹⁰ GARSTKA, *supra* note 156; Leistner, *supra* note 119, at 202; Spindler, *supra* note 131, at 344.

when the content filtering system finds an “infringement” match.¹⁹¹ While this approach could be useful with respect to transformative works, it does too come with several knotty issues.¹⁹² First, there is the possibility that all users flag their content as covered by an exception. This would lead to an immense burden on human reviewers, which is likely to severely reduce the reviews’ quality, thereby undermining the very idea of human intervention in the process.¹⁹³ The potential for abuse cannot be underestimated either.¹⁹⁴ The system may also place a burden upon users’ shoulders, who must now perform the complex task of evaluating their content under copyright law, the quality of which can again be questionable.¹⁹⁵

Presently, it is the hope that the shortcomings of Article 17, as described above, could be mitigated through the implementation on the ground in the EU Member States, as the instrument of a Directive as a supranational intervention does permit many flexibilities and Member States have time until June 7, 2021 to ensure compliance.¹⁹⁶ Some clues as to the manner of implementation are already discernible and it appears that Member States tend to follow the wording of the

¹⁹¹ GARSTKA, *supra* note 156; *see* Leistner, *supra* note 119, at 203 (elaborating further specifications, especially the figure of the “trusted user” in order to have a feasible process in practice).

¹⁹² *See* GARSTKA, *supra* note 156

¹⁹³ GARSTKA, *supra* note 156; Leistner, *supra* note 119, at 208.

¹⁹⁴ GARSTKA, *Id.*; Leistner, *Id.*, at 206.

¹⁹⁵ GARSTKA, *Id.*; Leistner, *Id.*, at 207.

¹⁹⁶ Article 29 EU Copyright Directive.

Directive.¹⁹⁷ So far¹⁹⁸ no transposition proposal has tackled the problematic aspects of Article 17 in a meaningful way.¹⁹⁹ The German implementation proposal seemed to be an exception,²⁰⁰ at least at the time of writing. In June 2020 Germany published an intriguing discussion draft,²⁰¹ which made in particular²⁰² detailed proposals to prevent overblocking and protect users' rights by pre-upload labelling

¹⁹⁷ See, e.g., for France: http://www.assemblee-nationale.fr/dyn/15/textes/115b2747_texte-adopte-commission (in French) (accessed Jan. 22, 2021); for the Netherlands: Remy Chavannes, *The Dutch DSM Copyright Transposition Bill: Safety First (Up to a Point): Part 2* (Jun. 11, 2020), available at: http://copyrightblog.kluweriplaw.com/2020/06/11/the-dutch-dsm-copyright-transposition-bill-safety-first-up-to-a-point-part-2/?doing_wp_cron=1591876491.4978289604187011718750 (accessed Jan. 22, 2021). For an overview of national implementation of the Directive, see CREATE, *Copyright in the Digital Single Market Directive – Implementation*, available at <https://www.create.ac.uk/cdsm-implementation-resource-page> (accessed Jan. 22, 2021).

¹⁹⁸ An updated overview of the national implementations can be found here: <https://www.notion.so/DSM-Directive-Implementation-Tracker-361cf4e48e814440b353b32692bba879> (accessed Jan. 22, 2021).

¹⁹⁹ Samuelson, *supra* note 13, at 22; Communia Association, *Implementation Update: French Parliament Gives Carte Blanche, While the Netherlands Correct Course* (Oct. 8, 2020), available at: <https://www.communia-association.org/2020/10/08/implementation-update-french-parliament-gives-carte-blanche-netherlands-correct-course/> (accessed Jan. 22, 2021); see Paul Keller, *Taming the Upload Filters: Pre-flagging vs. Match and Flag* (Oct. 13, 2020), available at: <https://www.communia-association.org/2020/10/13/taming-upload-filters-pre-flagging-vs-match-flag/> (accessed Jan. 22, 2021).

²⁰⁰ Communia Association, *Article 17 implementation: German proposal strengthens the right of user and creators* (Jun. 24, 2020), available at: <https://www.communia-association.org/2020/06/24/article-17-implementation-german-proposal-strengthens-right-user-creators/> (accessed Jan. 22, 2021).

²⁰¹ Discussion draft of the Federal Ministry of Justice and Consumer Protection, working translation of the draft Act on the copyright liability of service providers for sharing online content (Article 3 of the discussion draft, transposing Article 17 DSM Directive) (Jun. 24, 2020), available at: https://www.bmju.de/SharedDocs/Gesetzgebungsverfahren/Dokumente/DiskE_II_Anpassung%20Urheberrecht_digitaler_Binnenmarkt_englischeInfo.html?nn=6712350 (accessed Jan. 22, 2021).

²⁰² A detailed discussion of further proposals can be found here: Julia Reda, *In Copyright Reform, Germany Wants to Avoid Over-blocking, not Rule out Upload Filters – Part 2* (Jul. 10, 2020), available at: http://copyrightblog.kluweriplaw.com/2020/07/10/in-copyright-reform-germany-wants-to-avoid-over-blocking-not-rule-out-upload-filters-part-2/?doing_wp_cron=1594627559.1338179111480712890625 (accessed Jan. 22, 2021).

by users.²⁰³ According to § 8 of the German draft, the service provider would be obliged to enable the user to pre-flag the use as contractually or legally authorized. If the user has pre-flagged the content uploaded and if such pre-flagging is not obviously incorrect, the blocking or removal would not be permitted, unless under some special circumstances are relevant.²⁰⁴ While this discussion draft is not flawless, it is at least an attempt to introduce an innovative and somewhat balanced system for addressing rightsholders' as well as users' rights.²⁰⁵ Yet, the most recent proposal of the German government of September 2020²⁰⁶ seems to have abandoned the earlier innovations, which is unfortunate.²⁰⁷

²⁰³ The German proposal thus seemed to follow suggestions made by scholars mentioned earlier in order to mitigate the damage to freedom of expression: see, e.g., GARSTKA, *supra* note 156; Leistner, *supra* note 119, at 72 et seq.

²⁰⁴ See Julia Reda, *In Copyright Reform, Germany Wants to Avoid Over-blocking, not Rule Out Upload Filter: Part 1* (Jul. 9, 2020), available at: http://copyrightblog.kluweriplaw.com/2020/07/09/in-copyright-reform-germany-wants-to-avoid-over-blocking-not-rule-out-upload-filters-part-1/?doing_wp_cron=1594627742.8278119564056396484375 (accessed Jan. 22, 2021); see also Teresa Nobre, *The German Model to Protect User Rights When Implementing Article 17* (Jul. 2, 2020), available at: <https://www.communia-association.org/2020/07/02/german-model-protect-user-rights-implementing-article-17/> (accessed Jan. 22, 2021).

²⁰⁵ See Reda, *supra* note 204; see also Keller, *supra* note 199; Natalia Mileszyk, *Copyright Directive – Implementation – July news* (Jul. 20, 2020), available at: <https://www.communia-association.org/2020/07/20/copyright-directive-implementation-july-news/> (accessed Jan. 22, 2021).

²⁰⁶ Referententwurf des Bundesministeriums der Justiz und für Verbraucherschutz, Entwurf eines Gesetzes zur Anpassung des Urheberrechts an die Erfordernisse des digitalen Binnenmarktes (Sept. 2, 2020), available at: https://www.bmjuv.de/SharedDocs/Gesetzgebungsverfahren/Dokumente/RefE_Urheb_errecht.pdf?__blob=publicationFile&v=7 (accessed Jan. 22, 2021).

²⁰⁷ The § 8 flagging procedure is now preceded by a “pre-check” process, which means that if a user uploads a work for which the rightsholder has submitted a blocking request, the service provider must inform the user immediately. The user should then have the possibility to flag the uploaded content as contractually or legally permitted. If the user flags its uploaded content and the flagging is not obviously incorrect according to § 12, then the content has to be reproduced by the service provider and the blocking or removal is not permitted according to §§ 10 and 11. In these cases, the service provider must inform

While the implementation issues at the national level persist, the EU Copyright Directive has been challenged in court proceedings too. Poland in particular has taken legal action before the CJEU seeking the annulment of Articles 17(4)(b) and 17(4)(c), as their “preventive control” mechanisms would “undermine the essence of the right of freedom of expression and information and do not comply with the requirement that limitations imposed on that right be proportional and necessary”,²⁰⁸ justifying this claim with the overly interventionist role of platforms and overblocking concerns, which bear upon freedom of expression.²⁰⁹ The lengthy procedures before the CJEU and the related uncertainty about the fate of Article 17 casts a shadow on the ongoing implementation efforts.²¹⁰

With the challenges before courts and the uncertainty related to domestic implementation of the Directive in the EU Member States,

the rights holder immediately. See Julia Reda, *Edit Policy: Verschärfungen bei der Urheberrechtsreform in Deutschland* (Sept. 28, 2020), available at: <https://www.heise.de/meinung/Edit-Policy-Urheberrechtsreform-in-Deutschland-4913564.html?seite=all> (accessed Jan. 22, 2021).

²⁰⁸ Action brought on 24 May 2019 – *Republic of Poland v European Parliament and Council of the European Union* (Case C-401/19).

²⁰⁹ Paul Keller, *CJEU Hearing in the Polish Challenge to Article 17: Not Even the Supporters of the Provision Agree on How It Should Work* (Nov. 11, 2020), available at: <http://copyrightblog.kluweriplaw.com/2020/11/11/cjeu-hearing-in-the-polish-challenge-to-article-17-not-even-the-supporters-of-the-provision-agree-on-how-it-should-work/> (accessed Jan. 22, 2021).

²¹⁰ Although the hearing showed that the CJEU takes Poland's legal action seriously and it is still conceivable that it could overrule the contested provisions, the fate of Article 17 is far from clear. At the hearing, Advocate General Saugmandsgaard Øe indicated that he will publish his opinion on the case on 22 April 2021, which is just six weeks before the implementation deadline. It is therefore likely that the court ruling will be issued after the deadline has expired. See Keller, *supra* note 209; see also Julia Reda, *Walking from Luxembourg to Brussels in Two Hours: The European Court of Justice Will Rule on the Legality of Upload Filters* (Nov. 16, 2020), available at: <https://verfassungsblog.de/luxembourg-to-brussels-in-two-hours/> (accessed Jan. 22, 2021).

it is critical that the discussion on mitigating the risks of Article 17 continues and moves towards viable concrete solutions. At this point of time, such mitigation appears particularly viable through two avenues. The first one is to focus on enabling as much as possible authorization under Article 17(1) by installing legal mechanisms for broad licensing that adequately engage all stakeholders and cover most content.²¹¹ The second avenue is to provide robust protection of user rights and real implementation of the copyright exceptions and limitation, which has been in fact one of the overarching ideas behind the EU copyright reform.²¹²

As discussed above, the Directive permits such an implementation, as it next to the generic obligation that it “shall in no way affect legitimate uses”, harmonizes and makes mandatory the specific exceptions covering quotation, criticism, review, caricature, parody or pastiche, thus endorsing them as a set of user rights.²¹³ These substantive rights must be coupled with procedural safeguards, and the implementation of Article 17(9) will be critical in this regard in providing workable, transparent, impartial and cost-effective complaint and redressal mechanisms.²¹⁴ This can ultimately lighten the growing burden that

²¹¹ See, e.g., Quintais et al., *supra* note 99, at 277; Spindler, *supra* note 131, at 344. An implementation with mandatory collective licenses is however unlikely, as it would contradict the CJEU's decision in the *Soulie* case, in which the CJEU clearly emphasized the author's individual right to consent and prior information. See Case C-301/15, *Soulie*, EU:C:2016:878 and Spindler, *Id.* at 367.

²¹² See, e.g., Dusollier, *supra* note 67, *passim* (discussing the various exceptions, such as data mining and exceptions for cultural institutions that the Directive endorses).

²¹³ Quintais et al., *supra* note 99, at 278.

²¹⁴ *Id.*, in particular at 281.

copyright law places upon free speech institutions²¹⁵ and ensure balance of interests. Technology can work as a helpful tool in this context too by embedding the so-called “free speech by design”²¹⁶ in algorithmic systems for copyright enforcement. Algorithms then should not only be able to detect infringing content but also identify uses covered by a copyright exception or limitation, excluding them from any automatic takedown. Such a fair use protection by default can arguably be derived from the reading of Article 17(4) in conjunction with Articles 17(7), 17(9) and in the light of the principle of proportionality.²¹⁷

CONCLUDING REMARKS

Intermediary liability in copyright law as a legal design seeks to balance three goals – first, to prevent copyright infringement; second, to protect Internet users’ lawful speech and activity online; and third, to support innovation and competition in online services. Any reform in the liability regime essentially changes the balance between these objectives and may potentially harm the parties involved with potentially far-reaching spillover effects.²¹⁸ The enquiry into the recent European copyright reform and in particular the analysis of the new

²¹⁵ Hannibal Travis, *Free Speech Institutions and Fair Use: A New Agenda for Copyright Reform*, 33 CARDOZO ARTS & ENTERTAINMENT 673, 674 (2016).

²¹⁶ Lambrecht, *supra* note 168. Further on the attempt of algorithmic protection of exceptions and limitations: Peter K. Yu, *Can Algorithms Promote Fair Use?*, 14 FIU LAW REVIEW 330 (2020); Elkin-Koren, *supra* note 4; Burk, *supra* note 142.

²¹⁷ Lambrecht, *supra* note 168, at 78 et seq.

²¹⁸ Daphne Keller, *Before the United States Senate Committee on the Judiciary, Subcommittee on Intellectual Property, Hearing on the Digital Millennium Copyright Act at 22: How Other Countries Are Handling Online Piracy: Statement of Daphne Keller* at 1 et seq. (Mar. 10, 2020), available at: <https://www.judiciary.senate.gov/download/keller-testimony> (accessed Jan. 22, 2021).

regime of Article 17 have shown a distinct shift towards stricter liability and responsibility for certain Internet intermediaries,²¹⁹ which departs from the standard “notice and takedown” regime²²⁰ and may involve under different scenarios proactive monitoring obligations and automated enforcement. While the benefits for rightsholders may be evident and the attempt to close the value gap valid, a number of serious concerns have been raised. Algorithmic enforcement may in particular compromise users’ rights to lawfully access and use copyrighted content and degrade transparency and due process. One can only hope that the Directive’s implementation in the EU Member States will mitigate these risks by taking some of the avenues that this article has suggested and ultimately create a regulatory environment where the balance between the different stakes is properly safeguarded and the conditions for online creativity work for the benefit of all, and not merely for coordinated industry interests.²²¹

²¹⁹ Giancarlo F. Frosio, *Why Keep a Dog and Bark Yourself? From Intermediary Liability to Responsibility*, 26 INTERNATIONAL JOURNAL OF LAW AND INFORMATION TECHNOLOGY 1 (2018).

²²⁰ See, e.g., JANE C. GINSBURG, A UNITED STATES PERSPECTIVE ON DIGITAL SINGLE MARKET DIRECTIVE ART. 17 (Irina Stamatoudi and Paul Torremans eds. 2020).

²²¹ Travis, *supra* note 215, at 677.

THE U.S. POSTURE ON GLOBAL ACCESS TO MEDICATION & THE CASE FOR CHANGE

*Michael Palmedo and Srividhya Ragavan**

The year 2020 marks the 25th anniversary of including intellectual property rights within the larger agenda of trade. While the marriage between trade and intellectual property was always uncomfortable, COVID-19 exposed the flaws, failures and the inadequacy of the trade agenda to harmonize intellectual property rights, particularly for patents in pharmaceuticals. Typically, the United States through its questionable United States Trade Representative (USTR) process exposed the vulnerabilities of the intellectual property systems of the rest of the world. COVID-19 exposed the manner in which the so-called ‘superior’ intellectual property regime of the US left the country with a weak health-care system. Testing, cost of medical care, lack of treatment, lack of quick access to doctors are all barriers that generally place the United States as having one of the worst health care systems compared to other developed economies. The onset of COVID-19 merely exacerbated the existing flaws to expose these vulnerabilities.

At a general level, other governments seemed to have been better prepared and certainly seem to have responded better. For example, in early 2020 Canadian lawmakers passed a bill that would allow the issuance of compulsory licenses for medical products.¹ A compulsory

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¹ An Act respecting certain measures in response to COVID-19, Bill C-13, 43rd Parliament §31 (2020).

license would allow the government to license the manufacturing of any treatment or medication or medical device that could help contain the spread of or treat COVID-19 to either a public agency or a generic drug maker. The license will allow the product to be available at a lesser cost because it will be free of the shackles of patent monopoly. The right to compulsorily license a patent to preserve public health was memorialized by the World Trade Organization's (WTO) agreement on Intellectual Property known as the Trade-Related Aspects of Intellectual Property Rights (TRIPS),² and later reiterated *vide* the Doha Declaration on Public Health.³

Similarly, Germany has taken actions to ensure that patents are not a barrier to public health or to its health care policy.⁴ Meanwhile, developing countries like Costa Rica have reached out to the World Health Organization (WHO) to develop an IP pool to create an open licensing system that will create more access and affordability.⁵ Other countries have either already taken or are gearing up to take the same or similar measures to create access to treatments and enable research or testing to facilitate a vaccine or a cure.⁶

² Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 14, Apr. 15, 1994, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

³ World Trade Organization, Ministerial Declaration of 14 November 2001, WTO Doc. WT/MIN(01)/DEC/1, 41 ILM 746 (2002).

⁴ Act on the Protection of the Population in the Event of an Epidemic Situation of National Importance, Federal Law Gazette, Pt. 1-14, Mar. 27, 2020.

⁵ WHO COVID-19 Technology Access Pool, World Health Organization (Jun. 1, 2021, 11:30 am), <https://www.who.int/initiatives/covid-19-technology-access-pool>.

⁶ International community rallies to support open research and science to fight COVID-19, World Health Organization (Jun. 1, 2021, 11:45 am), <https://www.who.int/news/item/29-05-2020-international-community-rallies-to-support-open-research-and-science-to-fight-covid-19>.

Notably, these actions are legal under the relevant international law, that is, the WTO's TRIPS Agreement.⁷ Just like the compulsory licensing flexibility mentioned earlier, the TRIPS Agreement permits a range of negotiated flexibilities during a public health crisis to prevent intellectual property from becoming a barrier to public health by way of respecting sovereign rights of a nation to prioritise public interests (including access to healthcare) over intellectual property rights. Specifically, Article 31 of the TRIPS Agreement allows governments to issue compulsory licenses, permitting generic companies to produce copies of patented products under certain conditions, usually including the payment of royalties to the patent holder.⁸ Other forms of flexibilities include price control of pharmaceuticals and importation of generic drugs manufactured from other countries. Many of these were used during the AIDS pandemic successfully by developing countries albeit with resistance from the United States.⁹ Currently, while countries are considering either flexibilities or, cooperative R&D solutions, the U.S. FDA, on March 23, 2020, surprised the world by granting Gilead's drug Remdesivir an Orphan Drug¹⁰ status for the treatment of COVID-19, on grounds this is a rare disease. The orphan drug status essentially allows the maker of a patented drug about 7

⁷ TRIPS Agreement, *supra* note 2.

⁸ *Id.*

⁹ Reed Beall and Randall Kuhn, *Trends in Compulsory Licensing of Pharmaceuticals Since the Doha Declaration: A Database Analysis*, PLOS MEDICINE (Jan., 2012). *See also*, YUGANK GOYAL, COMPULSORY LICENSING: PRACTICAL EXPERIENCES AND WAYS FORWARD 22 (Reto M. Hilty et. al., 2015).

¹⁰ Designating an Orphan Product: Drugs and Biological Products, USFDA (Jun. 1, 2021, 12 pm), <https://www.fda.gov/industry/developing-products-rare-diseases-conditions/designating-orphan-product-drugs-and-biological-products>.

additional years of market exclusivity.¹¹ The objective of the Orphan Drug Act, under which the status is granted, was to encourage research on treatments for diseases that impact a small number of patients – treatments with small markets.¹² That big pharma has misused the orphan drug provision to extend the exclusivity for known and patent-expired drugs has been reported extensively. When Remdesivir was granted the orphan drug status, KEI reported that Gilead developed Remdesivir using at least \$79 million in U.S. government funding after the Ebola crisis to deal with future potential pandemics.¹³ The backlash that resulted caused Gilead to announce that it will “waive all benefits associated” with the designation.¹⁴ That the United States is not actively working to provide access, and instead considers regulatory and patent related exclusivities is appalling. Gilead’s lack of public responsibility notwithstanding, the FDA’s actions seemed completely dissociated with the ground realities. On March 26, 2020, the US recorded the highest number of COVID-19 cases. To provide a background, orphan drugs are meant to treat what is termed as an orphan disease, which are defined as diseases that affect fewer than 200,000 patients, for which, typically there is minimal incentive to innovate a new drug given the smaller market size. Getting the orphan drug status helps a drug that is otherwise available in the market to

¹¹ Patents and Exclusivity, FDA/CDER SBIA Chronicles (June 1, 2021, 12:30 pm), <https://www.fda.gov/media/92548/download>.

¹² Matthew Herder, *What Is the Purpose of the Orphan Drug Act*, PLOS MED (Jan., 2017).

¹³ Kathryn Ardizzzone, *Role of the Federal Government in the Development of Remdesivir*, KEI BRIEFING NOTE (2020), https://www.keionline.org/wp-content/uploads/KEI-Briefing-Note-2020_1GS-5734-Remdesivir.pdf.

¹⁴ Gilead Sciences Statement on Request to Rescind Remdesivir Orphan Drug Designation, Gilead – Company Statements (Jun. 1, 2021, 12:45 pm), <https://www.gilead.com/news-and-press/company-statements/gilead-sciences-statement-on-request-to-rescind-remdesivir-orphan-drug-designation>.

become exclusive to treat the identified orphan disease/condition. The exclusivity that ensues from the orphan classification helps a drug to avoid market competition by getting the orphan status. Giving Remdesfavar orphan status to treat COVID-19 is ironic considering that during that month the US was recording close to 3,000 patients a day. Thus, the orphan drug status to Remdesfavar showcases how the FDA completely altered the incentive structure meant for getting the orphan status.

The FDA's actions, though, comports with the global trade posture of the U.S. which can be faulted for not appreciating the importance of public health for the globe and for other countries. In the face of a mounting COVID-19 outbreak, with the possibility of a shortage of medical equipment and supplies, the U.S. Trade Representative Robert Lighthizer, defended the trade posture with China which has resulted in a shortage of medical supplies such as gloves and masks.

More importantly, it is true that – historically – the United States has actively worked against access to medication around the globe.¹⁵ Be it with HIV, AIDS or SARS, when parts or all of the world have faced outbreaks of infectious diseases, the U.S. has ignored the multilateral systems and unilaterally used the powers of the Trade Act to oppose the fair use of negotiated flexibilities.¹⁶

¹⁵ Aswathy Asok, *Compulsory Licensing For Public Health And USA's Special 301 Pressure: An Indian Experience*, JOURN. OF IPR 24, 125-131 (Sep.-Nov. 2019).

¹⁶ JAKKRIT KUANPOTH, *COMPULSORY LICENSING: PRACTICAL EXPERIENCE AND WAYS FORWARD* 22 (Reto M. Hilty, et. al., 2015).

To provide a background, the Trade Act, 1974¹⁷ under Section 301 unilaterally authorizes the office of the United States Trade Representative (USTR) to identify and pursue countries perceived as denying adequate and effective protection of intellectual property (IP) rights or fair and equitable market access to U.S. industries or entities that rely on IP protection. Every year, USTR releases the Special 301 Report¹⁸ accusing various countries of having inadequate IP policies, and many of the alleged violations focus on pharmaceutical patent protection. Once identified, USTR applies direct and indirect pressure through trade negotiations and preference systems in order to win policy changes favored by U.S. IP-owning stakeholders in the identified countries. USTR seeks IP policy changes by amending laws, providing regulatory exclusivities, or directing the way specific laws are implemented. These changes typically fall in line with the expectations of the USTR without considering local realities, and target the TRIPS-based flexibilities that provide for access to medications. Laws and amendments made in other countries to ensure access to medication form a huge part of the Special 301 Report, such that Developing countries typically assert USTR works to take away negotiated TRIPS flexibilities to provide access to medication. The U.S. Special 301 Report routinely promotes levels of intellectual property protection that exceed what is required by the TRIPS Agreement, termed now as TRIP-Plus provisions.

¹⁷ 19 U.S.C § 2242; §182 of the Trade Act of 1974.

¹⁸ Special 301, Office of the United States Trade Representative (Jun. 1, 2021, 12:05 pm), <https://ustr.gov/issue-areas/intellectual-property/Special-301>.

The COVID-19 crisis makes it imperative for all countries to fully use TRIPS flexibilities. Thus, while internally the U.S. will have to reconsider much of the currently prevailing health-care systems, not much has been said about how COVID-19 could affect the role of the USTR on the issue of pharmaceutical patenting and trade. In order to show the extent to which USTR has targeted the use of TRIPS flexibilities in the Special 301 Report, we reviewed countries that have used TRIPS flexibilities in the past to tackle different health crisis such as AIDS, SARS, Zika, etc. In gist, we specifically examined reactions of the USTR when a country used TRIPS flexibilities by considering the subsequent placement of that country on the Special 301 Lists and the reason for the placement.

To do this, we used the most comprehensive source of data on the use of TRIPS flexibilities, the TRIPS Flexibilities Database,¹⁹ compiled by Medicines Law and Policy. It contains examples of use of compulsory licenses, patent exceptions, parallel imports, LDC transition provisions by countries and outlines the flexibility used in order to access generic medicines. The database is one of the more comprehensive set of data on use of flexibilities. The list does not claim to be exhaustive, but it contains many instances of use of these flexibilities and thus helps to make the correlation between the use of flexibilities and reaction of the USTR. There are a total of 79 countries in the database. Some countries have used TRIPS flexibilities more than once, and the database includes each instance of a country's use of flexibilities.

¹⁹ The TRIPS Flexibility Database, Medicines Law & Policy (Jun. 1, 2021, 12:07 pm), <http://tripsflexibilities.medicineslawandpolicy.org/>.

In reviewing countries that have used TRIPS flexibilities and subsequent (re)actions of the USTR through Special 301 listings with a keen eye on the access to medication question, we found the following:

First, we found that 93% of people living in countries that used flexibilities are from countries that were placed on a Special 301 List the year after their government issued a compulsory license.

The countries that are included in the Special 301 Report are often large markets. China, India, Indonesia and Brazil are on the Special 301 Lists each year. Based on the most recent World Bank data, 4.5 billion people live in the non-African countries that used TRIPS flexibilities,²⁰ and 4.2 billion them live in countries that were listed in the Special 301 Report the year after they first used or planned to use a TRIPS flexibility – or 93%.

Second, the world's total population is 7.5 billion people. Considering the population of the countries that have been placed on the Special 301 list for having included TRIPS flexibilities, a whopping 56% of the world's population today live in countries that were placed on a Special 301 List the year after their government used (or planned to use) a TRIPS flexibility.

²⁰ The most recent publicly available World Bank population data is from 2018. The World Bank databank does not include statistics on Taiwan, so here we use UN data for the same year, compiled by Worldometer.

Thus, directly or indirectly, the USTR's actions has affected access to medication for over half of the world's population outside of the United States.

Third, 61% of the (non-African) countries that used TRIPS flexibilities were included on the Special 301 List of the immediately following year. Importantly, the report generally has not included Sub-Saharan African countries for reasons related to intellectual property and healthcare. A Presidential Executive Order, 13155, issued by the U.S. in 2000, which was a fall-out considering the AIDS crisis and its devastating effect on Africa, stated that "the United States shall not seek, through negotiation or otherwise, the revocation or revision of any intellectual property law or policy" used by Sub-Saharan African countries to fight HIV/AIDS. The Executive Order was a by-product of negotiation by the African Union after AIDS ravaged the continent in early 2000s.

Notably, out of the 79 countries in the TRIPS Flexibilities Database, 41 are located in Sub-Saharan Africa. Out of the remaining 38 (non-Sub-Saharan African) countries, 23 were included on one of the Special 301 Lists the year following their use of a TRIPS flexibility. That amounts to 61%. That is, all of these 38 countries had considered seriously, or, issued or, begun the process of issuing (a) compulsory license(s) for a medicine. It is notable that USTR rarely uses the explicit term "compulsory license" when identifying countries as having inadequate intellectual property protection. USTR will often pair specific grievances with other, vague complaints about a list country's

intellectual property landscape. For instance, even in the 2019 Special 301 Report, along with specific complaints about India USTR writes that IPR protection concerns remain about India due to inadequate laws and ineffective enforcement – which really could pertain to anything but was essentially a fall out from the one compulsory license India issued to cover Bayer’s Nexavar in 2012. But, each of these notations of the USTR have historically prevented access to medication. Also, with countries like India, a one-time use of TRIPS flexibility has resulted in Special 301 mention for several years such that it becomes a deterrent for the country to use that or another flexibility again.

The table below highlights countries that used TRIPS Flexibilities and Placement on Special 301 Lists. Importantly, the table highlights how unilateral PWL status, arguably in violation of the World Trade Organization’s multilateral dispute settlement process, ensues from the Office of the USTR, as a consequence of sovereign national action which was in comport with negotiated TRIPS flexibilities. Importantly, countries like India have been featured with PWL status, which needed to comply with the State of Administrative Action submitted to ensure compliance with the multilateral dispute settlement process as outlined in the opinion in *Special* 301-310 of the Trade Act, 1974.²¹ Nevertheless, it is important for readers to know that one violation

²¹ United States – Sections 301-310 of the Trade Act of 1974, World Trade Organization, WT/DS152/14 (Feb. 28, 2000).

typically ensues in several years of featuring – most often, unfairly in the Special 301 report by the USTR such as with India.

Country	First Year Using TRIPS Flexibility	Placed on a Special 301 List the Following Year? ²²	Type of Flexibility	Flexibility Executed	Population
Argentina	2005	Yes	Art 31	No	44,494,502
Belarus	2005	Yes	Art 31	Yes	9,485,386
Brazil	2001	Yes	Art 31	Yes	209,469,333
Canada	2007	Yes	Art 31 bis	No	37,058,856
Chile	2018	Yes	Art 31	Pending	18,729,160
China	2005	Yes	Art 31	Yes	1,392,730,000
Colombia	2014	Yes	Art 31	Pending	49,648,685
Ecuador	2003	Yes	Art 31 bis	No	17,084,357
Guatemala	2005	Yes	Art 31	-	17,247,807
India	2008	Yes	Art 31	No	1,352,617,328
Indonesia	2004	Yes	Art 31	Yes	267,663,435
Italy	2005	Yes	Art 31	Yes	60,431,283
Korea	2002	Yes	Art 31	No	51,635,256
Malaysia	2003	Yes	Art 31	Yes	31,528,585
Pakistan	2006	Yes	Art 31	Yes	212,215,030
Peru	2013	Yes	Art 31	Pending	31,989,256
Philippines	2005	Yes	Art 31	Yes	106,651,922
Romania	2015	Yes	Art 31	Pending	19,473,936
Russia	2018	Yes	Art 31	Yes	144,478,050
Taiwan (Chinese Taipei)	2005	Yes	Art 31	Yes	23,726,460
Tajikistan	2005	Yes	Art 31	Yes	9,100,837
Thailand	2006	Yes	Art 31	Yes	69,428,524
Ukraine	2004	Yes	Art 31	Yes	44,622,516
Albania	2004	No	Par 7	Yes	2,866,376
Azerbaijan	2011	No	Art 31	Yes	9,942,334
Cambodia	2005	No	Par 7	Yes	16,249,798
Cuba	2004	No	Art 31	Yes	11,338,138
Georgia	2006	No	Art 31	Yes	3,731,000

²² Many of these countries were on the Priority Watch List *before* using the TRIPS flexibility for various reasons. For example, India was on the PWL for not amending the patent statute from 2005. In 2005, India amended its patent statute to conform to TRIPS but was *again* featured in the Special 301 list as a consequence for using negotiated flexibilities *several times*.

Germany	2016	No	Art 31	Yes	82,927,922
Guyana	2005	No	Art 31	Yes	779,004
Haiti	2005	No	Par 7	Yes	11,123,176
Honduras	2005	No	Art 31	Yes	9,587,522
Mongolia	2007	No	Art 31	Yes	3,170,208
Myanmar	2005	No	Art 31	Yes	53,708,395
Nepal	2007	No	Par 7	Yes	28,087,871
Norway	2018	No	Art 31	No	5,314,336
Papua New Guinea	2007	No	Art 31	Yes	8,606,316
United Kingdom	2015	No	Art 31	Pending	66,488,991

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Within the U.S., COVID has exposed the lacunas of a health care system that is inaccessible to many Americans. Even when accessible, the bureaucracy of a system that is completely privatized makes both access and affordability a rigorous exercise. COVID-19 will necessarily raise questions about the flaws of the healthcare system in the United States.

Along the same vein, COVID-19 raises important issues about innovation and access to health care globally. The world will be forced to consider whether the IP maximalist rhetoric of trade and innovation that has been used by USTR and the WTO to undermine public health, is, in turn, creating a worse barrier to public health. COVID-19 has also increased the significance of finding an integrated solution that includes the access question into the larger debate on trade and innovation. It has highlighted that a public health crisis in one part of the world can affect the globe, global trade, and all that the U.S. and

²³ Created by Michael Palmedo, American University Washington College of Law; Shammad Basheer IP/Trade Fellowship with Texas A&M University School of Law

the WTO stands for in unimaginable ways. COVID-19 has underscored the need for a balance between innovation and access.

For the U.S., COVID-19 has undermined the carefully constructed rhetoric that stronger IP – stronger than what is required by WTO – is needed to drive innovation, and therefore trumps concerns over pricing and access to healthcare. As the U.S. struggles with the global pandemic, access to healthcare and affordability of medication seem to be the one paradigm that can alleviate much of the national and global concerns, including those that involve trade. Lack of medications either because of lack of research or, access, can catapult what could be a national public health issue into an international crisis or a pandemic

While as a nation we consider different long-term solutions, the role of the USTR *via-a-vis* the use of public health flexibilities should be up for a serious debate nationally. Not just within the United States but at the level of the World Trade Organization too, which turned a blind eye to the unilateral pressure the U.S. imposes indirectly after agreeing to a system that requires multilateral dispute resolution. COVID-19 perhaps, is a call to reset the dial and look at trade with a dose of realism.

EXTRATERRITORIAL APPLICATION OF U.S. COPYRIGHT LAW IN MULTINATIONAL LITIGATION*

Tyler T. Ochoa**

Abstract

It is hornbook law that U.S. copyright law is not “extraterritorial,” i.e., that it does not apply to conduct occurring in other countries. However, a distinction must be drawn between purely extraterritorial conduct, which is nonactionable, and conduct that crosses borders, so that at least a part of the offense takes place within the United States. Despite the nominal rule against extraterritoriality, U.S. courts have applied U.S. copyright law to a wide range of multi-territorial infringement claims. Both importation and exportation of infringing copies or phonorecords are prohibited by statute, and the distribution right has been interpreted broadly to apply to a foreign seller who ships infringing goods into the United States. Although mere “authorisation” in the United States that contributes to infringement occurring entirely in another country is not actionable, if there is a “predicate act” of infringement in the United States, courts are willing to award the defendant’s profits resulting from that infringement, even if those profits were earned overseas. Acts in another country that contribute to infringement in the United States are actionable under

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U.S. law. And finally, although courts are split over whether transmissions originating in the United States must be received here to be actionable, courts agree that transmissions originating in another country that are received in the United States are actionable under U.S. law, at least where the defendant intentionally “targeted” those transmissions at the United States in some way. Taken together, these doctrines afford copyright owners a wide range of options for applying U.S. copyright law to multi-territorial infringement claims.

INTRODUCTION

The international intellectual property system is based on the twin principles of territoriality and national treatment: each nation controls the protection and use of intellectual property within its own borders,¹ and each nation promises to provide citizens and residents of other nations “treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property.”² But

¹ See, e.g., Berne Convention for the Protection of Literary and Artistic Property, as amended on Sept. 28, 1979 (hereinafter the Berne Convention), art. 5(2) (“the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.”), available at <https://wipolex.wipo.int/en/text/283698> (last visited June 1, 2020). Cf. American Code Co. v. Bensinger, 282 F. 829, 833 (2d Cir. 1922) (“The copyright laws of one country have no extraterritorial operation, unless otherwise provided.”).

² Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter the TRIPS Agreement), art. 3(1). The TRIPS Agreement is Annex 1C to the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994. The current text, as amended on 23 January 2017, is available at https://www.wto.org/english/docs_e/legal_e/31bis_trips_01_e.htm (last visited June 1, 2020).

See also Paris Convention for the Protection of Industrial Property, as amended on Sept. 28, 1979 (hereinafter the Paris Convention), art. 2(1) (“Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to [their] nationals.”), available at <https://wipolex.wipo.int/en/text/288514> (last visited June 1, 2020); Berne Convention, art. 5(1) (“Authors shall enjoy, in respect of works for

international trade in intellectual property crosses borders with ease. Goods are produced in one country and distributed in another country. Broadcast transmissions are sent from one country and received in another country. Conduct in one country may contribute to distribution of goods in another country. The Internet adds an additional dimension to the problem: copies may be uploaded from one country at the direction of someone in another country, stored on a server in a third country, and transmitted to a fourth country. When such conduct occurs without the consent of the right holder, which country's laws apply to the conduct?

This article will examine the United States' approach to the choice of law problem in one area of intellectual property law: copyright. After a brief background section, the article will explore the application of U.S. law to four categories of cases. First, cases involving importation and exportation of physical goods will be examined. Second, cases involving an alleged domestic contribution to foreign infringement will be analysed. Third, cases involving an alleged foreign contribution to domestic infringement will be considered. Fourth, cases involving broadcast and internet transmissions across borders will be analysed. Together, these four categories of cases demonstrate that U.S. courts typically are willing to apply U.S. law to cases having even a minimal connection with the United States, with little consideration, if any, to

which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals.”).

the interests that other nations may have in applying their own law to the dispute.

BACKGROUND

One potential solution to the choice-of-law problem in “multi-territorial infringement” cases is harmonisation of substantive copyright law.³ If two nations’ copyright laws are identical, then in theory it does not matter which nation applies its law to the dispute. (Of course, there must still be some sort of mechanism for determining the choice of forum and avoiding conflicting decisions.⁴) In the absence of such harmonisation, however, general principles of tort law suggest that one should apply either the law of the place where the wrongful act or omission occurs,⁵ or the law of the place where the damage or harm occurs.⁶

³ This is the approach that has increasingly been taken in the European Union, where a series of directives have reduced (but not eliminated) the disparities between the national copyright laws of its 27 member states. *See generally* IRINI STAMATOUDI & PAUL TORREMANS, *EU COPYRIGHT LAW: A COMMENTARY* (Elgar 2d ed. 2021) (forthcoming).

⁴ In the European Union, for example, *see* EU Regulation 1215/2012 of 12 Dec. 2012 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, 2012 O.J. (L 351) [hereinafter EU Regulation 1215/2012].

⁵ *See, e.g.*, Hague Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters [hereinafter Hague Convention on Recognition of Judgments], art. 5(1)(j) (for “a non-contractual obligation arising from ... damage to or loss of *tangible* property,” recognizing judgments where “the act or omission directly causing such harm occurred in the State of origin, irrespective of where that harm occurred”) (emphasis added).

⁶ *See, e.g.*, EC Regulation 864/2007 of 11 July 2007 on the Law Applicable to Non-Contractual Obligations [hereinafter Rome II Regulation], art. 4(1) (“the law applicable to a non-contractual obligation arising out of a tort/delict shall be the law of the country in which the damage occurs irrespective of the country in which the event giving rise to the damage occurred”).

Of course, determining where an act, omission, damage, or harm “occurs” for an infringement of intangible property is such a difficult problem that the most recent international agreement on choice of forum omitted intellectual property altogether.⁷ One could argue, for example, that the “harm” or “damage” always manifests itself in the country of the copyright owner’s domicile, regardless of where the infringement took place. But the twin principles of territoriality and national treatment suggest instead that intellectual property should be governed by the law of the country in which protection is claimed, that is, the country in which the alleged infringement has taken place.⁸ Determining where an infringement occurred, in turn, depends on the substantive law involved and the exclusive right that allegedly has been violated.

In the United States, copyright law is governed by a federal statute: the Copyright Act of 1976, as amended.⁹ Section 106 of the Copyright Act provides copyright owners with five exclusive rights: (1) reproduction, (2) adaptation, (3) public distribution, (4) public performance, and (5) public display.¹⁰ Exceptions and limitations to those rights are

⁷ See Hague Convention on Recognition of Judgments, art. 1(m) (“This Convention shall not apply to ... intellectual property”).

⁸ This is the approach taken in the European Union. See Rome II Regulation, art. 8(1) (“The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.”).

⁹ See 17 U.S.C. § 101, et seq.

¹⁰ 17 U.S.C. § 106. A sixth exclusive right provides copyright owners of sound recordings with the exclusive right “to perform the copyrighted work publicly by means of a digital audio transmission.” 17 U.S.C. § 106(6). Sound recordings (along architectural works and pictorial, graphic and sculptural works) are not afforded a general right of public performance. See 17 U.S.C. § 106(4) (listing the categories of works to which the public performance right applies).

provided in Sections 107 through 122.¹¹ Infringement is defined as the unauthorized exercise of any of those five rights.¹²

Unlike the U.S. Patent Act,¹³ the U.S. Copyright Act does not expressly limit its applicability to the territory of the United States. Nonetheless, the Courts of Appeals have uniformly held that “the United States copyright laws do not reach acts of infringement that take place entirely abroad.”¹⁴ Thus, for example, a claim that the State Bank of India infringed the plaintiff’s software by distributing it and using it at its branches in India had to be dismissed.¹⁵ However, “a distinction should be drawn between purely extraterritorial conduct, which is itself nonactionable, and conduct that crosses borders, so that at least a part of the offense takes place within the United States.”¹⁶ With one

¹¹ Most of the exceptions and limitations are narrow and specific, applying only to specified types of works and/or to specified exclusive rights. Two exceptions and limitations are of general applicability: the fair use doctrine, which provides that “the fair use of a copyrighted work ... is not an infringement of copyright,” 17 U.S.C. § 107; and the first-sale doctrine, also known as the doctrine of exhaustion, under which the owner of a particular copy may resell or redistribute that copy without the authorization of the copyright owner, 17 U.S.C. § 109(a).

¹² 17 U.S.C. § 501(a) (“Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 ... is an infringer of the copyright”).

¹³ See 35 U.S.C. §154(a)(1) (granting “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, ... the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process”).

¹⁴ *Subafilms, Ltd. v. MGM-Pathé Comms. Co.*, 24 F.3d 1088, 1098 (9th Cir. 1994); *accord*, *Litecubes, LLC v. Northern Lights Prods., Inc.*, 523 F.3d 1353, 1366-67 (Fed. Cir. 2008). See also *Palmer v. Braun*, 376 F.3d 1254, 1258 (11th Cir. 2004) (“it is only where an infringing act occurs in the United States that the infringement is actionable under the federal Copyright Act”); *Robert Stigwood Group, Ltd. v. O’Reilly*, 530 F.2d 1096, 1101 (2d Cir. 1976) (“Copyright laws do not have extraterritorial application.”).

¹⁵ See *Micro Data Base Systems, Inc. v. State Bank of India*, 177 F. Supp. 2d 881, 886-87 (N.D. Ind. 2001). The infringement claim was allowed to proceed, however, with respect to unauthorized use of the software at the Bank’s branch in New York. *Id.* at 887 n.2.

¹⁶ *Litecubes*, 523 F.3d at 1371, quoting 4 RAYMOND B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 17.02 (2008) (hereinafter NIMMER ON COPYRIGHT).

exception, courts are left to work out whether the statute applies with respect to such “multi-territorial infringement claims”¹⁷ on a case-by-case basis.¹⁸

ANALYSIS OF U.S. CASE LAW

I. Importing and Exporting Infringing Goods

With regard to physical goods, the principles outlined above suggest that a court should apply both the law of the country where the reproduction takes place (to determine whether the reproduction was lawful), and the law of the country where the distribution of copies takes place (to determine whether the distribution was lawful). However, considering economic harm occurs only when the goods are sold, as a practical matter, it may be expected that the country into which the goods are imported will apply its own law. This is especially true if the country has adopted a rule of domestic exhaustion, under which the intellectual property owner may prohibit even lawfully made goods from being imported and distributed without its authorisation.¹⁹

¹⁷ *Id.*

¹⁸ Whether the statute encompasses such cross-border conduct is an element of the cause of action and is properly raised on a motion to dismiss for failure to state a claim, or on a motion for summary judgment, rather than on a motion to dismiss for lack of subject-matter jurisdiction. *Litcubes*, 523 F.3d at 1366-68; *Geophysical Service, Inc. v. TGS-NOPEC Geophysical Co.*, 850 F.3d 785, 791 (5th Cir. 2017). In *Palmer v. Braun*, 376 F.3d at 1258, the Eleventh Circuit held that the territorial limit was jurisdictional; but the Federal Circuit in *Litcubes* disagreed on the basis of intervening authority of the U.S. Supreme Court. 523 F.3d at 1368.

¹⁹ The issue of exhaustion of intellectual property rights proved so contentious that the TRIPS Agreement left countries free to adopt any rule of exhaustion they wish, subject only to the non-discrimination principles of national treatment and most-favored nation status. *See* TRIPS Agreement, art. 6 (“subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.”).

In the United States, the one statutory provision governing multi-territorial infringement claims (conduct crossing borders) involves importation and exportation. Section 602(a)(1) provides:

Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.²⁰

And section 602(a)(2), added in 2008,²¹ provides:

Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under sections 501 and 506.²²

²⁰ 17 U.S.C. § 602(a)(1). This language was enacted in 1976 as subsection 602(a), and was renumbered as subsection 602(a)(1) in 2008.

²¹ See *Prioritizing Resources and Organization for Intellectual Property Act of 2008* (hereinafter “PRO-IP Act”), Pub. L. 110-403, Tit. I, § 105(b), 122 Stat. 4259.

²² 17 U.S.C. § 602(a)(2). Section 501 stipulates a civil penalty while section 506 is a criminal penalty.

Together, these two sections could be read to suggest that importing or exporting infringing copies violates section 602(a)(2), and is subject to both civil and criminal penalties, while importing otherwise lawful copies or phonorecords violates only section 602(a)(1), and is subject only to civil penalties.²³ Both sections, however, make unauthorized importation and exportation “an infringement of the exclusive right to distribute copies or phonorecords under section 106.”²⁴ And section 106 itself expressly says that its exclusive rights are “subject to [the exceptions and limitations in] sections 107 through 122.”²⁵ One of those limitations is the first-sale doctrine, or the doctrine of exhaustion, which expressly allows “the owner the owner of a particular copy or phonorecord lawfully made under this title ... to sell or otherwise dispose of the possession of that copy or phonorecord” without the authorization of the copyright owner, “[n]otwithstanding the provisions of section 106(3).”²⁶ Accordingly, in *Quality King Distributors, Inc. v. L’Anza Research International, Inc.*, the U.S. Supreme Court unanimously held that former section 602(a) (now section 602(a)(1)) is subject to the first-sale doctrine.²⁷ And 15 years later, in *Kirtsaeng v. John Wiley & Sons, Inc.*, the Court clarified that “the ‘first

²³ “Copies” are defined as “material objects, other than phonorecords, in which a work is fixed,” while “phonorecords” are defined as “material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed.” 17 U.S.C. § 101. Note that exporting lawfully-made copies or phonorecords does not violate the statute at all.

²⁴ 17 U.S.C. § 602(a)(1), (a)(2).

²⁵ 17 U.S.C. § 106.

²⁶ 17 U.S.C. § 109(a).

²⁷ *Quality King Distributors, Inc. v. L’Anza Research Int’l, Inc.*, 523 U.S. 135, 144 (1998). In so holding, the Court held that the phrase “to sell or otherwise dispose of the possession” of a copy “includes the right to ship it to another person in another country.” 523 U.S. at 152.

sale' doctrine applies to copies of a copyrighted work lawfully made abroad,"²⁸ interpreting the phrase "lawfully made under this title" to mean "'in accordance with' or 'in compliance with' the Copyright Act" rather than "lawfully made in the United States."²⁹ Thus, subsection 602(a)(1) is largely redundant; it only prohibits importation of infringing copies and phonorecords (which is also prohibited by subsection (a)(2)) and importation of lawful copies and phonorecords by those who have such copies or phonorecords in their possession without obtaining ownership of them.³⁰

Moreover, some courts have interpreted subsection 106(3), which grants the copyright owner the exclusive right to public distribution, in a way that renders the importation prohibition in subsection 602(a)(2) somewhat redundant. In *Litecubes, LLC v. Northern Light Products, Inc.*, for example, the court considered a Canadian company, doing business as GlowProducts.com, which "sold the accused products directly to customers located in the United States and . . . would ship the products, f.o.b., from its Canadian offices to its customers in the United

²⁸ *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519, 525 (2013). *Kirtsaeng* involved a graduate student from Thailand, studying in the United States, who asked friends and family in Thailand to purchase copies of textbooks printed in Asia by the U.S. copyright owner and to ship them to him in the United States, where he re-sold them at a substantial profit. *Id.* at 526-27.

²⁹ *Id.* at 530. As a result, the Court subsequently vacated a previous opinion in which the "Defendants purchased Foreign Editions of Plaintiffs' books in India and resold them in the United States," because that case had held "the first sale doctrine does not apply to copies of a copyrighted work manufactured abroad" in India. *Pearson Education, Inc. v. Kumar*, 721 F. Supp. 2d 166, 172, 178 (S.D.N.Y. 2010), *aff'd sub nom.* *Pearson Education, Inc. v. Yadav*, 452 Fed. Appx. 11 (2d Cir. 2011), *cert. granted, vacated and remanded sub nom.* *Kumar v. Pearson Education, Inc.*, 568 U.S. 1247 (2013), *judgment vacated*, 523 Fed. Appx. 13 (2d Cir. 2013).

³⁰ *Kirtsaeng*, 568 U.S. at 534-35, 547; *see also id.* at 554-55 (Kagan, J., joined by Alito, J., concurring); *id.* at 565-67 (Ginsburg, J., joined by Kennedy and Scalia, JJ., dissenting).

States.”³¹ “‘F.o.b’ or ‘free on board’ is ‘a method of shipment whereby goods are delivered at a designated location, usually a transportation depot, at which legal title and thus the risk of loss passes from seller to buyer.’”³² In other words, GlowProducts contended that it sold the infringing products in Canada, and that the buyers located in the United States were the ones who “imported” the infringing products into the United States, even though GlowProducts packaged the goods, addressed the packages to buyers in the United States, and delivered the packages to the post office or shipping company in Canada.³³ Not surprisingly, the Court of Appeals rejected the argument, holding that a “sale” of the infringing items occurred in the United States when the items were shipped directly to consumers in the United States, regardless of where title was transferred as a formal matter.³⁴ Although the court did not rely on the fact that section 602 expressly makes importation (and exportation) a violation of the

³¹ *Litecubes, LLC v. Northern Light Products, Inc.*, 523 F.3d 1353, 1358 (Fed. Cir. 2005). One of the defendant’s products in *Litecubes* was alleged to infringe both a U.S. patent and a U.S. copyright registered to the plaintiff. The defendant did not contest the jury’s finding that the product infringed both. *Id.* The other product was alleged to infringe only the U.S. patent, and the jury’s determination that the product was infringing was upheld. *Id.* at 1372-74.

³² *Id.* at 1358 n.1, quoting *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1374 n. 3 (Fed. Cir. 2005).

³³ Alternatively, since patent and copyright are both strict liability statutes, GlowProducts could have contended that the post office or shipping company was the person “importing” the allegedly infringing products into the United States.

³⁴ *Litecubes*, 523 F.3d at 1369-71 (patent); *id.* at 1371-72 (copyright). See also *Liberty Toy Co. v. Fred Silber Co.*, 149 F.3d 1183, 1998 WL 385469 (6th Cir. 1998) (unpublished disposition) (complaint alleged that defendant Maple Leaf Toy Co., based in Canada, committed direct infringement in the United States when it sold allegedly infringing goods and shipped them to U.S. buyer in Michigan; contract provided that seller retained title until payment was made).

distribution right,³⁵ the ruling is consistent with the statute, and with the holding in *Quality King* that the statutory phrase “to sell or otherwise dispose of the possession” of a lawfully made copy “includes the right to ship it to another person in another country.”³⁶

The importation right also has been applied against a U.S. defendant who ordered (and paid for) allegedly infringing copies made outside the United States, on the grounds that the defendant caused the infringing copies to be imported. In *Geophysical Service, Inc. v. TGS-NOPEC Geophysical Co.*,³⁷ the parties were competitors in the business of providing seismic data to the petroleum industry. Under Canadian law, the plaintiff was required to submit copies of its seismic data maps to the Canada-Newfoundland and Labrador Offshore Petroleum Board, a government agency, which was required to keep them confidential for a period of ten years. After the ten-year period expired, defendant TGS ordered a copy of the maps from the Board, which made copies and mailed them to TGS in Houston, at the defendant’s expense.³⁸ When Geophysical sued TGS for infringement, TGS defended on the ground that the copies were made outside the United States, and that the “act of state” doctrine prohibits a United States

³⁵ 17 U.S.C. § 602(a)(1) (unauthorized importation “is an infringement of the exclusive right to distribute copies or phonorecords under section 106”); 17 U.S.C. § 602(a)(2) (unauthorized importation or exportation of infringing copies “is an infringement of the exclusive right to distribute copies or phonorecords under section 106”).

³⁶ *Quality King Distributors, Inc. v. L’Anza Research Int’l, Inc.*, 523 U.S. 135, 152 (1998). *See also* *Palmer v. Braun*, 376 F.3d 1254, 1257 (11th Cir. 2004) (defendant “sold at least 25 copies of [the infringing work] to residents of the United States, and shipped these copies from France to the United States.”); *id.* at 1258 (“the importation of the infringing work is an infringing act occurring in the United States.”).

³⁷ 850 F.3d 785 (5th Cir. 2017).

³⁸ *Id.* at 789.

court from reviewing the validity of the actions of a foreign government.³⁹

The Court of Appeals held that the “act of state” doctrine did *not* prohibit the importation claim against TGS from going forward, because it did *not* require the court to determine whether the Board acted illegally or invalidly, or was an infringer: “even a ruling in favor of Geophysical will not *invalidate* any action by the Canadian government, but only determine the effect of such action on the right of United States citizens to import copies that a Canadian agency made.”⁴⁰ It further held that “[t]he inapplicability of the United States Copyright Act to extraterritorial conduct provides no defense to Geophysical’s importation claim.”⁴¹ It explained:

It is undisputed that TGS imported the copies of Geophysical’s seismic lines into Houston, Texas by causing the CNLOP Board to send them there. Therefore, the act of importation occurred in the United States and is actionable under the Copyright

³⁹ *Id.* at 790. *Cf.* *Voda v. Cordis Corp.*, 476 F.3d 887, 904 (Fed. Cir. 2007) (declining to exercise jurisdiction over claims for infringement of foreign patents, even if related to the U.S. patents at issue; “assuming *arguendo* that the act of state doctrine applies, the doctrine would prevent our courts from inquiring into the validity of a foreign patent grant and require our courts to adjudicate [foreign] patent claims regardless of validity or enforceability.”).

⁴⁰ 850 F.3d at 797.

⁴¹ *Id.*

Act depending on the resolution of TGS's first sale defense.⁴²

Consequently, the court remanded the case to the district court to determine whether copies had been “lawfully made under this title” for purposes of applying the first-sale doctrine.⁴³ In a later appeal, the court upheld a finding that Geophysical had granted the Board an implied license to reproduce and distribute the seismic maps, and it therefore affirmed the dismissal of the action.⁴⁴

The plaintiff in *Geophysical* also alleged that TGS was a contributory infringer, because it induced or encouraged the Board to reproduce the works in Canada and export them to the United States.⁴⁵ The court rejected this claim, holding that the reproduction *and the exportation* took place entirely in Canada.⁴⁶ This is inconsistent with *Litecubes*, which held that the Canadian seller violated the “importation” right

⁴² *Id.* at 797-98.

⁴³ *Id.* at 798. In *Kirtsaeng v. John Wiley & Sons, Inc.*, the Court suggested in *dicta* that whether the copies were “lawfully made” for purposes of applying the first-sale doctrine should be determined according to the standards of U.S. law, rather than according to the law of the place where the copies were made. 568 U.S. 519, 529-30 (2013). Nonetheless, the Fifth Circuit declined to resolve the issue, instructing the district court to determine in the first instance whether Canadian law or U.S. law applied to the reproduction. 850 F.3d at 795-96 & 798. On remand, the district court concluded that “a copy is lawful if it was made in the United States in compliance with Title 17 or in a foreign country in a manner that would comply with Title 17 if United States copyright law applied.” *Geophysical Service, Inc. v. TGS-NOPEC Geophysical Co.*, 125 U.S.P.Q.2d 1118, 1120 (S.D. Tex. Nov. 21, 2017).

⁴⁴ *Geophysical Service, Inc. v. TGS-NOPEC Geophysical Co.*, 784 Fed. Appx. 253 (5th Cir. 2019).

⁴⁵ *Geophysical Service, Inc. v. TGS-NOPEC Geophysical Co.*, 850 F.3d 785, 799-800 (5th Cir. 2017).

⁴⁶ *Id.* at 800 (“The act of ‘exportation’ occurred entirely in Canada, and is beyond the reach of the Copyright Act notwithstanding the destination.”).

when it shipped infringing goods into the United States, regardless of where title passes.⁴⁷ It is also inconsistent with statutory language indicating that it is the seller, rather than the buyer, who violates the distribution right.⁴⁸ This distinction is supported by case law indicating that infringing goods cannot be seized from an innocent purchaser who was not itself an infringer.⁴⁹ Thus, *Geophysical* should have been analyzed as a case of contributory infringement, in which an American buyer *knowingly* contributed to the infringing act of a foreign seller. As the Fifth Circuit recognized, however, adjudicating the claim for contributory infringement would have run afoul of the act of state doctrine, as it would have required the court to determine whether the Canadian government agency was a direct infringer.⁵⁰ But in seeking to avoid the act of state doctrine, the Fifth Circuit incorrectly held that it was the U.S. buyer of infringing copies, and *not* the foreign seller, who violated the importation right.

⁴⁷ *Litecubes, LLC v. Northern Light Products, Inc.*, 523 F.3d 1353, 1371-72 (Fed. Cir. 2005).

⁴⁸ 17 U.S.C. § 106(3) (granting the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public *by sale or other transfer of ownership*, or by rental, lease, or lending”) (emphasis added). Recall that importation “is an infringement of the exclusive right to *distribute* copies or phonorecords under section 106.” 17 U.S.C. § 602(a)(1) (emphasis added).

⁴⁹ *Societe Civile Succession Richard Guino v. Beseder, Inc.*, 460 F. Supp. 2d 1105, 1107 (D. Ariz. 2006) (“Plaintiff has not alleged that Defendant Lindquist infringed any copyrights by purchasing or possessing” the infringing sculpture); *id.* at 1112 (the Copyright Act “does not permit the impoundment of infringing items in the hands of innocent purchasers who are not themselves liable for infringement.”). Of course, a buyer who subsequently resells or otherwise redistributes an infringing copy becomes an infringer.

⁵⁰ *Cf. Geophysical*, 850 F.3d at 797 (“Evaluating the first sale defense in connection with TGS’s importation of copies made by the Board does not decide whether the CNLOP Board is a copyright *infringer*, which *would* be a prohibited inquiry.”) (emphasis in original).

II. Foreign Contribution to Domestic Infringement

We next consider other conduct occurring outside the United States that contributes to infringement occurring inside the United States. When the direct infringement occurs in the United States, U.S. courts are willing to hold foreign actors liable for contributing to that infringement, provided that the defendant is subject to personal jurisdiction in the United States and the usual elements of contributory infringement are satisfied.⁵¹ As stated by one court:

[A] defendant can be liable for contributory infringement, even for acts committed outside the United States, by inducing or contributing to another's infringement occurring in the United States by supplying such other person with the instruments for committing the infringement, provided the defendant knew or should have known that the other would or could reasonably be expected to commit the infringement.⁵²

⁵¹ Contributory infringement generally requires three elements: 1) direct infringement; 2) defendant must have knowledge of the direct infringement; and 3) defendant induced, caused or materially contributed to the infringing conduct. PATRY ON COPYRIGHT §21:46.

⁵² *Blue Ribbon Pet Prods., Inc. v. Rolf C. Hagen (USA) Corp.*, 66 F. Supp. 2d 454, 462 (E.D.N.Y. 1999) (holding Canadian company liable for ordering infringing products and having them shipped to sister company in the United States, which sold the infringing products here). *See also* *Armstrong v. Virgin Records, Ltd.*, 91 F. Supp. 2d 628, 635-36 (S.D.N.Y. 2000) (use in UK of allegedly infringing sample in a recording later distributed by others in the United States); *ITSI T.V. Prods., Inc. v. Calif. Authority of Racing Fairs*, 785 F. Supp. 854, 864 (E.D. Cal. 1992) (“it is possible for a defendant to commit acts outside the United States sufficient to find it contributorily or vicariously liable for acts of infringement committed by others within the United States”) (dicta), *aff'd in part & rev'd in*

This is consistent with the rule in patent law: although contributory infringement in patent law expressly requires conduct in the United States,⁵³ active inducement does not,⁵⁴ and courts have allowed claims based on overseas conduct that induced infringement in the United States.⁵⁵ In patent law, the U.S. Supreme Court has held that liability for active inducement requires either actual knowledge of the infringement or wilful blindness; mere negligence (or even recklessness) is not sufficient.⁵⁶ This standard has been adopted for

part on other grounds, 3 F.3d 1289 (9th Cir. 1993); *GB Marketing USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 772-73 (W.D.N.Y. 1991) (reproduction and sale of bottles with allegedly infringing labels in Germany, with knowledge that bottles would be exported to the United States and sold there).

⁵³ 35 U.S.C. § 271(c) (“Whoever offers to sell or sells *within the United States* or imports *into the United States* a component of a patented [invention], or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.”) (emphasis added).

⁵⁴ 35 U.S.C. § 271(b) (“Whoever actively induces infringement of a patent shall be liable as an infringer.”).

⁵⁵ *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, 909 F.3d 398, 408 (Fed. Cir. 2018) (“Unlike direct infringement . . . , which must occur in the United States, liability for induced infringement under § 271(b) can be imposed based on extraterritorial acts, provided that the patentee proves the defendant possessed the requisite knowledge and specific intent to induce direct infringement in the United States.”); *Merial, Ltd. v. Cipla, Ltd.*, 681 F.3d 1283, 1302–03 (Fed. Cir. 2012) (“where a foreign party, with the requisite knowledge and intent, employs extraterritorial means to actively induce acts of direct infringement that occur within the United States, such conduct is [actionable] under § 271(b).”); *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293, 1305–06 (Fed. Cir. 2006) (approving jury instruction); *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137, 1141 (7th Cir. 1975) (“‘active inducement’ may be found in events outside the United States if they result in a direct infringement here.”).

⁵⁶ *Global-Tech Appliances, Inc. v. SEB, S.A.*, 563 U.S. 754, 759-60 (2011) (defendant “argues that active inducement liability under § 271(b) requires more than deliberate indifference to a known risk . . . [and that] actual knowledge of the patent is needed.”); *id.* at 766 (“We agree that deliberate indifference to a known risk that a patent exists is not the appropriate standard,” but approving willful blindness); *id.* at 769 (“A court can properly find willful blindness only where it can almost be said that the defendant actually knew. By contrast, a reckless defendant is one who merely knows of a substantial and unjustified risk of such wrongdoing, and a negligent defendant is one who should have known of a similar risk but, in fact, did not.”).

contributory infringement in copyright law.⁵⁷ Hence, the quote in the indented paragraph above should be modified to remove the “or should have known” language.

Because the doctrine of contributory infringement requires *knowledge* of the infringing activity (including, one presumes, the location of the infringing activity), it is fair to hold a foreign actor that *knowingly* contributes to a direct infringement in the United States to the standards of U.S. copyright law.

III. Domestic Contribution to Foreign Infringement

The converse situation involves conduct occurring within the United States that contributes to infringement occurring outside the United States. If a domestic actor knowingly contributes to a direct infringement in a foreign country, it is fair to hold that domestic actor to the standards of foreign copyright law. Many U.S. courts, however, have tended to go only halfway, dismissing the claim under U.S. law without considering whether the claim should be heard under foreign law. In response, other U.S. courts have overcorrected by applying U.S. law whenever there is a “predicate act” of infringement in the United States, even when the claim should be analysed under foreign law. The result is that U.S. courts tend to apply U.S. law to the entire dispute or

⁵⁷ See, e.g., *BMG Rights Mgmt. (US), LLC v. Cox Comms., Inc.*, 881 F.3d 293, 308-10 (4th Cir. 2018) (requiring actual knowledge or willful blindness; “negligence is insufficient”); see also *Luvdarts, LLC v. AT&T Mobility, LLC*, 710 F.3d 1068, 1072-73 (9th Cir. 2013) (requiring actual knowledge or willful blindness, without discussing the issue); cf. *Erickson Prods., Inc. v. Kast*, 921 F.3d 822, 831-32 (9th Cir. 2017) (“even if the ‘should have known’ instruction was erroneous,” defendant “did not raise this objection at trial”).

not at all, instead of considering the middle ground of applying foreign law to domestic conduct that contributes to an overseas infringement.

The leading case in the United States is *Subafilms, Ltd. v. MGM-Pathé Communications Co.*⁵⁸ Subafilms produced the movie *Yellow Submarine*, which was released in 1968 by MGM. Two decades later, MGM released the movie on home video in the United States, and it licensed Warner Brothers to release the movie on home video outside the United States. Subafilms sued both MGM and Warner for infringement, and a special master found that their use was unauthorized, because the 1967 licensing agreement between Subafilms and MGM did not include home video distribution. The district court awarded 2.2 million in compensatory damages, half for the domestic distribution and half for the international distribution.⁵⁹

The defendants appealed the award for international distribution on the ground that U.S. copyright law did not extend to foreign sales. With regard to the foreign sales, the only conduct that had occurred in the United States was execution of the licensing agreement that “authorized” Warner to distribute the film on home video outside the United States.⁶⁰ However, section 106 grants to copyright owners “the exclusive rights to do *and to authorize* any of the following” acts, including reproduction and distribution to the public.⁶¹ Based on this

⁵⁸ 24 F.3d 1088 (9th Cir. 1994) (en banc).

⁵⁹ *Id.* at 1089.

⁶⁰ *Id.* at 1089 & n.3.

⁶¹ 17 U.S.C. § 106 (emphasis added).

language, a previous case had held that domestic authorization of foreign infringing activity was itself an actionable infringement under United States law.⁶² After a panel of the Ninth Circuit affirmed based on the earlier case, the full court granted rehearing *en banc* to reconsider its previous holding.⁶³

The *en banc* court held that domestic authorization of foreign activity was *not* sufficient to constitute either direct or contributory infringement under United States law.⁶⁴ It reasoned as follows: first, “the addition of the words ‘to authorize’ in the [1976] Copyright Act was not meant to create a new form of liability for ‘authorization’ ... but was intended [only] to invoke the pre-existing doctrine of contributory infringement.”⁶⁵ Second, there can be no liability for

⁶² Peter Starr Prod. Co. v. Twin Continental Films, Inc., 783 F.2d 1440, 1442-43 (9th Cir. 1986).

⁶³ In the thirteen United States Courts of Appeals, appeals are normally decided by panels of three judges. When a court grants rehearing *en banc*, all of the non-recused active judges on that court decide the case, except in the Ninth Circuit. Because the Ninth Circuit is so large (28 active judges), in the Ninth Circuit a case in which rehearing *en banc* is granted is decided by a panel of 11 judges (the Chief Judge, plus ten that are randomly selected). *See* 9th Cir. R. 35-3.

⁶⁴ Subafilms, Ltd. v. MGM-Pathé Communications Co., 24 F.3d 1088, 1090 (9th Cir. 1994) (“we conclude that there can be no liability under the United States copyright laws for authorizing an act that *itself* could not constitute infringement of rights secured by those laws, and that wholly extraterritorial acts of infringement are not cognizable under the Copyright Act.”) (emphasis in original).

⁶⁵ *Id.* at 1092. In so holding, the court relied on a statement in the legislative history that explained: “Use of the phrase ‘to authorize’ is intended to avoid any questions as to the liability of contributory infringers.” H.R. Rep. No. 94-1476, at 61 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5674.

contributory infringement without proof of direct infringement.⁶⁶

Third,

Given the undisputed axiom that United States copyright law has no extraterritorial application, it would seem to follow necessarily that a primary activity outside the boundaries of the United States, not constituting an infringement cognizable under the Copyright Act, cannot serve as the basis for holding liable under the Copyright Act one who is merely related to that activity within the United States.⁶⁷

Accordingly, the court concluded that “the mere authorization of acts of infringement that are not cognizable under the United States copyright laws because they occur entirely outside of the United States does not state a claim for infringement under the Copyright Act.”⁶⁸

Two district courts in other circuits have expressly disagreed with *Subafilms* on this point.⁶⁹ In *Curb v. MCA Records, Inc.*, for example, producer Curb, who held the rights to reproduce and distribute certain sound recordings in the United States, Canada, and the United Kingdom, authorized the distribution of those recordings in several

⁶⁶ *Subafilms*, 24 F.3d at 1092-93. *Accord*, *Bridgeport Music, Inc. v. Diamond Time, Ltd.*, 371 F.3d 883, 889 (6th Cir. 2004); *DSC Comms. Corp. v. Pulse Comms. Corp.*, 170 F.3d 1354, 1359 (Fed. Cir. 1999).

⁶⁷ *Subafilms*, 24 F.3d at 1093, quoting 3 NIMMER ON COPYRIGHT §12.04 (1993).

⁶⁸ *Subafilms*, 24 F.3d at 1099.

⁶⁹ See *Curb v. MCA Records, Inc.*, 898 F. Supp. 586, 595 (M.D. Tenn. 1995); *Expeditors Int'l of Wash., Inc. v. Direct Line Cargo Mgmt. Servs.*, 995 F. Supp. 468, 476-77 (D.N.J. 1998).

other countries.⁷⁰ The court rejected *Subafilms* and held that “authorizing the distribution of the recordings for sale to a worldwide public” violated U.S. law.⁷¹ It explained:

[P]iracy has changed since the Barbary days. Today, the raider need not grab the bounty with his own hands; he need only transmit his go-ahead by wire or telefax to start the presses in a distant land. *Subafilms* ignores this economic reality, ... and transforms infringement of the authorization right into a requirement of domestic presence by a primary infringer. Under this view, a phone call to Nebraska results in liability; the same phone call to France results in riches. In a global marketplace, it is literally a distinction without a difference.⁷²

Despite these dissenting voices, however, *Subafilms*' holding that domestic authorization of extraterritorial conduct does not violate U.S. law is widely accepted.⁷³ The unstated implication is that the claim of

⁷⁰ *Curb*, 898 F. Supp. at 592 (listing Austria, Finland, Hong Kong, Japan, Malaysia, and South Africa), *id.* at 594 (listing Australia, Hong Kong, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, and Thailand).

⁷¹ *Id.* at 596.

⁷² *Id.* at 595.

⁷³ *See, e.g.*, *Geophysical Service, Inc. v. TGS-NOPEC Geophysical Co.*, 850 F.3d 785, 799 (5th Cir. 2017) (“In short, we follow the holding of the Ninth Circuit in *Subafilms*. Where a copyright plaintiff claims contributory infringement predicated on direct infringement that occurred entirely extraterritorially, the plaintiff has stated no claim.”); *Datacarrier, S.A.*

domestic contribution to infringement occurring in another country should be heard in the country where the direct infringement occurred, under that country's laws.⁷⁴

By contrast, however, there are a number of cases that distinguish *Subafilms* and apply U.S. law to foreign infringements under the so-called "predicate act" doctrine.

The predicate act doctrine originated in *Sheldon v. Metro-Goldwyn Pictures Corp.*⁷⁵ Defendants were found to have infringed the plaintiffs' play *Dishonored Lady* in making and exhibiting the motion picture *Letty Lynton*.⁷⁶ Defendants objected to inclusion of "the profits made from exhibiting the infringing picture outside the United States."⁷⁷ The court responded:

At first blush it would indeed seem that these should be excluded. [...] However, exhibition is not the only act forbidden by the [1909] Copyright Act; Section 1(d) gives to the author the exclusive right, not only to

.v. WOCCU Servs. Group, Inc., 221 F. Supp. 3d 1078, 1084 (W.D. Wisc. 2016) ("This court will follow *Subafilms*, like the majority of courts to consider the issue."); Rundquist v. Vapiano SE, 798 F. Supp. 2d 102, 128-29 (D.D.C. 2011) ("Notwithstanding the criticism of the results, the *Subafilms* ruling remains the majority rule"); Armstrong v. Virgin Records, Ltd., 91 F. Supp. 2d 628, 634 (S.D.N.Y. 2000) (*Subafilms* "is now generally accepted"); 2 WILLIAM F. PATRY, PATRY ON COPYRIGHT, § 25:87 (2019) (approving *Subafilms* and rejecting *Curb*).

⁷⁴ Because there is no claim under U.S. law, few courts have considered whether a claim for foreign infringement could be heard in a U.S. court against a defendant domiciled in the United States, while still applying foreign law.

⁷⁵ 106 F.2d 45 (2d Cir. 1939), cert. denied in relevant part, 308 U.S. 617 (1939), cert. granted on other grounds, 308 U.S. 545 (1939), and affirmed, 309 U.S. 390 (1940).

⁷⁶ See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir.), cert. denied, 298 U.S. 669 (1936).

⁷⁷ 106 F.2d at 52.

perform a dramatic work, but “to make ... any transcription or record thereof ... from which, in whole or in part, it may in any manner ... be ... reproduced.” [Defendants] made the negatives in this country, or had them made here, and shipped them abroad, where the positives were produced and exhibited. The negatives were “records” from which the work could be “reproduced”, and it was a tort to make them in this country. The plaintiffs acquired an equitable interest in them as soon as they were made, which attached to any profits from their exploitation, whether in the form of money remitted to the United States, or of increase in the value of shares of foreign companies held by the defendants. [...] [A]s soon as any of the profits so realized took the form of property whose situs was in the United States, our law seized upon them and impressed them with a constructive trust, whatever their form.⁷⁸

In *Robert Stigwood Group, Ltd. v. O’Reilly*, however, the court rejected a claim of profits from public performances in Canada of songs from the musical *Jesus Christ Superstar*, even though “the defendants assembled and arranged in the United States all the necessary elements

⁷⁸ *Id.* (bracketed insertions and ellipses added). See also *Famous Music Corp. v. Secco Records, Inc.*, 201 F. Supp. 560, 568-69 (S.D.N.Y. 1961) (infringing recordings made in United States were shipped abroad and used to make phonograph records in other countries).

for the performances in Canada, and then simply travelled to Canada to complete the performances.”⁷⁹ The court explained that, unlike in *Sheldon*, the Canadian performances were not enabled by any act of infringement in the United States.⁸⁰ “It is only when the type of infringement permits further reproduction abroad that its exploitation abroad becomes the subject of a constructive trust.”⁸¹

Although *Sheldon* and *Stigwood* were both based on the language of the 1909 Copyright Act, courts applying the 1976 Act adopted the same reasoning. Thus, in *Update Art, Inc. v. Modiin Publishing, Ltd.*, a copyrighted poster was reproduced in an Israeli newspaper, which also distributed some copies in the United States.⁸² Based on *Stigwood*, the court held that liability depended on whether a “predicate act” of infringement had occurred in the United States:

As the applicability of American copyright laws over the Israeli newspapers depends on the occurrence of a predicate act in the United States, the geographic location of the illegal reproduction is crucial. If the illegal reproduction of the poster occurred in the United States and then was exported to Israel, the

⁷⁹ 530 F.2d 1096, 1100-01 (2d Cir. 1976). Presumably, the “arrangements” referred to as occurring in the U.S. included casting, rehearsals, and contracts for the performances in Canada.

⁸⁰ *Id.* at 1101 (“The steps taken by the defendants preliminary to the Canadian performances were certainly not the ‘manufacture’ of anything, nor were the performances ‘records’ from which the work could be ‘reproduced.’”).

⁸¹ 530 F.2d at 1101.

⁸² 843 F.2d 67, 69 (2d Cir. 1994).

magistrate properly could include damages accruing from the Israeli newspapers. If, as appellants assert, this predicate act occurred in Israel, American copyright laws would have no application to the Israeli newspapers.⁸³

Although the defendants contended that the initial copying (photographing a copy of the poster seen “on an office wall”) had occurred in Israel, they failed to submit any admissible evidence to support the claim.⁸⁴ Based in part on the defendants’ dilatory and evasive responses to discovery, the court concluded instead that this “predicate act” had occurred in the United States.⁸⁵

The Ninth Circuit has adopted the “predicate act” of infringement doctrine, with a twist. In *Los Angeles News Service v. Reuters Television Int’l, Ltd.*,⁸⁶ news footage recorded by LANS was broadcast, with authorization, on the *Today* show on NBC. Pursuant to preexisting contracts, the *Today* show was transmitted to both Visnews and the European Broadcasting Union (EBU) in New York, each of which made a copy on videotape. Visnews (a joint venture between NBC, Reuters, and the BBC) transmitted its videotaped copy to its subscribers in Europe and Africa; while EBU transmitted its

⁸³ *Id.* at 73.

⁸⁴ *Id.*

⁸⁵ *Id.* It is sometimes asserted that the court found that the Israeli newspapers themselves were reproduced in the United States. A careful reading of the opinion reveals that this is not the case; instead, the “predicate act” was only the *initial* reproduction of the poster by defendants.

⁸⁶ 149 F.3d 987 (9th Cir. 1998).

videotaped copy to Reuters in London, which in turn re-transmitted the program to its subscribers.⁸⁷ Summarizing *Sheldon* and *Update Art*, the court remarked that “[r]ecovery of damages arising from overseas infringing uses was allowed because the predicate act of infringement occurring within the United States enabled further reproduction abroad.”⁸⁸ The plaintiff sought to apply this rule:

While the extraterritorial damages resulted from Reuters’s overseas dissemination of the works received by satellite transmissions from Visnews and EBU, those transmissions were made possible by the infringing acts of copying in New York. The satellite transmissions, thus, were merely a means of shipping the unlicensed footage abroad for further dissemination.⁸⁹

The Ninth Circuit agreed, holding that “LANS is entitled to recover damages flowing from exploitation abroad of the domestic acts of infringement committed by defendants.”⁹⁰

On remand, the district court again granted summary judgment to the defendants, holding that LANS could only recover any *profits* the defendants had made from the infringement, rather than its actual *damages* (i.e., lost licensing fees for overseas use); and that LANS had

⁸⁷ *Id.* at 990.

⁸⁸ *Id.* at 992.

⁸⁹ *Id.*

⁹⁰ *Id.*

failed to prove that Reuters and Visnews had earned *any* profits from the infringement, presumably because they earned the same amount of money from their subscribers regardless of whether the *Today* show contained infringing content or not.⁹¹ On appeal, a different panel of the Ninth Circuit affirmed. It first noted that both *Sheldon* and *Update Art* concerned an award of defendants' profits, not actual damages.⁹² It then reasoned that *Subafilms* "counsel[s] a narrow application ... of the *Sheldon* exception to the general rule. In particular, the *Sheldon* constructive trust rationale includes a territorial connection that preserves consistency with Congress's decision to keep the copyright laws ... territorially confined."⁹³ Thus, the Ninth Circuit held that the "predicate act" doctrine is limited to a recovery of foreign profits enabled by a domestic act of infringement, and that it does not allow the recovery of extraterritorial damages more generally.⁹⁴

The Fourth Circuit has also adopted the "predicate act" doctrine, but in doing so it extended the doctrine far beyond what the Second and Ninth Circuits had approved. In *Tire Engineering & Distribution, LLC v. Shandong Linglong Rubber Co.*, defendants copied the plaintiff's blueprints for mining tires, modified them in the United States (creating derivative works), used the modified blueprints to manufacture tires in China, and sold the tires to plaintiff's foreign

⁹¹ *Los Angeles News Service v. Reuters Television Int'l, Ltd.*, 340 F.3d 926, 928 (9th Cir. 2003).

⁹² *Id.* at 929-30. "As *Sheldon* considered only an award of profits, it is counterintuitive that a court applying *Sheldon's* rationale, but using the word 'damages' as the *Reuters III* court did, was referring consciously to 'actual damages' as opposed to 'profits.'" *Id.* at 929.

⁹³ *Id.* at 931.

⁹⁴ 340 F.3d at 931-32.

customers.⁹⁵ The Fourth Circuit affirmed an award of \$26 million for defendants' profits from the sales of tires in foreign countries, based on the "predicate act" doctrine.⁹⁶ This award was improper for two reasons. First, it was based on the sales of tires, rather than on the value of the blueprints. Under the U.S. Copyright Act, tires are "useful articles";⁹⁷ and while blueprints are copyrightable, "copyright in a pictorial, graphic, or sculptural work, portraying a useful article as such, does not extend to the manufacture of the useful article itself."⁹⁸ "The proper award should have been limited to licensing fees for use of the blueprints to make the tires," rather than profits from the sale of the tires.⁹⁹ Second, the award was based solely on two "predicate acts" that occurred outside the limitations period (more than three years before the complaint was filed): reproduction of the blueprints and the

⁹⁵ 682 F.3d 292, 298-99 (4th Cir. 2012). Although the appellate opinion does not expressly state that *all* of the sales took place in foreign countries, one of the lower court opinions does: "[t]here was no evidence that any of these customers were located inside the United States." In re Outsidewall Tire Litigation, 2010 WL 11474982, at *6 (E.D. Va. Sept. 17, 2010).

⁹⁶ 682 F.3d at 308. In so holding, it cited only the Ninth Circuit's initial opinion in *LANS*, and not the later opinion limiting the doctrine to awards of defendant's profits. *Id.* at 307-08. Nonetheless, the award it affirmed was based on the defendant's profits from the sales of tires.

⁹⁷ See 17 U.S.C. § 101 ("A 'useful article' is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.").

⁹⁸ H.R. Rep. 94-1476, at 105 (1976). This statement comes from the legislative history, as the statute itself merely preserves preexisting case law to that effect. See 17 U.S.C. § 113(b) ("This title does not afford, to the owner of copyright in a work that portrays a useful article as such, any greater or lesser rights with respect to the making, distribution, or display of the useful article so portrayed than those afforded to such works under the law ... in effect on December 31, 1977."). See also *Star Athletica, LLC v. Varsity Brands, Inc.*, 137 S.Ct. 1002, 1010 (2017) (although "a cardboard model of a car ... could itself be copyrightable, it would not give rise to any rights in the useful article that inspired it."); *id.* at 1033 (Breyer, J., joined by Kennedy, J., dissenting) ("The law has long recognized that drawings or photographs of real-world objects are copyrightable as drawings or photographs, but the copyright does not give protection against others making the underlying useful objects.") (citing §113(b) and quoting the House Report).

⁹⁹ PATRY ON COPYRIGHT §25:92.50.

preparation of modified blueprints based on them.¹⁰⁰ If the rationale of the “predicate act” doctrine is that the foreign profits are an appropriate remedy for a completed act of domestic infringement, then the award should have been zero, because all of the acts of domestic infringement fell outside of the limitations period. Although the foreign sales took place within the limitations period, those sales were not independently actionable under U.S. law. The Fourth Circuit erroneously treated the “predicate act” doctrine as an excuse for extending the territorial reach of the statute, rather than as a remedy for a domestic infringing act.

Scholars on both sides of the extraterritorial debate have criticized the “predicate act” doctrine as drawing an untenable line. Jane Ginsburg argues that it “does not make sense” that “everything turns on the creation of a material copy within U.S. borders.”¹⁰¹ She would allow extraterritorial damages to be recovered whenever any acts connected to the foreign infringement occurred in the United States, including mere “authorization,” as in *Subafilms*.¹⁰² William Patry agrees that the distinction does not make sense; but he maintains that damages from extraterritorial infringement can *never* be recovered under U.S. law, even if there has been a “predicate act” of infringement in the United

¹⁰⁰ In re Outsidewall Tire Litigation, 748 F. Supp. 2d 543, 553-54 (E.D. Va. 2010), *affirmed in relevant part, reversed in part and remanded sub nom.* Tire Eng'g & Dist., LLC v. Shandong Linglong Rubber Co., 682 F.3d 292, 308-09 (4th Cir. 2012).

¹⁰¹ Jane C. Ginsburg, *Extraterritoriality and Multi-territoriality in Copyright Infringement*, 37 Va. J. Int'l L. 587, 598 (1997).

¹⁰² *Id.* at 597-98.

States.¹⁰³ Instead, he argues, damages from extraterritorial infringement can only be recovered under foreign law.¹⁰⁴

The author agrees with Patry that there is nothing in the U.S. Copyright Act that expressly rebuts the strong presumption against extraterritoriality.¹⁰⁵ Indeed, the 2008 amendment to address cases of exportation (where copies are reproduced in the United States, exported and then sold overseas) carries with it the negative implication that the “predicate act” doctrine is overbroad.¹⁰⁶ Nonetheless, the doctrine seems firmly entrenched in U.S. jurisprudence. If courts are going to use the “predicate act” doctrine, then the restriction by the Ninth Circuit makes sense. “Actual damages” are a legal remedy, whereas a “constructive trust” is an equitable remedy that often accompanies an accounting of the defendant’s profits, which is also an equitable remedy.¹⁰⁷ Thus, perhaps

¹⁰³ PATRY ON COPYRIGHT §25:92 (“Accordingly where a work is initially infringed overseas [sic; should be “in the United States”] and then additional acts are committed overseas *facilitated by the U.S. infringement*, there is no liability for the overseas acts under U.S. law.”) (emphasis added). My bracketed correction is confirmed by the emphasized language, and by the title of the sub-chapter, which is “A Work is Infringed Initially in the United States and Then Additional Acts are Committed Overseas, Facilitated by the U.S. Infringement.” (Patry also confirmed the correction in an email exchange, on file with the author.) In Patry’s view, *Update Art* was overruled *sub silentio* by the U.S. Supreme Court, and should not be followed. PATRY ON COPYRIGHT §25:91; *see also id.* at §25:89 (criticizing *Sheldon*), §25:90 (criticizing *Update Art*).

¹⁰⁴ PATRY ON COPYRIGHT §25:88. This does not mean, however, that such claims can only be heard in foreign courts. Patry agrees that U.S. courts can hear foreign infringement claims if they are related to claims for infringement occurring in the U.S. PATRY ON COPYRIGHT §25:83.

¹⁰⁵ PATRY ON COPYRIGHT §25:86, §25:91.

¹⁰⁶ *See* 17 U.S.C. § 602(a)(2).

¹⁰⁷ *See, e.g.,* *Great-West Life & Annuity Ins. Co. v. Knudson*, 534 U.S. 204, 213 (2002) (restitution is sometimes a legal remedy, but it is an equitable remedy, “ordinarily in the form of a constructive trust . . . , where money or property identified as belonging in good conscience to the plaintiff could clearly be traced to particular funds or property in the defendant’s possession.”); *id.* at 214 n.2 (“an accounting for profits [is] a form of equitable

it is reasonable to utilize a constructive trust in measuring the “profits of the infringer that are attributable to the [domestic act of] infringement.”¹⁰⁸

The “predicate act” doctrine gives copyright owners a great advantage in the digital age. Because computers must create temporary versions of digitally encoded works in “random access memory” (or RAM) in order to function,¹⁰⁹ it frequently will be the case that at least one such version will be created on a computer in the United States as a preliminary step toward committing infringement elsewhere. Such RAM versions are considered “copies” or “phonorecords” if they subsist “for a period of more than transitory duration.”¹¹⁰ The reproduction right grants copyright owners the exclusive right “to reproduce the copyrighted work in copies or phonorecords.”¹¹¹ Thus, copying data into RAM is an infringement of the reproduction right;

restitution If, for example, a plaintiff is entitled to a constructive trust on particular property held by the defendant, he may also recover profits produced by the defendant’s use of that property, even if he cannot identify a particular *res* containing the profits sought to be recovered.”)

¹⁰⁸ 17 U.S.C. § 504(b).

¹⁰⁹ See *Cartoon Network, L.P. v. CSC Holdings, Inc.*, 536 F.3d 121, 128 n.1 (2d Cir. 2008).

¹¹⁰ 17 U.S.C. § 101 (“‘Copies’ are material objects ... in which a work is fixed by any method now known or later developed”); *id.* (“A work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord ... is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”); see also *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993); *Stenograph LLC v. Bossard Assocs., Inc.*, 144 F.3d 96, 101-02 (D.C. Cir. 1998); cf. *Cartoon Network*, 536 F.3d at 127-29 (distinguishing *MAI* and holding that a stream of data embodied in RAM for no more than 1.2 seconds was only of “transitory duration”).

If the work is a sound recording, then the material object in which the work is fixed is considered to be a “phonorecord” instead of a “copy.” 17 U.S.C. § 101 (“Phonorecords’ are material objects in which sounds ... are fixed by any method now known or later developed”).

¹¹¹ 17 U.S.C. § 106(1).

and under the “predicate act” doctrine, if one or more “RAM” copies are made in the United States, profits from the subsequent reproduction and use of such copies overseas may be recovered under U.S. law.¹¹² Recently, however, two Courts of Appeals have refused to extend U.S. law to foreign infringements where the only “predicate acts” alleged were downloading content *from* a computer based in the United States to a computer located in a foreign country, despite the possibility that temporary “RAM” copies were made in the United States in the course of such downloading.¹¹³

IV. Transmissions

Broadcast transmissions made in one country can often be received in another country (with or without the aid of retransmission).¹¹⁴ The Berne Convention requires countries to provide authors with “the exclusive right of authorizing ... the broadcasting of their works or the

¹¹² Cf. *Elsevier, Ltd. v. Chitika, Inc.*, 826 F. Supp. 2d 398, 402-03 (D. Mass. 2011) (allegation that a citizen and resident of India uploaded infringing copies of plaintiff’s books in India that were downloaded in U.S. “does not constitute an act of direct infringement occurring entirely within the United States,” so predicate act doctrine did not apply; but declining to dismiss infringement claim because “factual issues involving the structure of the Internet and the locus of the infringing activity remain.”).

¹¹³ See *IMAPizza, LLC v. At Pizza, Ltd.*, 965 F.3d 871 (D.C. Cir. 2020) (alleged copycat restaurant did not violate U.S. Copyright Act because reproduction occurred entirely in the United Kingdom; allegation that copyrighted photographs were downloaded from servers located in the U.S. was not a domestic act of infringement, because “copies” were fixed on the receiving end); *Superama Corp. v. Tokyo Broadcasting System Television, Inc.*, 830 Fed. App’x 821 (9th Cir. 2020) (complaint alleging that Japanese defendant downloaded recording of a U.S. sumo tournament and broadcast it in Japan was properly dismissed; downloading does not occur where the material is stored, but where the downloader is located).

¹¹⁴ Cf. 17 U.S.C. § 101 (“To ‘transmit’ a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.”).

communication thereof to the public by any other means of wireless diffusion of signs, sounds or images” and “any communication to the public by wire or by rebroadcasting of the broadcast of the work” by a different party.¹¹⁵ The United States, however, did not adopt this language; instead, it grants authors the exclusive right “to perform the copyrighted work publicly,”¹¹⁶ and it defines “publicly” to include four types of performances (arranged in two clauses):

- (1) to perform or display [the work] at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
- (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.¹¹⁷

For purposes of the territoriality principle, the question becomes: does the resulting performance occur in the country from which the transmission originates, or the country in which the transmission is received, or both? As the cases below demonstrate, with one notable

¹¹⁵ Berne Convention, art. 11 *bis*(1) & (2).

¹¹⁶ 17 U.S.C. § 106(4).

¹¹⁷ 17 U.S.C. § 101.

exception, U.S. courts have applied the law of the country in which the transmission is received.

In *Allarcom Pay Television, Ltd. v. General Instrument Corp.*,¹¹⁸ plaintiff had licensed the exclusive right to broadcast certain motion pictures in Western Canada, while Showtime had licensed the right to broadcast many of the same motion pictures in the United States. Showtime transmitted its programs by satellite to subscribers, but the “footprint” of the satellite also could be received in Canada. General Instrument made and sold hardware and software to scramble the transmission, and a decoder device to allow authorized subscribers to descramble the transmission. The complaint alleged that General sold “decoders in the U.S. and Canada in numbers far in excess of any authorized users and to people whom it knew or had reason to know were using the decoders for the purpose of receiving American [subscription] TV programming in Allarcom’s territory.”¹¹⁹ The amended complaint stated only state-law causes of action, and the defendants moved to dismiss on the ground that the action was pre-empted by Copyright Act.

The district court granted the motion, reasoning that the U.S. Copyright Act applied either “if part of an act of infringement begins in the United States, and is completed in a foreign jurisdiction, or if a person in the United States authorizes an infringement that takes place in a foreign jurisdiction.”¹²⁰ The Ninth Circuit explained that in

¹¹⁸ 69 F.3d 381 (9th Cir. 1995).

¹¹⁹ *Id.* at 384.

¹²⁰ *Id.* at 387.

Subafilms, “[w]e held that in order for U.S. copyright law to apply, at least one alleged infringement must be completed entirely within the United States, and that mere authorization of extraterritorial infringement was not a completed act of infringement in the United States.”¹²¹ It then summarily reversed, saying:

In this case, defendants either initiated a potential infringement in the United States by broadcasting the Showtime signal, which contained copyrighted material, or defendants authorized people in Canada to engage in infringement. In either case, the potential infringement was only completed in Canada once the signal was received and viewed. Accordingly, U.S. copyright law did not apply, and therefore did not preempt Allarcom’s state law claims.¹²²

It should be noted, however, that Showtime was *authorized* to transmit the copyrighted material in the United States, so the transmission itself could not be infringing. The only possible basis for liability was contributory infringement in selling decoder boxes, and both the sales and the use of those boxes (and therefore the viewing) took place in Canada. Thus, the court was correct in holding that U.S. law did not apply. It is far from clear, however, that the court meant to preclude application of U.S. law to *unauthorized* transmissions containing copyrighted material originating in the United States.

¹²¹ *Id.*

¹²² *Id.*

The Second Circuit reached the opposite result in *National Football League v. PrimeTime 24 Joint Venture*, in which PrimeTime held a statutory license to retransmit network programming of NFL games by satellite to “subscribers in United States households that do not have adequate over-the-air broadcast reception from primary television stations, *i.e.*, ‘unserved’ households.”¹²³ PrimeTime, however, also retransmitted the games to subscribers in Canada.¹²⁴ The question was whether doing so violated any provision of U.S. copyright law. The Second Circuit affirmed the trial court ruling that PrimeTime’s transmission from the United States to the satellite was itself a public performance:

We believe the most logical interpretation of the Copyright Act is to hold that a public performance or display includes each step in the process by which a protected work wends its way to its audience. Under that analysis, it is clear that PrimeTime’s uplink transmission of signals captured in the United States is a step in the process by which NFL’s protected work wends its way to a public audience. In short, PrimeTime publicly displayed or performed material in which the NFL owns the copyright. Because PrimeTime did not have authorization to make such a

¹²³ 211 F.3d 10, 11 (2d Cir. 2000). *See* 17 U.S.C. § 119(a)(2)(B) (authorizing “secondary transmissions to unserved households”); § 119(d)(10) (defining “unserved household”).

¹²⁴ Again, the single retransmission originated from the United States, but the signal could be received in Canada, so one assumes PrimeTime made the games available to Canadian subscribers by selling or renting satellite dishes and decoder boxes to those subscribers.

public performance, PrimeTime infringed the NFL's copyright.¹²⁵

This holding is problematic, because PrimeTime's retransmission ostensibly *was* authorized pursuant to a statutory license.¹²⁶ The court should have analysed the case as one of contributory infringement: PrimeTime contributed to an infringement in Canada by selling or renting satellite dishes and decoder boxes to subscribers in Canada. If one analyses the case this way, it is clear that the action should have been resolved under Canadian law, not under U.S. law.

This analysis becomes even clearer when we consider the converse of the situations in *Allarcom* and *PrimeTime 24*. In *Los Angeles News Service v. Conus Communications Co.*, defendant Canadian Broadcasting Corporation ("CBC") allegedly broadcast plaintiff's news footage in Canada without authorization.¹²⁷ Its broadcast transmissions were received in border areas of the United States.¹²⁸ The district court denied CBC's motion to dismiss, holding that if the footage was broadcast without authorization, "an act of infringement was committed within the United States when the Canadian transmission

¹²⁵ 211 F.3d at 13.

¹²⁶ Patry nonetheless approves of the holding, on the ground that a single transmission can be "simultaneously infringing and non-infringing," depending on the content and the viewer. PATRY ON COPYRIGHT §25:98. While the statute and legislative history indicates that Congress did intend for intermediate transmissions to be treated as public performances, H.R. Rep. 94-1476, at 63-64 (1976), there is no indication that Congress intended to regulate such performances when the "public" that received them was located outside the United States.

¹²⁷ 969 F. Supp. 579, 582 (C.D. Cal. 1997).

¹²⁸ *Id.* There was evidence that in 1992–1993, "an average of 7,814 households in the United States received CBC's broadcast signal and actually watched CBC." *Id.*

was received and viewed here.”¹²⁹ Likewise, in *Twentieth Century Fox Film Corp. v. iCraveTV*, defendants in Canada received broadcast transmissions from the United States, “converted these television signals into computerized data and streamed them over the Internet from a website called iCraveTV.com.”¹³⁰ As in *Conus*, the court held that “although the streaming of the plaintiffs’ programming originated in Canada, acts of infringement were committed within the United States when United States citizens received and viewed defendants’ streaming of the copyrighted materials.”¹³¹ In both cases, as in *Allarcom*, it was the place where the transmissions were received that was determinative.¹³²

The D.C. Circuit reached the same conclusion in *Spanski Enterprises, Inc. v. Telewizja Polska, S.A.*¹³³ Defendant TVP, the Polish national television broadcaster and the author of the 51 programs at issue, posted its own programs on its own website in Poland on a video-on-

¹²⁹ *Id.* at 584; *see also id.* at 583 (“Plaintiffs claim direct acts of infringement—not merely authorization—by the display of Plaintiffs’ copyrighted works on American television sets.”).

In holding so, the district court relied on its own prior opinion in *Los Angeles News Service v. Reuters Television Int’l, Ltd.*, 942 F. Supp. 1265, 1269 (C.D. Cal. 1996), which was later reversed and remanded by the Ninth Circuit based on the “predicate act” of infringement doctrine. 149 F.3d 987 (9th Cir. 1998). If the defendants in *Reuters* had transmitted the works overseas *without* having made videotape copies or unauthorized transmissions in the United States, then presumably the Ninth Circuit would have followed *Allarcom* and found no liability.

¹³⁰ 53 U.S.P.Q.2d 1831, 1832 (W.D. Pa. 2000).

¹³¹ *Id.* at 1835.

¹³² One could distinguish the two cases, however, on the ground that in *iCraveTV*, there was good evidence that the defendant was “targeting” the United States; whereas in *Conus*, the CBC credibly alleged that “any allegedly infringing activity in the United States was unintended and unavoidable.” 969 F. Supp. at 584. Because the complaint in *Conus* alleged direct infringement, however, rather than contributory infringement, the court held that intent was immaterial. *Id.*

¹³³ 883 F.3d 904 (D.C. Cir. 2018).

demand basis. TVP had granted Spanski, a Canadian corporation, an exclusive license to perform its programs in North and South America. Pursuant to an earlier settlement agreement between the parties, TVP was required to use “geo-blocking” to prevent the programs on its Polish website from being viewed by viewers in North and South America.¹³⁴ Spanski discovered, however, that at least 51 programs were available and could be viewed in the United States and Canada. Spanski sued, and the district court found that TVP employees had *intentionally* disabled the geo-blocking on those programs.¹³⁵ The D.C. Circuit affirmed the trial court’s ruling that TVP was “performing” the videos by transmitting them into the United States.¹³⁶ TVP protested strenuously that it could not be held liable under U.S. law because it had acted only in Poland. The court disagreed:

Here, although it was in Poland that TV Polska uploaded and digitally formatted the fifty-one episodes, the infringing performances—and consequent violation of Spanski’s copyrights—occurred on the computer screens in the United States on which the episodes’ images were shown. Accordingly, because the conduct relevant to the statute’s focus occurred in the United States, this case

¹³⁴ *Id.* at 907.

¹³⁵ *Id.* at 908.

¹³⁶ *Id.* at 910. In holding so, the court relied on *American Broadcasting Cos. v. Aereo, Inc.*, 573 U.S. 431, 441 (2014), which held, in the context of unauthorized Internet retransmissions, that “*both* the broadcaster *and* the viewer of a television program ‘perform,’ because they both show the program’s images and make audible the program’s sounds.”

involves a permissible domestic application of the Copyright Act, even if other conduct occurred abroad.¹³⁷

The court also rejected TVP's argument that the ruling would leave every Internet user in the world subject to liability in the United States, noting that many such users would not be subject to personal jurisdiction here.¹³⁸ Relying on the finding that TVP had *intentionally* disabled the geo-blocking in order to allow its programs to be viewed in the United States, it held that "where a foreign broadcaster uploads copyrighted content to its website and directs that content onto a computer screen in the United States at a user's request, the broadcaster commits an actionable domestic violation of the Copyright Act."¹³⁹ Other courts have agreed.¹⁴⁰

Applying the law of the country in which the broadcast or transmission is received has one serious drawback: it subjects the broadcaster or transmitting party to the law of multiple jurisdictions. That means the

¹³⁷ *Spanski*, 883 F.3d at 914 (internal quotes and citations omitted).

¹³⁸ *Id.* at 915-16.

¹³⁹ *Id.* at 918; *see also id.* at 916 ("we need hold only that a foreign broadcaster that, as here, *directs* infringing performances into the United States from abroad commits a domestic violation of the Copyright Act.) (emphasis added).

¹⁴⁰ *See, e.g.*, *Crunchyroll, Inc. v. Pledge*, 2014 WL 1347492, at *17 (N.D. Cal. Mar. 31, 2014) (defendant that uploaded copyrighted works to YouTube from the United Kingdom, which "were then made available for viewing around the world, including in the United States," was liable because conduct was not "wholly extraterritorial"); *Shropshire v. Canning*, 809 F. Supp. 2d 1139, 1145-46 (N.D. Cal. 2011) (although defendant created allegedly infringing video entirely in Canada, he "allegedly uploaded it to YouTube's California servers for display in the United States," which led "to the subsequent viewing of the video by potentially thousands in the United States."); *United Feature Syndicate, Inc. v. Miller Features Syndicate, Inc.*, 216 F. Supp. 2d 198, 225 (S.D.N.Y. 2002) (rejecting Canadian licensee's extraterritoriality defense because allegedly infringing material was accessible from computers within the United States).

broadcaster or transmitting party must employ scrambling or geo-blocking or take other reasonable efforts to prevent content that may lawfully be performed in one jurisdiction from being received in a jurisdiction where such performance is unlawful. But the alternative is a “least common denominator” world in which the country from which the content is uploaded can impose its standards on other countries where the transmission can be received, even if the content has not been licensed in those other countries. An acceptable intermediate position is to apply the law of the country where the broadcast or transmission is received so long as the transmitting party has “targeted” that country in some meaningful way (for example, by seeking or accepting subscribers in that country), so that it is on notice that it will be subject to the laws of that country.

CONCLUSION

Despite the nominal rule that U.S. copyright law is not “extraterritorial,” courts in the United States have applied U.S. copyright law to a wide range of multi-territorial infringement claims. Both importation and exportation of infringing copies or phonorecords of works are prohibited by statute, and the distribution right has been interpreted broadly to apply to a foreign seller who ships infringing goods into the United States. Acts in another country that contribute to infringement in the United States have been held actionable under U.S. law. Although mere “authorization” in the United States that contributes to infringement occurring entirely in another country is not actionable, if there is a “predicate act” of infringement in the United States, courts are willing to award the

defendant's profits resulting from that infringement, even if those profits were earned overseas. And although courts are split over whether transmissions originating in the United States must be received here to be actionable, courts agree that transmissions originating outside the United States that are received here are actionable under U.S. law, at least where the defendant intentionally "targeted" those transmissions at the United States in some way. Taken together, these doctrines afford copyright owners a wide range of options for applying U.S. copyright law to multi-territorial infringement claims.

The United States has a strong interest in regulating conduct that results in a direct infringement within the territory of the United States. Such claims, however, should be analysed as claims of contributory infringement, a doctrine which requires knowledge of the infringing conduct, so that a foreign party is not subject to liability without knowledge that its conduct will be judged under U.S. law. Conversely, conduct within the United States that results in a direct infringement in a foreign country ought to be judged by the standards of the foreign country's laws, at least in cases like *Subafilms*, where the domestic actor has knowledge that its actions will lead to foreign distribution. A proper respect for international comity, therefore, suggests that the United States should eliminate, or drastically limit, the "predicate act" doctrine. Doing so would not necessarily eliminate the possibility of having the case resolved in a single forum, but it would help ensure that the interests of other countries are taken into account when U.S. courts adjudicate multi-territorial infringement claims.

THE BEWILDERING PREDICAMENT OF VOICE ACTORS IN INDIA: A PERFORMERS' RIGHTS TRAGEDY

Rohan Cherian Thomas*

Abstract

While the 2012 Amendment to The Copyright Act, 1957 ('The Act') provided many strengths to the Indian performer such as moral rights and equal share of royalty, most of the Indian dubbing artistes and voice-over artistes ('Voice Actor') live in anonymity. Not only do they not receive recognition/credits for their performances, they also suffer monetarily. The Indian Singers' Rights Association (ISRA) is the only registered performers' society existing in India, but it caters purely to singers. With no way to compute royalty, the Indian voice actor is stuck and is completely at the mercy of the producer. While movies mint money at the box office, the voice actor is paid a pittance. The same can be said for commercial advertisements. These are made at huge budgets helping companies in making their brand more attractive. Much depends on the contributions of the voice actor who makes the advertisement appealing. There is little legal discourse in India on the rights of this vulnerable community.

Some from the Indian voice industry admit that this community is not receiving their worth. At the same time, others do not believe they make any meaningful contribution. Section 2(qq) of

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the Act does not place any restriction on the type of performer. Anyone who can satisfy the interpretation of performance under Section 2(q) can be one. The only exception is someone whose performance is considered casual or incidental in nature in the normal course of practice of the industry with respect to cinematograph films, as the proviso to Section 2(qq) explains. An extra artiste or a junior artiste may well fall outside this sphere, but a voice actor provides distinctive and significant contributions. Thus, he should necessarily be a performer and enjoy performers' rights.

There is a dearth of material available on what exactly is causing this bewildering predicament. This article dives into an exploration to find answers. It aims to identify issues from the voice actors themselves through detailed interviews. It then seeks to analyze them on the anvil of The Act and The Copyright Rules, 2013. Finally, it attempts to provide gateways to possible solutions.

INTRODUCTION

Vidamaate? Vidamaate? Apo ne enne engenyum poka vidamaate?

This is an iconic dialogue from the legendary Malayalam film *Manichitrathazhu*, released in 1993. For the ordinary moviegoer, it was the actress Shobhana who delivered these lines when her character is taken over by a ghost and she changes from Ganga to Nagavalli. The cinephile knew it was not Shobhana, but in fact the dubbing artiste, Bhagyalakshmi. She is a well-known artiste in the Malayalam film

industry who has lent her voice to characters in thousands of films. Shobhana went on to win the National Award for her brilliant role and Bhagyalakshmi glowed in the spotlight. However, in 2016, the director of the film, Fazil, wrote for the Manorama Weekly that the dubbing for Nagavalli's character was in fact done by Durga Sundarrajan, a Tamil dubbing artiste.¹ For 23 years, post the film release, Bhagyalakshmi was under the belief that it was her dubbing.² While in fact, Fazil had forgotten to tell Bhagyalakshmi about the same and Durga was never credited for her role.³

Sharad Kelkar, a well-known Indian actor, had dubbed for Telugu star Prabhas in Hindi for the film Baahubali. The film was released in multiple Indian languages and broke multiple box office records. It shouldn't come as a surprise that the dubbing artistes did a fabulous job and deserved every bit of praise for the same. However, Kelkar says that the opposite is the norm.⁴ These artistes do not get their due monetarily or otherwise.⁵

Many actors have earned laurels owing to the prolific efforts of their dubbing counterparts. Robin Williams, who won an Oscar for Good

¹ Haritha John, *I am not burdened with any guilt, Bhagyalakshmi Responds to Nagavalli Dubbing Controversy*, THE NEWS MINUTE (Jan. 11, 2016), <https://www.thenewsminute.com/article/i-am-not-burdened-any-guilt-bhagyalakshmi-responds-nagavalli-dubbing-controversy-37530>.

² *Id.*

³ *Id.*

⁴ Yashika Mathur, *Sharad Kelkar: Dubbing artists are not promoted enough in Bollywood*, HINDUSTAN TIMES (May 8, 2017), <https://www.hindustantimes.com/bollywood/sharad-kelkar-dubbing-artists-are-not-promoted-enough-in-bollywood/story-40INJ4aPflFpAERVIrtjLP.html>.

⁵ *Id.*

Will Hunting in 1997, had sent a letter to the dubbing artiste, Peer Augustinski, who had dubbed for Williams in German.⁶ In the letter, Williams thanked Peer for making him famous in Germany.⁷ On the other hand, some actors gained much recognition for their roles but chose to discredit the dubbing artiste. Industry veteran, Mona Shetty, in an interview had said that Rani Mukherjee hated the dubbing Mona did for her in the superhit film *Ghulam*.⁸

Professor Mckeever, academic director at the New York University Tisch School of Arts, states that sound produces an emotional reaction for the audience.⁹ She says that the perception of the audience can be prejudicially affected if a dub is not done properly or if the sound does not sync with what they see on the screen, an issue called a 'lip flap' in the industry.¹⁰ A bad dub can ruin even the greatest content, said Nikolay Ivanov, CEO of Bulgaria-based Graffiti Studios.¹¹ In Italy, dubbing is perceived to be a "little brother" to movie making as those

⁶ *Did You Know Robin Williams Was Voted 'Least Likely to Succeed' in School? Here are 10 Facts About the Actor on His Birth Anniversary*, HINDUSTAN TIMES (Jul. 21, 2019), <https://www.hindustantimes.com/hollywood/did-you-know-robin-williams-was-voted-least-likely-to-succeed-in-school-here-are-10-facts-about-the-actor-on-his-birth-anniversary/story-iMW9fr3TEsVbGKUid7HVNJ.html>.

⁷ *Id.*

⁸ Mona Shetty, *Rani Hates her Dubbed Voice in Ghulam* (2015), <https://www.rediff.com/movies/report/rani-hates-her-dubbed-voice-in-ghulam/20150330.htm> (last visited May 15, 2020).

⁹ Ritu Prasad, *Dubs or Subs? Parasite Renews Debate on How to Watch Foreign Films*, BBC NEWS (Feb. 23, 2020), <https://www.bbc.com/news/world-us-canada-51567425>.

¹⁰ *Id.*

¹¹ *How to Dub a Film*, INDEPENDENT (Oct. 4, 2011), <https://www.independent.co.uk/arts-entertainment/films/features/how-to-dub-a-film-2365083.html>.

who provide voices are mostly trained actors, and adapting scripts and screenplays requires considerable skill.¹²

South Indian actress, Rohini, is a person of many talents in theater, acting and dubbing. The Tamil roles played by Manisha Koirala in the superhit film *Bombay* or by Aishwarya Rai in *Raavanan* were voiced by Rohini. For this well-known star, maintaining anonymity determines the quality of a dubbing artiste.¹³ In fact, she goes on to admit that she fears someone complimenting her.¹⁴ The talent of dubbing lies in getting into the skin of the character.

This life of anonymity comes at a big cost. While the public eye is focused on an apparition, these skilled individuals do not get the recognition they deserve and get paid a pittance. Films may make billions at the box office and the pay grade for lead actors may rise, but these individuals have to satisfy themselves with the meager wages for their contribution. Commercial advertisements are produced on big budgets while the voice which makes the advertisement appealing to the audience is treated abysmally. Buyouts of one's voice-overs are used and re-used over multiple ads and mediums. This community of incredible artistes requires encouragement and justice for their talent. This article is an attempt to highlight their issues, open up avenues for

¹² Stephanie Gengotti, *Famous Voices Take Centre Stage at Italy's 'Dubbing Oscars'*, N.Y. TIMES (Nov. 22, 2019), <https://www.nytimes.com/2019/11/22/movies/italy-dubbing-oscars.html>.

¹³ Meera Srinivasan, *Success of Dubbing Artist Lies in Not Letting the Audience Know Who You Are*, THE HINDU (Jul. 12, 2010), <https://www.thehindu.com/news/cities/chennai/ldquoSuccess-of-dubbing-artist-lies-in-not-letting-audience-know-who-you-areldquo/article16193272.ece>.

¹⁴ *Id.*

discussion on law & policy and provide gateways for possible solutions.

RESEARCH METHODOLOGY

This research is partly doctrinal and partly empirical. Many facets of the film and television industry are esoteric in nature due to the silence which shrouds them. As noticed above, there are clear signs of problems existing in relation to voice actors. But there is no clarity on what these issues exactly are and in what manner can the law offer a solution. By voice actors, I mean both dubbing artistes as well as voice-over artistes. I explain this further in the next section.

For the empirical part, my target population were voice actors in the Indian voice industry. However, I learned that there were problems such as how the Association of Voice Artistes ('AVA') does not restrict independent voice actors from performing in Bollywood unlike other regional film associations. The market for commercials and voice-overs is wide open. Hence, the power balance in the industry works against voice actors. Criticism can be met with reprisal. After all, artistes have to find work within the industry. This is the reason why many voice actors refused to be interviewed or even take a questionnaire. Some who were interviewed did not agree to be cited in my paper.

Telephonic interviews with veteran voice actors, with their decades of experience in the field, offered authoritativeness. These interviews were unstructured allowing for the free flow of information into issues which have not been addressed before due to industry practices. The

dominant heads under these interviews were - 1. Defining a voice actor; 2. Understanding a voice actor's role in the industry (Past and Present); 3. Understanding the nature and issues with remunerations (Past and Present); 4. Understanding the role of AVA and producers in the voice industry; and 5. Understanding the nature of contracts made with voice actors.

To balance out the views of voice actors, it was important that the production-side was considered as well. Mona Shetty ('Monaji'), a veteran in this field and the President of her own studio – Sound & Vision India, helped me understand how producers view the issues faced by voice actors and how content owners fit into the equation. Lastly, views of the AVA were needed to understand the association's role - for which Ganesh Divekarji, the current President of AVA was very helpful. He would help me understand how the Association is walking the tight-rope between interested parties. I turn to elaborate these discussions with members of the industry.

THE SHADOW INDIVIDUAL

In this part, I focus on exploring the issues identified through conversations with this embattled community. My interviews with the most prolific performers in the Indian voice industry, provided invaluable insights into its working and shed clarity on several age-old contemporary issues. It would not be right on my part to not mention also the pleasure of interacting with these amazing talents. I could not help but marvel at the beauty of their voices.

I. The Terminological Quandary

I refer to them as shadow individuals but many in the industry may know them simply as dubbing artistes and voice-over artistes. A few have risen above the shadows through a sheer display of incredible skill and talent, but the majority remain unknown. There is a difference between dubbing and voice-overs. The latter does not replace anything, while the former does. The voice used for commercial advertisements are voice-overs and voice used to replace an actor's voice or as a translated version would be dubbing. In my conversations with Monaji and Chetan Shashital ('Chetanji'), an extraordinary voice talent in the field, they used the term 'voice actor', a term I found much more in sync with The Copyright Act, 1957 ('Act'). Although the terms 'artist' and 'artiste' are different, with the latter indicating a performer, they can create confusion. The inclusive interpretation of a performer provided in Section 2(qq) of the Act read with Section 2(d)(iii), makes it very clear that the term 'artist' refers to the author of an artistic work and cannot be used for a performer. The term 'voice actor' avoids this terminological confusion. For example, a recent article in the Times of India used the term 'voiceover artist'.¹⁵

II. The Royalty Quagmire

Harish Bhimani ('Harishji') is a legend in the voice industry with a voice instantly recognizable to scores of Indians. Having worked with OP Nayyar, Kalyanji-Anandji, Lata Mangeshkar and Naushad Ali, he

¹⁵ Tanvi Trivedi, *Harish Bhimani: BR Chopra saab beard my voice on radio and selected me for the narrator's voice in 'Mahabharat'*, TIMES OF INDIA (May 25, 2020), <https://timesofindia.indiatimes.com/tv/news/hindi/harish-bhimani-br-chopra-saab-heard-my-voice-on-radio-and-selected-me-for-the-narrators-voice-in-mahabharat/articleshow/75966995.cms>.

has seen it all. On the point of royalties, he explains that we can understand the term better if revenue is bifurcated into two heads – Actual Recording and Usage. Three decades ago, he was part of the movement to ignite this understanding in the fraternity, but he could not gather much support. Artistes, he says, were content with receiving payment for speaking. While this cloud of satisfaction hung in the air, there were technical problems as well. For instance, in many genres of voice recording, computation of royalty may not be feasible. Contemporary examples would be Interactive Voice Response recordings or even recordings for museum, a field in which Harishji has done a massive amount of work. Benefitting from this issue, the producers resort to the simple solution of buyouts.

Buyouts refer to perpetual assignments. “It means sacrificing your voice forever”, Chetanji does not mix his words. He explains that in a few years, a campaign may lose its steam and the voice recording would not be used by the client. However, if the recording is a generic line, it could go on forever – for example, ‘This is CNN’.

Nikhil Kapoor (‘Nikhilji’) is another industry veteran who points to the issue of ‘Slap-Ons’, wherein one voice recording is used in multiple ads with multiple edits and across multiple mediums – all unauthorized. It is expensive to monitor such usage. Buyouts coupled with slap-ons spell a death knell for a voice actor.

For a voice actor who asks for royalty, there are problems galore. Harishji, Chetanji and Nikhilji expressed their anguish at the lack of a meaningful mechanism for royalty computation. It is this void which

fuels misbalanced negotiations because everyone is charging individually. Harishji states that the negotiation essentially becomes a question of choice – between a lumpsum payment or royalty payment. To ask for both is to ask for a ticket out of the industry. On to the next, says the producer. In fact, Nikhilji adds, in the film industry, voice actors are given daily wage for every day of work. A reputed individual though could claim his worth, but even he would get stuck on making a choice.

III. The Production Game

Production budgets have gone down by almost 45%, says Chetanji. With production mainly happening digitally, there is a sense that everything should become cheaper. This has led to mediocrity creeping in with production houses compromising on quality. Nikhilji points out that the only exception here is if the venture is expensive in nature.

The three-way arrangement of the client-production house/advertising agency-voice actor muddles a possible just payment system. In the film industry, this arrangement would be producer-dubbing coordinator-dubbing artistes. As Chetanji elaborates, where a big actor does voice-overs/dubbing, he is directly in touch with the client or producer. This is not the case with an ordinary voice actor, who would be in touch only with a middleman. It is thus a highly possible scenario where the quote made by a production house on behalf of the voice actor may be three times than what they give to him. We are talking of rates as low as one thousand rupees. In fact, production houses may even do freebies for clients, so they can get more work. Also, there is no established credit period for payments, to

a point that a voice actor may have no idea when he will receive his payment. There is an absolute lack of transparency.

But Monaji, as a producer herself, points out that as content owners, clients have other important tasks likely marketing, distribution and exhibition, so they don't normally get into the nitty-gritty of dubbing. Due to budgets being low, everyone downstream gets only a small piece of the pie.

IV. The Association Support

With such a major power imbalance, one wonders why the AVA isn't up in arms. Again, Harishji, Chetanji and Nikhilji confirm to me that they have tried. AVA had taken a bold decision in the leadership of Nikhilji, where they prepared a rate scheme and with the help of Federation of Western Indian Cine Employees (FWICE) decided to take the fight to the producers. The scheme would have brought parity in payments and recognition. Unfortunately, this movement did not bring about any result.

Peter Abraham, a young voice-over artiste based in Mumbai, tells me that the financial impact of working full time as a voice-over can be difficult. There was a time when he pursued it full time but realized he needed to complement it with other sources of income. Another experienced voice actor, confirmed the same and went a step further to point out non-payments on agreed sums. He attributed this to the mentality of producers who consider voice-over artistes 'voiceless'. AVA in its position as a responsible association takes effort to help such performers by taking the issue up with errant producers/clients.

Ganesh Divekar, the current President of AVA, admits that there is no mechanism for unified computation of royalty for voice actors in the industry, but is open to solutions. He says any system will have to be balanced, wherein both sides of the coin are considered.

Tamil Nadu sees a more rigid format of functioning without any real change in the status of the voice actor. TNB Kathiravan is a Tamil dubbing artiste. He says the South Indian Cine, Television Artistes and Dubbing Artistes Union ("SICTADAU") has ensured that only its members are allowed to dub for films.¹⁶ While he admits that female dubbing artistes get more opportunities than their male counterparts, the pay they receive is the same.¹⁷ Famous voice actor Savita Radhakrishnan spoke to The News Minute and explained how the SICTADAU charges a whopping INR 1,50,000 as its membership fee.¹⁸ A non-member can make a dubbing performance for the payment of 20,000 Rupees to the Union, but any subsequent dubbing performance would necessarily require membership.¹⁹ Nonetheless, no membership is required for voice-overs in commercials and documentaries.²⁰

¹⁶ M Suganth, *Dubbing is Big Business Today in Kollywood*, TIMES OF INDIA (Jan. 16, 2017), <https://timesofindia.indiatimes.com/entertainment/tamil/movies/news/Dubbing-is-big-business-today-in-Kollywood/articleshow/52222891.cms> (last visited May 18, 2020).

¹⁷ *Id.*

¹⁸ Anjana Shekhar, *The Voice Behind the Famous Face: Meet Dubbing Artists of Your Favourite Stars*, THE NEWS MINUTE (Feb. 3, 2018), <https://www.thenewsminute.com/article/voice-behind-famous-face-meet-dubbing-artists-your-favourite-stars-75842> (last visited May 12, 2020).

¹⁹ *Id.*

²⁰ *Id.*

V. Awards, Recognition and Acknowledgement

Film awards also highlight the predicament of voice actors. The National Film Awards do not have a category for dubbing and neither does Filmfare Awards. Regional cinema has a different outlook on the same. The Kerala State Film Awards has recognized dubbing artists for their contributions since 1991, where the first winner was veteran Bhagyaraj, followed by Anandavally in 1992.²¹ In 2019, Chief Minister Pinarayi Vijayan expressed grief at the demise of CR Anandavally and commemorated her stellar contributions to the Malayalam film industry.²² Tamil Nadu, Karnataka and Andhra Pradesh also award dubbing artistes for their performances.

The national apathy is in sync with the Oscars where there is no recognition for dubbing artistes. In fact, there is no major award ceremony which honors these individuals in the United States of America. On the other hand, European States such as Italy and Germany have a very rich tradition in this area. Voice actors like Christian Brückner, the German voice of Robert De Niro, are very well known in Germany.²³ In 2019, Italy celebrated the 11th edition of its

²¹ BS Shibu, *Dubbing Artist Anandavally: The Voice that Powered a Thousand Characters*, THE NEW INDIAN EXPRESS (Apr. 6, 2019), <https://www.newindianexpress.com/entertainment/malayalam/2019/apr/06/dubbing-artist-anandavally-the-voice-that-powered-a-1000-characters-1960749.html> (last visited May 18, 2020).

²² *Award-Winning Malayalam Dubbing Artist Anandavally Passes Away*, THE NEW INDIAN EXPRESS (Apr. 5, 2019), <https://www.newindianexpress.com/entertainment/malayalam/2019/apr/05/noted-malayalam-dubbing-artist-anandavally-passes-away-1960618.html> (last visited May 18, 2020).

²³ Emily Manthei, *Film Dubbing as High Art in Germany*, DEUTSCHE WELLE (May 24, 2019), <https://www.dw.com/en/film-dubbing-as-high-art-in-germany/a-48862319> (last visited May 20, 2020).

International Grand Prize of Dubbing or ‘doppiaggio’ as the Italians call it.²⁴ One of the co-hosts, Pino Insigno pointed out that dubbing artistes are extremely skilled and the awards are a means of giving them the dignity and recognition they deserve.²⁵

Acknowledgement for one’s work has found its way into the film industry says Chetanji, where in the credit scroll at the end of the film, dubbing artistes are credited for their performance. However, Nikhilji states, that the same cannot be said for voice-overs. For these artistes the best acknowledgement is receiving payment for their performance.

THE PERFORMERS’ RIGHTS DIMENSION

Smita Rosemeyer, an established voice actor in the industry, frankly responded to my question about how she perceived herself as a voice actor. She said that she saw herself as a “Performance-Enhancer” and considered dialogue delivery to make up 50 percent of the performance of an actor, In that sense, in her opinion; she was a ‘part of that actor’. In this part I look at the existing legal structure for protection of performers’ rights in India. I attempt to decode whether the law protects voice actors or leaves them to fend for themselves.

I. Is A Voice Actor A Performer?

The Act does not define a performer. It just tells us what a performance is and who a performer might be. Thus, any individual who gives a live visual or acoustic presentation can be a performer.

²⁴ Gengotti, *supra* note 12.

²⁵ *Id.*

The Act does not provide any other qualification. An actor who acts and a juggler that juggles can claim performers' rights over their performances. In *Neha Bhasin v. Anand Raj Anand*²⁶, the High Court of Delhi made it clear that live presentations in a studio also constitute a performance. It is not necessary that there should be any audience present. Accordingly, a voice actor who performs inside a studio is also a performer. This is also stated in Explanation 3 to Rule 68(4) of The Copyright Rules, 2013 ("The Rules").

A performance in itself is incapable of being copied because it isn't fixed unlike an artistic work as defined in the Act. The fixation requirement itself is debatable and requires an in-depth analysis, which is outside the scope of this article. But I will dwell on a few fundamental aspects of fixation. The US Copyright Statute under § 101 provides for a working understanding of fixation wherein its embodiment should be sufficiently permanent and stable. No such help is provided by the Act. The Berne Convention for the Protection of Literary and Artistic Works, 1886 in Article 2(2) gives Member States the flexibility of determining whether they want to obligate fixation or not, while itself not defining the term. Hence, if the legislation of a country does not specify the fixation requirement, it is clearly not obvious to presume its requirement for subsistence of copyright in a work.

The Indian legislation does use the term "material form" but uses it in the context of reproduction. Section 14(a)(i), for instance, states that it

²⁶ *Neha Bhasin v. Anand Raj Anand*, 2006 (32) PTC 779 (Del).

is the copyright of the creator to reproduce or to permit reproduction of the expression in a material form. It does not say anything about the expression itself. To not insist on fixation would leave the doors open for protection of expressions of transitory durations or expressions which have no record. While that could save unconventional expressions, it could have the effect of blurring the lines between performers' rights and copyright. In an important distinction between the existence of work and subsistence of copyright, Justice Park in *Hadley v. Kemp*²⁷ explained that while a work may exist prior to its fixation, copyright can subsist only upon fixation. An unfixed work can be performed and recorded, resulting in fixation of the work and application of copyright and performer's rights. In this way, performance is acting as a tool for creating copyright in the work. The High Court of Delhi in *IPRS v. Aditya Pandey*²⁸ had referred *Sawkins v. Hyperion Records*²⁹ to stress on the meaning of musical work which is basically sounds and which need not be dependent on traditional score. The Rome Convention, 1961 (International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations) under Article 7(1)(b), the Agreement on Trade-Related Aspects of Intellectual Property Rights under Article 14(1), the WIPO Performances and Phonograms Treaty, 1996 under Article 6 and the Beijing Treaty on Audiovisual Performances, 2012 under Article 6, provide the right to fix an unfixed performance to performers.

²⁷ *Hadley v. Kemp*, [1999] EMLR 589.

²⁸ *Indian Performing Rights Society v. Aditya Pandey*, MANU/DE/2834/2011.

²⁹ *Sawkins v. Hyperion Records*, [2005] EWCA Civ 565.

Following this understanding, we can say that while the author of an unfixed work cannot exercise copyright under Section 14 of the Act, an unfixed performance can very well exercise Section 38A rights. The Act makes this amply clear in Section 38A(1) where it says “to make a sound recording/visual recording”. While the performer has such a right, the performer rose to prominence with the help of fixation. As Justice Arnold notes, economic factors for performers did not become relevant until the technical means to fix performances emerged.³⁰ The voice actor by providing his voice in the studio is a performer making a performance capable of exercising his performer’s rights.

Fixation though is not a qualitative criterion. The subjective criterion of originality which is followed for subsistence of copyright can essentially apply to derivatives of existing works, if there is sufficient creativity. When I say sufficient, I refer to a perceived system of “thickness” of creative endeavor rewarded by the State.³¹ As Owen Morgan points out, it would be inappropriate to use this criterion for performances since a performance can never be copied.³² The personality theory of intellectual property considers the infusion of the maker’s personality with his work, making it naturally his to control. Justice Holmes has rightly noted in the seminal case of *Bleistein v. Donaldson Lithographing Co.*³³ that personality always contains something unique; something irreducible, which is one man’s alone. Several

³⁰ RICHARD ARNOLD, PERFORMERS’ RIGHTS 7 (5th ed. 2017).

³¹ Shyamkrishna Balganes, *The Normativity of Copying in Copyright Law*, 62 DUKE L. J. 203–284, 221–226 (2012).

³² OWEN MORGAN, INTERNATIONAL PROTECTION OF PERFORMER’S RIGHTS 44 (2002).

³³ *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

performances of a single work would have their own distinctive attributes and therefore, it can be stated that a part of the performer's personality is present in the performance.³⁴ This is the reason why under Section 38, there is no requirement of originality set out explicitly with respect to performances. They are bound to be original. I deliberately prescribe it later in my study for reasons explained therein.

A view espoused by the Australian Copyright Law Review Committee was that the justifications for copyright equally apply to performers and that they can easily satisfy the criteria of originality.³⁵ This report is an eye-opener in many respects. For instance, the exposition of a non-work-based performance sheds light on the Indian provision as well.³⁶ Section 2(qq) of the Act does not place any restriction on a performer being a person performing a literary or artistic work. Section 38A(1) makes it clear when saying 'Without prejudice to the rights conferred on authors' that where such performance is based on a work, the work will take precedence. The dubbing right itself though belongs to the producer as held by the High Court of Madras in *Thiagarajan Kumararaja v. Capital Film Works*.³⁷ This is debatable, but unconnected with this study.

The social recognition of the performer places him in an extremely strong position to bargain for rewards but at the same time, little to

³⁴ MORGAN, *supra* note 32 at 44.

³⁵ REPORT ON PERFORMER'S PROTECTION, I (1987), <http://www.austlii.edu.au/au/other/clrc/10/> (last visited Jun. 1, 2020).

³⁶ *Id.* at I.

³⁷ *Thiagarajan Kumararaja v. Capital Film Works*, 2018 (73) PTC 365 (Mad).

no-recognition puts him at one of the lowest rungs of the industrial hierarchy. The 2012 Amendment to the Act ('Amendment') has accorded moral rights to the performer along with greater fairness in economic rights, in line with Merges' understanding of distributive justice and IP rights, wherein he says that fairness considerations not only surround or transcend intellectual property rights; they are also built into the structure of individual property rights.³⁸ Morgan notes, the performer's economic and moral rights have a dual function: (i) as a set of rules that protects them against the superior bargaining power of producers; and (ii) as a means of controlling the use of performances by third parties.³⁹ Prashant Reddy states that the Amendment moves the Act away from the traditional Anglo-Saxon moorings to the European style of *droit d'auteur* based human rights.⁴⁰

II. Are All Voice Actors Performers?

The proviso to Section 2(qq) clarifies that where an individual's performance is considered casual in industry practice for cinematograph films, he would not be a performer. Among voice-actors is a community of junior artistes. Chetanji explains that these individuals may be roped in to make crowd noises. Since there is no skill required in making these noises and there is nothing distinctive about the performance, there is ample justification for not including these persons under the performer's domain with respect to cinematograph films. Thus, the industry practice is to consider a

³⁸ ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY 103 (2011).

³⁹ MORGAN, *supra* note 32 at 64.

⁴⁰ Prashant Reddy, *The Background Score to the Copyright (Amendment) Act, 2012*, 5 NUJS L. REV. 469–527, 514 (2012).

performer as “casual” based on the criterion of originality. Just like the UK Copyright, Designs and Patents Act 1988, there is nothing to exclude extras, minor players and the like from protection under Section 2(qq).⁴¹

III. How Do We Determine Royalty For Voice Actors?

Being a performer, under Section 38A, if the performance by way of a written agreement is incorporated in a cinematograph film, the producer cannot deny an equitable share in the commercial use of the performance, which means the exploitation of performers' right by way of reproduction, issue of copies or distribution, communication to public including broadcasting and commercial rental of the cinematograph film. Rule 68 of the Rules is very clear about this. Rule 68(4) clarifies that the equitable share will apply across Section 38A(1) and the proviso to Section 38A(2).

Section 39A(1) of the Act states that the provisions on assignments, licenses and copyright societies applies with necessary adaptations and modifications to the performer's right. The Rules reflect this link in Rule 68(3) and accordingly extends Chapter XI of the Rules relating to Copyright Society to Performer's Society.

The Amendment inserts an equitable royalty clause in Section 18 and Section 19 of the Act which deal with assignments. Section 30A which deal with licenses extends equitable royalty to licenses. Through

⁴¹ ARNOLD, *supra* note 30 at 75.

Section 39A(1), the same can be extended to performers. Explanation (1) to Rule 68(4) tells us exactly this.

For far too long, voice actors are trying to protect their rights through the industrial process. There is only so much the associations can do for them. The shifting of forum from the International Labour Organisation (ILO) to Intellectual Property Rights Treaties is a significant historical moment in evolution of performers' rights.⁴² Resorting to an industrial reward will depend on careful tip-toeing around the producer, making sure not to upset him and arrive at a balanced position.⁴³ Even if a supposedly fair payment is reached, it will still not warrant for future payments.⁴⁴ Every single voice actor I spoke to has told me they have never gotten a share in the revenue after they were paid during production.

Prior to 1994, Copyright Societies were known as Performing Rights Societies. The shift in terminology is coincident with the recognition of performer's rights in India in 1994. Only registered copyright societies can engage in such a business as per the Act. In India, at the moment there are only three registered Copyright Societies – Indian Performing Rights Society ('IPRS'), Indian Reprographic Rights Organization ('IRRO') and the Indian Singers' Rights Association ('ISRA').⁴⁵ Phonographic Performance Limited ('PPL') was a registered Copyright Society but they are still engaged in the business

⁴² MORGAN, *supra* note 32 at 33.

⁴³ REPORT ON PERFORMER'S PROTECTION, *supra* note 35 at IV.

⁴⁴ *Id.* at IV.

⁴⁵ Copyright Societies, <http://copyright.gov.in/Documents/Copyright%20Societies.pdf> (last visited May 26, 2020).

of licensing of works in which copyright subsists and so is Novex Pvt. Ltd. The legality of this practice is questionable, but is not within the scope of this article.

The Act explains how a Copyright Society should function. The ISRA is the only registered Performers' Society in India which represents performers. But ISRA comprises of only a particular category of performers i.e., singers and not any other. It is important that a Performers' Society which represents the rights of other kinds of performers is also formed.

The formation of a society will lead to the preparation of a scheme for calculation of equitable remuneration and its distribution. The distribution scheme followed by the Indian Performing Rights Society (IPRS) is a good example.⁴⁶ This scheme considers a 25% distribution in favor of lyricists and composers, balancing it with a 50% for the producer.⁴⁷ As Chetanji pointed out, it's a voice actor who has to realize the worth of his voice. The artiste should be entitled to royalties which are fair and equitable in relation to the worth of his performance. An example comes from Germany where dubbing artiste Marcus Off took on Walt Disney for payment of unfair remuneration. Marcus had dubbed for Johnny Depp's character Captain Jack Sparrow in The Pirates of the Caribbean series. The Berlin High Court awarded subsequent compensation of ten times the original agreed

⁴⁶ IPRS Distribution Rules / Scheme and Methods, (2018), <https://www.iprs.org/wp-content/uploads/2019/05/IPRS-Distribution-Rules.pdf> (last visited Jun. 4, 2020).

⁴⁷ *Id.* at 10.

amount and still it fell less than 0.05% of the gross revenue of the films.⁴⁸ This was upheld by the German Federal Supreme Court in 2017 in line with the equitable remuneration provision under the German Act on Copyright and Related Rights, 1965. According to the Court, “The amount seems reasonable, especially since the plaintiff has made a significant contribution to the characterization of the central protagonist of the films through his voice-acting”.⁴⁹

IV. What Is The Legal Validity Of A Buyout?

The Act does not permit oral agreements and the following points are important:

- (a) All agreements concerning performer rights have to be written: Section 39A read with Section 19 and 30 of the Act.
- (b) A written agreement which denies subsequent royalty is invalid because equal royalty payment is mandated by the Act and the Rules: Proviso to Section 38A(2), Section 39A(1) read with Section 18(1), 19(9), 19(10) and 30A of the Act and Explanation 1 to Rule 68(4) of the Rules.
- (c) The agreement will necessarily have to mention the duration of use, the amount of royalty, revision/extension/termination

⁴⁸ Dr.Enox Christoph, Dr.Stefan Lutje & Dr.Bensingler Viola, *Update: Berlin High Court Decision Granting Subsequent Compensation for Johnny Depp’s Dubbing Actor in “Pirates of the Caribbean” Becomes Final*, LEXOLOGY (Apr. 28, 2017), <https://www.lexology.com/library/detail.aspx?g=7eeb38de-a7c8-481b-962c-4ec2be6cc1ae>.

⁴⁹ Case No. 24 U 25/15 (2016), http://www.gerichtsentcheidungen.berlin-brandenburg.de/jportal/portal/t/279b/bs/10/page/sammlung.psml?pid=Dokumentanzeige&showdoccase=1&js_peid=Trefferliste&documentnumber=1&numberofresults=1&fromdoctodoc=yes&doc.id=KORE581322016&doc.part=L&doc.price=0.0#focuspoint (last visited Jun. 9, 2020).

terms, territorial extent of use and the medium of use: Section 39A(1) read with Section 19 and 30A of the Act.

- (d) The agreement will not give the producer any right over new mediums or modes of exploitation which did not exist at the time the agreement was made: Section 39A(1) read with the 2nd proviso to Section 18(1) of the Act.

The necessary implication of the above-mentioned points is that no buyout can prevent equitable remuneration.

THE WAY FORWARD

Even though voice actors are entitled to performers' rights, they don't enjoy it. The weak voice-actor gets crushed against the might of the producer. I propose the following gateways for more certainty in law and possible solutions:

- (a) *Insert The Term 'Voice Actor' In Section 2(qq) Of The Act:*

Section 2(qq) of the Act is inclusive in nature and any class of performer can be included. Nonetheless, where such a huge community of performers are sidelined and kept in the shadows, throwing a spotlight on them can help clear the basic confusion regarding their inclusion. It would greatly help if the provision explicitly includes the term 'voice actor'.

- (b) *Insert 'Originality' In Section 38 Of The Act:*

As pointed out earlier, performances cannot be copied per se and only their recordings can be copied. Still, there are some performances which may not meet the criteria of originality due to the lack of skill or

creativity involved. It would bring clarity to the provision if ‘originality’ is introduced in Section 38. This way the proviso to Section 2(qq) will also stand justified.

(c) *Formation Of A Performer’s Society Dedicated To Voice Actors:*

The disjointed associations representing voice actors in various regions of India have to come together under one roof. AVA could take the lead and bring within its fold all the voice actors in India and apply for registration as a Performer’s Society. As a single association based in Mumbai, the logistical ability to reach out to producers and streamline collection and distribution of revenue is not going to be easy. The choice to unify would bring in more funds to the society and build credibility.

Rule 68(3) of the Rules states that in accordance with the provisions of section 39A, any Performers’ Society as mentioned in sub-rule (1), having an independent legal personality and comprising seven or more performers, may file with the Registrar of Copyrights an application in Form-XI, for submission to the Central Government for grant of permission to carry on such business and for its registration as a Performers’ Society.

The proviso to Rule 68(1) states that the Central Government may allow registration of a society for performers of different classes in cases where the performances are inter-connected or closely related to each other. Since dubbing artistes and voice-over artistes are closely related, one single society can be registered. The Performer’s Society which can be called the Indian Voice Actors Society (IVAS) will work

for the benefit of all. Its membership in accordance with Chapter XI of the Rules will include owners of the works as well.

Thus, this movement will be in equal partnership between owners of the work and voice actors to decimate the issue of opaque and shady transactions. With mandatory licensing, the IVAS will be in a position to better monitor usage, crackdown on unauthorized use and take up matters in a Court of law on behalf of its members.

(d) *Insert Mandatory Licensing Through Performers' Society:*

Section 39A(1) read with the 2nd proviso to Section 33(1) would mean constructing mandatory licensing of voice actor's performance licensing incorporated in cinematograph films or sound recordings. To bring more clarity, the proviso may be amended to read as:

“Provided further that the business of issuing or granting license in respect of literary, dramatic, musical, artistic works and performances incorporated in a cinematograph film or sound recording shall be carried out only through a copyright/performer's society duly registered under this Act;”

This will aim to monitor and solve the issue of unauthorized commercial use of the performance by the producer.

CONCLUSION

It is true that a producer takes a risk in creation of his work. It is this very economic justification which permits copyright protection enjoyed by him. However, the Act also protects the interests of other contributors of intellectual creation. To ask a voice actor to choose

between a lumpsum payment or a share of royalty is baseless and strikes against the protection accorded by India to its performers.

Associations of voice actors across India have to educate their community. The problem of private deals being struck by a voice actor against the larger purpose and objective of this community should become an aberration. A voice actor should realize the benefits of being a part of a society. As Chetanji pointed out in his inimitable style – “These royalties are your pension plan”. Receipt of royalties would also ensure that a performer is able to economically survive in times when he does not have work.

The producers and clients have to realize that the Act recognizes the incredible talent of voice-actors just as it recognizes their right to economically exploit their work. They have to come together to prepare a scheme which benefits both of them in accordance with performers’ rights granted under the Act. It would also help if the Government of India were to recognize their incredible efforts and institute a National Film Award in their name.

Finally, I appeal through this article to academics, legal experts, law students and other professionals to devise mechanisms to the issues explored and produce more literature on this topic, so as to keep the spotlight un-shifted.

A CASE FOR RETAINING TRANSNATIONAL REPUTATION UNDER INDIAN TRADEMARK LAW

*Anindita Mitra and Eashan Ghosh**

Abstract

*India has a rich modern history of respecting trademarks that have earned goodwill abroad. 'Trans-border reputation', as it has come to be known in India, fulfils a key function. It permits foreign proprietors to sue for misuse of their trademarks despite a limited commercial footprint in India. In this sense, its scope is considerably broader than the common law equivalent of transnational reputation. The December 2017 decision of the Indian Supreme Court in *Toyota v. Prius Auto Industries* to upset this status quo, therefore, is controversial.*

*In this essay, we take up two causes. First, we explain why Indian trademark law does not need the *Toyota* intervention. We show that the decision is ahistorical, erroneous, and demands a steep and unrealistic evidentiary standard of foreign trademark proprietors. Indian court rulings since *Toyota* reflect this. Though these cases defer to *Toyota* out of habit, they do not actually apply its principles, and opt instead to apply law closer in spirit to transnational reputation. Second, we develop a case for retaining transnational reputation under Indian trademark law. This case, in turn, is founded on three planks: one, that there are good*

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legal and policy reasons to endorse transnational reputation; two, that transnational reputation squarely addresses certain specific economic harms suffered by foreign trademark proprietors in India, and three, that transnational reputation meshes well with the existing structure of the Indian Trade Marks Act. Transnational reputation is superior, on the comparative, to the Toyota alternative on each count.

We contend that this furrow of Indian trademark law, more than most, needs to move with the times. The biggest beneficiaries of transnational reputation today are a peculiar class of all-or-nothing litigants. They are Claimants who can make a strong case against Indian Defendants with the benefit of transnational reputation, but would be thrown out of Indian courts under Toyota-style demands. In an era of multinational businesses, international travel and ubiquitous technology, it would be a poor choice indeed for Indian law to side with the latter. The case for retaining transnational reputation, we conclude, is a strong one.

INTRODUCTION

‘Trans-border reputation’ is Indian judicial shorthand for the view that geography does not limit reputation. Murmurs of its recognition can be detected as far back as the 1960s,¹ but it was only through judgments from the 1980s that it was brought into the mainstream of Indian

¹ See, for instance, Consolidated Foods Corp v. Brandon & Co AIR 1965 Bom 35. *But see* AB Jönköping Vulcan v. VSVP Nadar AIR 1969 Cal 43 which reached a philosophically opposite outcome but in trademark cancellation proceedings.

trademark law.² In its classic iteration, trans-border reputation offers a route for foreign Claimants to sue in India for misuse of their trademarks, even if they have no commercial presence in the country. In a standard action for passing off, the ingredient of establishing damage to domestically earned goodwill is welded into the action itself. It stands to reason that, to win such a claim, this goodwill must exist in the first place.

Taken in this context, trans-border reputation is an exception to the general rule. It operates on a simple theory: as modern life has mobilized the units of traditional trademark reputation such as information, publicity, and consumers, the concept of reputation itself must be similarly mobile.³

Two watershed moments followed the rulings from the 1980s. The first was the liberalization of the Indian economy starting in 1991-92, which supplied much of the economic impetus necessary for foreign brands to make landfall in India.⁴ The second was the *NR Dongre v. Whirlpool*⁵ ruling in August 1996, which gave Supreme Court *imprimatur*

² See *Banga Watch Co v. NV Philips* AIR 1983 P&H 418, *Kamal Trading Co v. Gillette* UK 1988 (8) PTC 1 (Bom); *Blue Cross & Blue Shield Association v. Blue Cross Health Clinic*, Suit No. 2458 of 1988 (Delhi High Court, 05 September 1989).

³ Another way to conceptualize this is to view technology as having *shrunk* the requirement for proof of local goodwill for certain trademarks which have an international reputation but perhaps do not have sufficient domestic goodwill. See KERLY'S LAW OF TRADEMARKS AND TRADE NAMES 458 (Kitchin et al eds., 14th ed., 2005).

⁴ See *H&M Hennes & Mauritz v. HM Megabrands* (Delhi High Court, 31 May 2018), at ¶32.

⁵ 1996 (16) PTC 583 (SC).

to what is more broadly known to the common law world as ‘transnational reputation’.⁶

Since it represents a position broadly endorsed by Indian courts even today, the *Whirlpool* ruling warrants some scrutiny here. This case arose out of a passing off action launched in 1994 by Whirlpool, a foreign Claimant, whose erstwhile trademark registration in India (from 1957 to 1977) had lapsed. It had been supplanted in the Indian market – under an identical trademark and for identical products – by an Indian Defendant since 1986. This presented the factual archetype for a conflict that would become increasingly common: a foreign Claimant with undoubted prior use internationally, but no use in India against an Indian Defendant with use in India, but considerably later adoption of the trademark.

The decision of the Supreme Court in *Whirlpool*, on merits, was shaped by two circumstantial factors. First, the products sold by the Indian Defendant were one-third the price of Whirlpool’s product internationally. This, found the Supreme Court, supported the view that the Defendant’s product was “not of the same engineering standard and [was] inferior in quality” compared with Whirlpool’s.⁷ Second, there was considerable evidence of bad faith adoption by the

⁶ The trans-border style of case has been known in the common law world for at least a century. However, summarizes Kerly, “the problem has become more acute with the increase in international travel, the growth of multinational businesses and the increasing influence of the internet.”, KERLY’S, *supra* note 3, at 459.

We use the expression ‘transnational reputation’ for the rest of this paper for the sake of consistency.

⁷ *Whirlpool*, *supra* note 5, at ¶18.

Defendant.⁸ Taken together, these factors swung the case in the favour of Whirlpool.

Ironically, the real step forward taken by the Supreme Court in *Whirlpool* arrived as a by-product of its judgment. This was in the form of the tacit acknowledgement by the Supreme Court that Whirlpool, with scant evidence of use in India, could sustain (and succeed in) trademark actions against Indian users. Indeed, the only genuine connection of the Whirlpool trademark to the Indian market when its 1994 claim was initiated was in the form of advertisements run in international magazines having circulation in India.⁹ Critically, the frailty of the commercial connection proved to be no impediment in *Whirlpool*.

What began as a trickle soon became a flood through the 1990s and early 2000s. Indian courts readily issued judgments for several foreign brands – Apple,¹⁰ Mercedes Benz,¹¹ the World Wildlife Fund,¹² Calvin Klein,¹³ HBO/Time Warner,¹⁴ Volvo,¹⁵ Duracell,¹⁶ Yahoo,¹⁷ Revlon,¹⁸

⁸ *Whirlpool*, *supra* note 5, at ¶15.

⁹ This connection is buried under multiple layers of appeals, but can be traced back to the October 1994 court of first instance ruling by Lahoti J. (as he then was) in *Whirlpool Co v. NR Dongre* (1994) 56 DLT 304, at ¶12.

¹⁰ *Apple Computer v. Apple Leasing & Industries* 1950-2000 PTC (Suppl)(2) 45 (Del).

¹¹ *Daimler Benz v. Hybo Hindustan* AIR 1994 Del 239.

¹² *WWF International v. Mahavir Spinning Mills Ltd.* 1994 (14) PTC 250 (Del).

¹³ *Calvin Klein v. International Apparel Syndicate* 1996 (16) PTC 293 (Cal).

¹⁴ *Time Warner Entertainment v. AK Das* 1997 (17) PTC 35 (Del).

¹⁵ *Volvo of Sweden v. Volvo Steels* 1998 (18) PTC 47 (Bom)(DB).

¹⁶ *India Shaving Products v. Gift Pack* 1998 (18) PTC 698 (Del).

¹⁷ *Yahoo v. Akash Arora* 1999 (19) PTC 201 (Del).

¹⁸ *Revlon v. Sarita Manufacturing Co* AIR 1998 Del 38.

Westin,¹⁹ Alfred Dunhill,²⁰ Pizza Hut,²¹ and Pepsico,²² among others²³ – that had little or no commercial presence in India.

The question was put beyond dispute by the Supreme Court in *Milmet Oftho v. Allergan*²⁴ in May 2004. In this case, a pharmaceutical brand launched outside India was granted right-of-way in India over the claims of an Indian proprietor with proof of use. “The mere fact that the [foreign Claimants] have not been using the mark in India,” said the Supreme Court definitively, “would be irrelevant if they were first in the world market.”²⁵

After several years of smooth sailing, pushback arrived out of the blue, in December 2017. This pushback came in the form of a Supreme Court judgment in *Toyota v. Prius Auto Industries*.²⁶ In this case, the Supreme Court demanded that “there must be adequate evidence to

¹⁹ *Caesar Park Hotels v. Westinn Hospitality Services* 1999 (19) PTC 123 (Mad)(DB), confirmed on appeal by the Supreme Court in *Westinn Hospitality Service v. Caesar Park Hotels & Resorts* 1999 (19) PTC 430 (SC).

²⁰ *Alfred Dunhill v. KS Makkar* 1999 (19) PTC 294 (Del).

²¹ *Pizza Hut International v. Pizza Hut India* 2003 (26) PTC 208 (Bom).

²² *Pepsico v. Sunrise Beverages* 2004 (28) PTC 415 (Del).

²³ *See* *JN Nicholas v. Rose & Thistle* 1994 (14) PTC 83 (Cal)(DB); *William Grant & Sons v. McDowell & Co* (1994) 55 DLT 80; *Haw Par Bros International v. Tiger Balm Co* 1996 (16) PTC 311 (Mad)(DB); *Rob Mathys v. Synthes AG Chur* 1997 (17) PTC 669 (Del)(DB); *Central Industrial Alliance v. Gillette UK* 1998 (18) PTC 288 (Bom)(DB); *Caterpillar v. Jorange* (1998) IPLR 326 (Mad)(DB); *Rainforest Café v. Rainforest Café* (2001) 91 DLT 508; *Nectar UK v. Herbs Shop India* (2001) 93 DLT 383 (DB); *Pfizer Ireland Pharmaceuticals v. Intas Pharmaceuticals* 2004 (28) PTC 456 (Del); *HM Choradia v. FW Woolworth Co* 2004 (29) PTC 477 (IPAB); *Jolen v. Shobhanlal Jain* 2005 (30) PTC 385 (Mad)(DB); *Jolen v. Jolen International* 2006 (33) PTC 256 (Mad)(DB).

See also *Procter & Gamble v. Satish Patel* 1996 (16) PTC 646 (Del); *Smithkline Beecham v. Hindustan Lever* 1999 (19) PTC 775 (Del); *The Gillette Co v. AK Stationery* 2001 (21) PTC 513 (Del); *Sakalain Meghjee v. BM House India* 2002 (24) PTC 207 (Del).

²⁴ 2004 (28) PTC 585 (SC).

²⁵ *Id.*, at ¶9.

²⁶ 2018 (73) PTC 1 (SC).

show that the [foreign Claimants] had acquired substantial goodwill...in the Indian market also.”²⁷ With this, *Toyota* threatened to capsize transnational reputation altogether. Recent developments, however, suggest that the rumours of its demise have been greatly exaggerated.

In this essay, we contend, first, that the *Toyota* perspective on transnational reputation is replete with numerous legal errors (see §3). It is contended that these errors have made *Toyota* unattractive as precedent, and this is evidenced by the anaemic reception extended to it by Indian courts in trademark cases (see §4).

Next, we argue that *Toyota*, on the comparative, fails to consider the three principal advantages of classic transnational reputation: its historical, policy and effects-based justifications (see §5.1); its ability to solve for specific economic harms suffered by foreign proprietors of internationally reputed trademarks in India (see §5.2); and its snug fit within the architecture of the Indian Trade Marks Act (see §5.3).

We close with a re-tooling of transnational reputation to adjust to contemporary pressures (see §6). We find that the case for transnational reputation is a strong one, and that the abrupt departure, which the Supreme Court in *Toyota* was so keen to hasten is unlikely in the extreme.

We begin, though, by examining the genres of transnational reputation best known to Indian trademark law.

²⁷ *Id.*, at ¶32.

TWO DOMINANT RENDITIONS OF TRANSNATIONAL REPUTATION

Once *Milmet Oftho* was installed as governing law, the judicial response to transnational reputation claims started to gravitate towards a pattern. Two dominant renditions emerged.

The first was the view that transnational reputation required some element of domestic recognition in order to support a passing off claim under Indian law.²⁸ This was broadly in line with the popular strain of the English common law position,²⁹ and had received an ambivalent nod in *Whirlpool*.³⁰ This line of cases established that a foreign Claimant need not be engaged in business in India,³¹ but must provide some “objective material” to show that its trademark was known to the Indian public.³² Such material could, under this rendition, include circulation through advertisements, print media, and its transmission through international travel.³³ Some Indian courts also nominally prescribed an assessment of the type and number of people in India

²⁸ See generally *Kores India v. Whale Stationery Products* 2008 (36) PTC 463 (Bom); *International Coffee & Tea v. SL Mansukhani* (2008) 152 PLR 66; *Oneida v. Pankaj Jain* CS(OS) 2264/2007 (Delhi High Court; 08 January 2010); *Gorbatschow Wodka v. John Distilleries* 2011 (47) PTC 100 (Bom); *Toshiba v. SK Sil* 2011 (47) PTC 484 (Del); *Las Vegas Sands Corp v. Bhasin Infotech & Infrastructure* 2012 (51) PTC 260 (Del); *Ecolab v. Eaco Labs* 2011 (48) PTC 482 (Del); *KYK Corp v. Vivek Kocher* MIPR 2012 (1) 359; *Associate Inc India v. Zino Davidoff* MIPR 2012 (2) 328; *Eaton Corp v. BCH Electric Limited* 2013 (55) PTC 417 (Del), confirmed on appeal in *BCH Electric v. Eaton Corp* 2016 (67) PTC 341 (Del)(DB).

²⁹ *KERLY'S*, *supra* note 3, at 456-462.

³⁰ *Whirlpool*, *supra* note 5.

³¹ See *Hearst Communications v. Dinesh Varyani* (2009) 4 ILR 799 (Del).

³² See *Roca Sanitario v. NK Gupta* CS(OS) 626 & 2223/2006 (Delhi High Court, 15 March 2010).

³³ *Cadbury UK v. Lotte India Corp* 2014 (57) PTC 422 (Del) carries a persuasive discussion of the latter factors in particular.

familiar with the foreign trademark.³⁴ However, instances of substantive judicial assessments of this nature were hard to come by.³⁵

The most authoritative statement in favour of a domestic grounding to claims founded on transnational reputation was offered by *Mac Personal Care v. Laverana*³⁶ in January 2016.

The Delhi High Court posited, unexceptionably, that advancements in technology, travel and the internet have eased access to international trademarks for Indian consumers. However, for the first time, it connected this real-world circumstance with its legal consequence: that, in the hands of foreign Claimants, it was “quite easy to establish” a spill-over of transnational reputation into India.³⁷

The real contribution of *Laverana* was on the *content* of the transnational reputation itself. As a general matter, it noted that “anything done at a commercial level” ought to meet a *prima facie* standard of transnational reputation.³⁸ More specifically, the *Court* clarified that evidence of trademark registrations abroad, references in publications, and volume

³⁴ See *Champagne Moët & Chandon v. Union of India* 2012 (49) PTC 429 (Del)(DB); *National Paint Industries v. National Paint Factories Co* 2015 (2) KLT 760.

³⁵ See, for instance, *Aman Resorts v. Deepak Narula* 2011 (45) PTC 329 (Del), where the Delhi High Court was open to the possibility of brand awareness being communicated to the target consumers through the internet but denied a Claimant because its passing off claim relied on a time period associated with physical bookings.

³⁶ 2016 (65) PTC 357 (Del)(DB), in appeal of *Laverana v. Mac Personal Care* 2015 (63) PTC 87 (Del).

³⁷ *Id.*, at ¶16.

³⁸ *Laverana*, *supra* note 36, at ¶18.

of sales were key factors in establishing the strength of transnational reputation acquired by a trademark.³⁹

The second dominant rendition of transnational reputation by Indian courts, post-*Milmet Ofibo*, advocates for the sufficiency of reputation acquired abroad. This rendition, which we shall call ‘pure transnational reputation’, laid particular emphasis on exempting foreign Claimants from establishing a commercial presence of any kind in India.⁴⁰ Under this view, Indian courts were free to honour passing off claims by foreign Claimants based solely on assertions of transnational reputation. This had two effects of its own.

First, it mainstreamed the belief that the internet was replacing the role of physical vectors of spill-over reputation.⁴¹ The greater the extent of this substitution, the stronger the case for Indian courts favouring pure transnational reputation. This also furthered the case for factoring in the ubiquity of internet access which had preceded *Whirlpool*,⁴² and which *Milmet Ofibo* had only half-addressed.⁴³

Second, it relaxed the burden on Indian courts to look upon transnational reputation claims fastidiously. Instead, such claims could

³⁹ *Laverana*, *supra* note 36, at ¶18-21.

⁴⁰ See *George V. Records v. Kiran Jogani* 2004 (28) PTC 347 (Del), confirmed on appeal in *Kiran Jogani v. George V. Records* 2009 (39) PTC 69 (Del)(DB).

⁴¹ See *Icraive v. Icraive Designs* 2013 (53) PTC 323 (Del), at ¶16; *DLF v. Sohumi Shoppe* CS(OS) 1236/2012 (Delhi High Court, 28 September 2015), at ¶21.

⁴² “The reasoning adopted by the [Supreme] Court in [*Whirlpool*] would, therefore, apply with even greater force in a case which considers the impact of the internet on the trans-border proliferation of a trademark,” said the Delhi High Court in a March 2014 ruling in *Groupon v. Mohan Rao* 2014 (58) PTC 392 (Del), at ¶6.

⁴³ *Milmet Ofibo*, *supra* note 24, at ¶8.

be “dealt with in a kind of presumptive approach rather than by actual establishment of [transnational reputation].”⁴⁴

Unsurprisingly, in the years between *Milmet Oftho* and *Toyota*, pure transnational reputation has proved popular in India. Courts have followed it *en route* to notable findings in cases involving Blender’s Pride,⁴⁵ Hyundai,⁴⁶ Variety,⁴⁷ Celebrations,⁴⁸ General Electric,⁴⁹ Financial Times,⁵⁰ Sharp,⁵¹ Bloomberg,⁵² Johnson & Johnson,⁵³ and Zara,⁵⁴ among other international brands.⁵⁵

To be sure, these renditions of transnational reputation have not drawn unanimity. It is notable, though, that interference with them has been peripheral.

⁴⁴ See *Enterprise Holdings v. Enterprise Auto Rentals* 2014 (58) PTC 111 (Del).
See further *World Book v. World Book Co* CS(OS) 1043/2013 (Delhi High Court, 15 October 2014); *Mind Gym v. Mindgym Kids Library* 2014 (58) PTC 270 (Del); *The Royal Bank of Scotland Group v. Sharekhan* 2015 (61) PTC 573 (Del); *Banyan Tree Holdings v. Jamshyad Sethna* 2015 (64) PTC 612 (Del); *Innovolt v. Kevin Power Solutions* 2015 (64) PTC 571 (Del); *Choice Hotels International v. M Sanjay Kumar* 2015 (62) PTC 269 (Del); *Adidas v. KH Tulsiani* 2019 (77) PTC 600 (IPAB), all relying on *Cadbury*, *supra* note 33.

⁴⁵ *Austin Nichols & Co v. Arvind Behl* 2006 (32) PTC 133 (Del).

⁴⁶ *Hyundai Corp v. Rajmal Ganna* 2007 (35) PTC 652 (Del).

⁴⁷ *Reed Elsevier Properties v. Best Media Associates India* 2011 (47) PTC 51 (Bom).

⁴⁸ *Mars v. T Raghulal* 2009 (40) PTC 460 (Del).

⁴⁹ *General Electric v. J Singh* (2011) II AD 18 (Del).

⁵⁰ *Times Publishing House v. The Financial Times* 2012 (50) PTC 283 (IPAB), confirmed in *The Financial Times v. The Times Publishing House* 2017 (71) PTC 580 (Del).

⁵¹ *Sunil Grover v. Sharp* MIPR 2014 (1) 46.

⁵² *Bloomberg Finance v. Prafull Saklecha* 2013 (56) PTC 243 (Del).

⁵³ *Johnson & Johnson v. Lupin* 2015 (62) PTC 309 (Del).

⁵⁴ *Industria De Diseño Textile v. Oriental Cuisines* 2015 (63) PTC 153 (Del).

⁵⁵ See *Baker Hughes v. Hiroo Khushlani* 2004 (29) PTC 153 (SC), restoring a court of instance finding in *Baker Hughes v. Hiroo Khushlani* 1998 (18) PTC 580 (Del). See further *Mohammad Younus Shaikh v. VB Jain* TRA/121/2004/TM/DEL (IPAB, 13 September 2012).

A number of anti-Claimant rulings, for instance, have simply been due to the failure of foreign Claimants to lead evidence in support of reputation accrued abroad.⁵⁶ Several among these are tribunal decisions which have demanded – and failed to receive – evidence of such reputation.⁵⁷ Even in outlier cases,⁵⁸ the tendency has been to reject individual claims on facts, while still respecting the supremacy of transnational reputation.⁵⁹

THE SUPREME COURT RULING IN *TOYOTA*

The entrenchment of these two renditions post-*Milmet Oftbo* was considerable. This meant that, when the Supreme Court in *Toyota*

⁵⁶ See *Asia Pacific Breweries v. Superior Industries* 2006 (32) PTC 275 (Del); *Astrazeneca UK v. Orchid Chemicals & Pharmaceuticals* 2006 (32) PTC 733 (Del); *Century 21 Real Estate v. Century 21 Main Realty* MIPR 2010 (2) 43; *Rich Products Corp v. Indo-Nippon Foods* 2010 (44) PTC 515 (Del)(DB); *KE Burgmann v. HN Shah* 2011 (47) PTC 354 (Del); *Fena v. Fina Europe* 2013 (55) PTC 285 (Del).

⁵⁷ See, illustratively, *Nabisco v. Royal Snacks Food Products* 2005 (30) PTC 632 (IPAB); *Jolen v. The Assistant Registrar* 2005 (30) PTC 542 (IPAB) and 2005 (30) PTC 658 (IPAB) [eventually set aside in *Jolen v. Shobhanlal Jain* 2011 (47) PTC 192 (Del)]; *Hotel Hilton International v. Hotel Hilltone* 2005 (31) PTC 625 (IPAB); *The Wellcome Foundation v. Reliance Formulations* 2005 (30) PTC 533 (IPAB); *E. Tjellesen v. Reba Dass* OA/51/2008/TM/KOL (IPAB, 31 October 2011); *Harjee Foods v. Barbino Enterprises* 2013 (54) PTC 447 (Del); *Abdul Rasheed v. El Baik Food Systems* ORA/273-274/2009/TM/DEL (IPAB, 02 November 2015); *Hypnos v. Hosur Coir Foam* 2015 (62) PTC 374 (IPAB).

⁵⁸ See *Balkrishna Hatcheries v. Nando's International* 2007 (34) PTC 677 (Bom) and 2007 (35) PTC 295 (Bom); *Country Inn v. Country Inns & Suites* 2010 (42) PTC 438 (Del); *Aveda Corp v. Dabur India* 2010 (42) PTC 315 (Del), which denied relief to foreign brand owners because Indian Claimants were prior users or had a deeper presence in the Indian market.

See also *Candia v. Glenmark Pharmaceuticals* (IPAB, 31 March 2009); *IHHR Hospitality v. Bestech India* 2011 (47) PTC 129 (Del); *Embassy Apparels v. BHP Marketing* OA/65/2009/TM/DEL (IPAB, 04 April 2012), where relief was denied because the foreign brands had transnational reputation but operated in different fields of business to the Defendants.

⁵⁹ See, for instance, *Reckitt Benckiser India v. Dabur India* 2014 (60) PTC 634 (Del), which concluded that the foreign Claimant needed to lead more proof of transnational reputation to support the assumption that the Defendant's use of the trademark at issue had taken after its own.

See also *Ravishankar v. M and H Management* 2011 (46) PTC 377 (Karn).

recast transnational reputation, it highlighted the drastic nature of its departure from existing law.

Toyota made two key statements. First, it contrasted the ‘territorial’ approach to processing trademark reputation and goodwill (which requires the assessment of evidence of spread of trademark awareness within national boundaries) with the ‘universal’ approach (which is more in line with classical transnational reputation).⁶⁰ It concluded that Indian trademark law ought to side with the territoriality principle. The reason for this preference was simply that the material⁶¹ reviewed by the Supreme Court in *Toyota* suggested that territoriality represented the consensus of “the overwhelming judicial and academic opinion all over the globe”, and that the Court “[did] not see why” India should not follow suit.⁶²

Both limbs of this conclusion can be called into question separately. First, a pro-territoriality position is decidedly *not* the consensus even in the common law world, let alone all over the globe.⁶³ In fact, there is an ironic bi-directionality here: in England, for instance, the law has,

⁶⁰ *Toyota*, *supra* note 26, at ¶13, 23.

⁶¹ *See* *Grant v. Levitt* (1901) 18 RPC 361; *Panhard et Levassor v. Panhard Levassor Motor Co* (1901) 18 RPC 405; *C and A Modes v. C and A (Waterford)* [1978] FSR 126; *The Athletes Foot Marketing Associates v. Cobra Sports* (1980) 97 RPC 343; *Taco Bell v. Taco Co. of Australia* [1981] FCA 268; *Starbucks v. British Sky Broadcasting* [2015] UKSC 31. *Toyota*, *supra* note 26, at ¶24-30.

⁶² *Toyota*, *supra* note 26, at ¶28.

⁶³ *See* *Orkin Exterminating Co v. Pest Co of Canada* (1985) 50 OR (2d) 726 (Canada); *Dominion Rent A Car v. Budget Rent A Car System* [1987] 2 NZLR 395 (New Zealand); *Ten-Ichi v. Jancar* [1990] FSR 151 (Hong Kong); *ConAgra v. McCain Foods Australia* [1992] FCA 159 (Australia); *DSG Retail v. PC World* [1998] ETMR 321 (Republic of Ireland), all of which incant positions that align with Indian courts’ interpretation of transnational reputation captured at §2, *supra*. *See also* KERLY’S, *supra* note 3, at 458-459.

with some hiccups,⁶⁴ moved from a strong pro-territoriality position⁶⁵ to a more open one,⁶⁶ whereas *Toyota* attempts to force through a change in the opposite direction in India.

Second, *Toyota* itself concedes elsewhere that it may be “necessary” to search for the “presence of the [foreign Claimant’s trademark] within a particular territorial jurisdiction in a more subtle form.”⁶⁷

So which is it? Is it imperative for foreign Claimants to bring evidence of use in India of trademarks which have earned reputation abroad, or is it permissible for Indian courts to continue considering more subtle forms of transnational reputation? *Toyota* does not provide a clear answer.

Further, even if territoriality is the consensus view, why must India adopt it, given its own rich history of honouring transnational reputation claims? The Supreme Court in *Toyota* simply states – in so many words – that “we do not see why [territoriality] should not apply to this country.”⁶⁸ This neither offers a reason, nor incorporates a reason by reference. It is, in fact, no response at all.

⁶⁴ See *Panhardet Levassor v. Panhard Levassor Motor Co* (1901) 18 RPC 405; *Paul Poirer v. Jules Poirer Ltd* (1920) 37 RPC 177, which embody the early 20th century position that reputation could be protected even in the absence of local business.

⁶⁵ See *Alain Bernardin v. Pavilion Properties* (1967) 84 RPC 581.

⁶⁶ *KERLY’S*, *supra* note 3, at 460-462. The irony here is particularly biting since *Starbucks*, the very judgment on which *Toyota* relies to *affirm* the territoriality consensus goes to great lengths to show that the territoriality principle is, in fact, heavily contested ground. *Starbucks*, *supra* note 61, at ¶37-62.

⁶⁷ *Toyota*, *supra* note 26, at ¶29.

⁶⁸ *Toyota*, *supra* note 26, at ¶29.

The second key statement in *Toyota* was its framing of a steep probative requirement for transnational trademark claims. The foreign Claimant here succeeded in establishing that it had “undoubtedly acquired a great deal of goodwill in several other jurisdictions in the world and, that too, much earlier to the use and registration...by the Defendants in India.”⁶⁹

This was not good enough, said the Supreme Court. Upending nearly the entire body of Indian case law on the subject, the Supreme Court required the foreign Claimant to demonstrate “adequate evidence to show that [it] had acquired a substantial goodwill [under the trademark] in the Indian market also.”⁷⁰

No guidance was offered by the Supreme Court, either illustratively or demonstratively, on what “adequate evidence of substantial goodwill in India” might look like. It only stated that very limited sales and the virtual absence of advertisements of the product in India were *not* sufficient to meet this standard.⁷¹ To be clear, a heavy substantive standard for domestic presence is not unknown to Indian law.⁷² However, *Toyota* draws no reasoning from these cases, nor is there anything to indicate that they were at all within the field of vision of the Supreme Court in *Toyota*.

⁶⁹ *Toyota*, *supra* note 26, at ¶32.

⁷⁰ *Toyota*, *supra* note 26, at ¶32.

⁷¹ *Toyota*, *supra* note 26, at ¶32.

⁷² *See*, for instance, *EI Du Pont De Nemours v. Gemini Distilleries* 2004 (28) PTC 663 (IPAB), at ¶12, which noted that the foreign Claimants before it needed to “file substantial evidence” to “prove [the] reputation of their [trademark] in India.”

See also *Worldwide Brands v. DJ Hinduja* 2006 (32) PTC 697 (IPAB), endorsed by *Worldwide Brands v. DJ Hinduja* 2009 (39) PTC 457 (Mad)(DB).

As such, it is not clear why the transnational reputation position was abandoned. It is also not clear why it was replaced with an evidentiary standard of considerably greater heft. Finally, it is not clear what quality of evidence will satisfy this new standard.

While good reasons may exist for upholding the territoriality principle, it is hard to trace any such reasons from the *Toyota* judgment.

REACTION TO *TOYOTA*

Reaction to *Toyota* was not long in coming. Much of the initial response was of surprise. In particular, there was confusion about the manner in which *Toyota* had flipped the existing position on transnational reputation, and trampled on *Whirlpool* and *Milmet Ofibo* while barely engaging with either.⁷³ On the other hand, there was also support for its endorsement of the territoriality position.⁷⁴

Nevertheless, the reluctance of the lower judiciary to take issue with the Supreme Court has ensured *Toyota* smooth passage down the judicial hierarchy.⁷⁵

⁷³ See, for instance, Amit Jyoti Sandhu & Nitin Gomber, *Territorial Extent of a Trademark's Reputation in Passing Off Actions*, 4(4) LAW & POLICY BRIEF 1, 3 (2018), concluding that the Supreme Court “does not seem to uniformly agree on the approach to be followed” in such cases and Bisman Kaur, *Seminal Ruling on Transborder Reputation in the Prius Case*, 73(7) INTA BULLETIN 1 (2018), noting that *Toyota* “has attracted surprise given the hyper-connected technological world of the 21st century.”

⁷⁴ Srividhya Ragavan, *Spill-Over Reputation: Comparative Study of India & the United States*, 14(3) U. PA. ASIAN L. REV. 326, 361 (2019).

⁷⁵ Aside from various High Court rulings surveyed in this section, *Toyota* has earned a summary nod of approval from India's IP tribunal as well. See *Jones Investment Co v. Vishnupriya Hosiery Mills OA/48/2010/TM/CH* (IPAB, 24 February 2014), set aside by *Jones Investment Co v. Intellectual Property Appellate Board 2015 (64) PTC 5 (Mad)(DB)*.

In evaluating the reception to *Toyota*, it is important to distinguish between two kinds of cases. The first kind are cases where foreign trademarks have well-established places of business in India.⁷⁶ These cases would evidently pass the test for domestic goodwill in India, whether under *Toyota* or otherwise. The second, more relevant kind are passing off claims by foreign Claimants *not* ordinarily carrying on business in India. In other words, these are cases otherwise protected by transnational reputation but whose fate now hangs in the balance because of *Toyota*.

Remarkably, it appears as though *Toyota* has had little impact on the approach of Indian trademark courts towards transnational reputation claims. Largely, assertions by foreign Claimants of transnational spill-over reputation continue to be accepted at face value,⁷⁷ just as they were pre-*Toyota*.⁷⁸ Factual and evidentiary claims of transnational

⁷⁶ See, for instance, *Luxembourg Brands v. GM Pens International* 2019 (77) PTC 68 (Del).

⁷⁷ See *Christian Louboutin v. Ashish Bansal* 2018 (75) PTC 353 (Del); *Giorgio Armani v. Yogesh Mordani* CS(COMM) 213/2018 (Delhi High Court, 03 October 2018); *Patanjali Ayurved v. Masala King Exports Trading* CS(COMM) 107/2019 (Delhi High Court, 18 March 2019); *Travel Blue Products India v. Siddhivinayak Enterprises* Notice of Motion (L) No. 722/2019 (Bombay High Court, 25 March 2019).; *Iesse Schuh v. Registrar of Trademarks* SR No. 270/2019/TM/DEL (IPAB, 18 June 2020); *Monster Energy Co v. Registrar of Trademarks* OA/23/2020/TM/CH (IPAB, 09 February 2021).

⁷⁸ See, illustratively, *St Ives Laboratories v. Ives Soape Works* 2007 (35) PTC 57 (Del); *HS Akoi v. JS Akoi* 2008 (38) PTC 399 (Del); *Pioneer Hi-Bred International v. Pioneer Agrovision* CS(OS) 1626/2013 (Delhi High Court, 23 December 2014); *Hitkari Potteries v. Hitkari Ceramics* 2014 (58) PTC 517 (Del); *L'Oréal v. Sigma Enterprises* CS(OS) 1551/2008 (Delhi High Court, 06 December 2015); *Schwan-StabiloSchwanhäußer v. Luxor Writing Instruments* 2015 (64) PTC 52 (Mad); *Burger King Corp v. GS Sekhon* CS(OS) 959/2015 (Delhi High Court, 07 November 2016); *Yahoo v. Sanjay Patel* 2017 (69) PTC 584 (Del); *Virgin Enterprises v. Virgin Foods & Feeds* 2017 (72) PTC 363 (Del); *Icon Health and Fitness v. Sheriff Usman* MIPR 2018 (1) 16; *L'Oréal v. Yogesh Jethi* CS(COMM) 567/2017 (Delhi High Court, 03 November 2017).

reputation also continue to be similarly accepted,⁷⁹ just as they were previously.⁸⁰

This willingness to accept Claimant evidence *prima facie* has parlayed itself into an odd circularity. Since the majority of these rulings are preliminary adjudications, there has emerged a judicial preference for assuming the evidence of transnational reputation to be sufficient to issue a preliminary injunction. This assumption may later be rebutted at trial.⁸¹

The general outcome, therefore, is that foreign Claimants continue to be granted passing off judgments on minimal proof of domestic goodwill,⁸² despite *Toyota*. Unsuccessful transnational reputation claims have been turned away for the failure of Claimants to lead sufficient evidence of transnational reputation, or to put to use trademarks already registered in India.⁸³ These are, of course, both reasons already familiar to Indian law pre-*Toyota*.⁸⁴ On the rare instances that Indian courts have supported something approaching a *Toyota* standard for

⁷⁹ See *Bayerische Motoren Werks v. Madan Walia* 2018 (75) PTC 271 (Del); *L'Oréal v. Sarvodaya Overseas* 2018 (76) PTC 556 (IPAB).

⁸⁰ See, illustratively, *Adobe Systems v. Rohit Rathi* 2008 (37) PTC 523 (Del); *The Gillette Co v. Bhisham CS(OS) 1286/2004* (Delhi High Court, 02 February 2009).

⁸¹ See, for instance, *Burger King Corp v. Ranjan Gupta* 2018 (76) PTC 357 (Del), at ¶20, where the Delhi High Court found that “the evidence of trans-border reputation...cannot be rejected at this stage when the trial is yet to commence.”

⁸² See *H&M Hennes & Mauritz v. HM Megabrands* 2018 (74) PTC 229 (Del); *Millennium & Copthorne International v. Aryans Plaza Services* 2019 (77) PTC 115 (Del); *Harry's Holdings v. Subhash Goel* 2018 (76) PTC 625 (IPAB).

⁸³ See *Intercity Hotel v. Hotel Intercity Delhi CS(COMM) 1108/2018* (Delhi High Court, 13 March 2019); *Keller Williams Realty v. Dingle Buildcons* 2020 (82) PTC 273 (Del); *Roland Corp v. Sandeep Jain* 2021 (85) PTC 10 (Del). See also *BV Sai v. Renaissance Hotel Holdings* 2020 (81) PTC 352 (Karn), rejecting a transnational reputation claim for insufficient material with no reference to *Toyota*.

⁸⁴ See §2, *supra*.

local goodwill, they have also ruled against the foreign Claimants on other grounds, and made no mention of *Toyota*.⁸⁵ This makes it impossible to attribute them to the influence of *Toyota* in any meaningful way.

In fact, one of the most considered treatments of *Toyota* – by *Exxon Mobil Corp v. PK Sen*⁸⁶ in September 2018 – saw the Calcutta High Court reading down its application to *Toyota*-style Defendants, *i.e.* Defendants with registration, use *and* goodwill in India prior in time to that of the foreign Claimant.⁸⁷

That a court should read the territoriality principle *against an Indian Defendant* in this manner, is symptomatic of the post-*Toyota* zeitgeist.

THE CASE FOR RETAINING TRANSNATIONAL REPUTATION

I. Justifications for Recognizing Transnational Reputation

A major drawback of *Toyota* is that it spurns judicially-approved policy justifications for retaining transnational reputation. We may consider three such justifications at this stage.

The first justification is a historical one. The permissive approach initially adopted by Indian law towards transnational reputation was

⁸⁵ See *Inter IKEA Systems v. Quess Corp* FAO 157/2016 (Delhi High Court, 29 October 2018); *Vivek Kochher v. KYK Corp* CS(COMM) 152/2018 (Delhi High Court, 06 November 2019).

⁸⁶ 2018 (76) PTC 263 (Cal).

⁸⁷ *Id.*, at ¶118-121. Another recent instance, in *Cremo Nutureal Milk v. Cremo* FAO-COM No. 4/2020 (P&H High Court, 05 January 2021), saw the Punjab & Haryana High Court acknowledge *Toyota* but decline the opportunity to apply it to the facts it was seized of.

originally fashioned as a counter-measure to two significant market limitations.

First, India was predominantly a trademark importing country. As such, it made good business sense to expand the understanding of ‘use’ under trademark law to include evidence of reputation through modes other than traditional markers of commercial domestic presence. Doing so would likely encourage internationally reputed brands to open businesses in India. The second limitation was that, compared with common law countries,⁸⁸ India had relatively little by way of ‘carriers’ of transnational reputation, such as international travellers and circulation of foreign print media. It was logical for Indian courts to compensate for this limitation by opening the doors of trademark use, in order to give greater respect, within domestic trademark law, to reputation earned abroad. The framing of these limitations is far from speculative; judicial opinion from that era confirms as much.⁸⁹

It is unsurprising, therefore, that *Whirlpool* and *Milmet Ofibo* both prescribed broad, accommodating positions on transnational reputation. It has since been judicially acknowledged that they did so at a time when the true potential of the internet, e-commerce, social media and access to technology were undiscovered, if not entirely unknown.⁹⁰ As a result, later Indian courts have consciously expanded

⁸⁸ *Orkin Exterminating Co et al*, *supra* note 63.

⁸⁹ *Apple Computer*, *supra* note 10.

⁹⁰ *Enterprise Holdings*, *supra* note 44, at ¶23. *See also* a general discussion on this subject in *Prius Auto Industries v. Toyota* 2017 (69) PTC 45 (Del), at ¶23.

transnational reputation to cover internet-based businesses, mindful of the limitations of *Whirlpool*⁹¹ and *Milmet Oftbo*.⁹²

The overall tenor seems to be this: if *Whirlpool* and *Milmet Oftbo* set out such a welcoming position to foreign Claimants' transnational reputation at a time when travel, technology and the internet were so limited, why should courts today, seeing the full amplifying effect of those factors on trademark awareness, walk that position back?

The second justification is that respecting transnational reputation is an accommodation necessary to attract foreign investment into the country. This view speaks to the fear that potential foreign investors would be "discouraged to enter our country to introduce newer products and make substantial investments" if they risk losing trademarks established by them over a number of years.⁹³

The final justification for retaining transnational reputation is effects-based. It is best set out by a 2011 ruling in *Tata Sons v. Manoj Dodia*.⁹⁴ Here, the Delhi High Court reasoned that the ubiquity of the internet, media and technology has had a universalizing effect on the reach of prominent trademarks.

The reach of well-known trademarks has, of course, grown enormously thanks to these modern interventions. However, *Tata Sons*

⁹¹ *Groupon*, *supra* note 42, at ¶6.

⁹² *Enterprise Holdings*, *supra* note 44, at ¶24, relying on *Cadbury*, *supra* note 33.

⁹³ See *Staples v. Staples Paper Converters* 2015 (61) PTC 207 (Del); *Inter Ikea Systems v. Ikea Furniture* CS(OS) 523/2008 (Delhi High Court, 26 March 2014).

⁹⁴ 2011 (46) PTC 244 (Del).

makes the claim that the reach of such trademarks is universal. Under this theory, it is incumbent on trademark law regimes to protect these marks both across geography (*i.e.*, outside the areas where they are widely known)⁹⁵ and classifications (*i.e.*, outside the category of products or services with which they are synonymous).⁹⁶

II. Specific Economic Harms Addressed by Transnational Reputation

The second major fallout of *Toyota* is that it disrupts the transnational reputation *status quo*. This *status quo* solved for some extremely specific economic harms suffered by foreign Claimants on account of the misuse of their trademarks in India. Several such harms were highlighted by pre-*Toyota* case law. They included:

- (a) Aiding foreign Claimants in detecting clandestine use of their trademarks in India, which may not have otherwise been discovered;⁹⁷
- (b) Empowering foreign Claimants to better eliminate squatters who do not have any substantive claim to use their trademark;⁹⁸
- (c) Enabling foreign Claimants to quickly smother bad faith adoption and prior use claims by local proprietors over foreign brands in the period between their international launch and their launch in India,⁹⁹

⁹⁵ The *Tata Sons* view that this should be done to ‘encourage’ those well-known trademarks to ‘expand their business...to other jurisdictions as well’ is perhaps less universally shared, *Id.*, at ¶5.

⁹⁶ *Tata Sons*, *supra* note 94, at ¶7.

⁹⁷ *Madhubhan Holiday Inn v. Holiday Inn* (2002) 100 DLT 306 (DB).

⁹⁸ *Donaldson Filtration Deutschland v. Ultrafilter India* 2009 (40) PTC 287 (IPAB).

⁹⁹ *Lupin v. Johnson & Johnson* 2013 (53) PTC 90 (Bom), at ¶15.

- (d) Stamping out the practice of local proprietors applying trademarks to allied and cognate products which feigned associations with famous foreign brands;¹⁰⁰
- (e) Preventing local proprietors from using trademarks laterally to block or cause injury to corporate names associated with notable foreign brands;¹⁰¹
- (f) Stopping use by local proprietors of trademarks in conjunction with non-distinctive matter to falsely suggest business connections with foreign brands;¹⁰²
- (g) Enabling foreign Claimants to keep a leash on products bearing their trademarks, which are sold outside traditional or anticipated channels in India due to quirks of the Indian market;¹⁰³
- (h) Protecting trademarks of pre-eminent foreign Claimants in fields of business in India in which they were not operating but may wish to operate in the future;¹⁰⁴
- (i) Offering valuable leverage to foreign Claimants in the event of contractual or commercial legal wrongdoing by India-based affiliates such as syndicates, licensees, franchisees or agents;¹⁰⁵ and
- (j) In the case of confusion-sensitive products such as medicines, permitting foreign Claimants to step in to avert “disastrous and irreversible consequences [resulting from] from an error made in purchase”, and thus better protect the larger interests of their consumers.¹⁰⁶

¹⁰⁰ *V & S Vin Spirit v. Kullu Valley Mineral Water Co* 2005 (30) PTC 47 (Del).

¹⁰¹ *Capital One Financial Corp v. Capital One* (2004) 3 CALLT 450 (HC), at ¶21.

¹⁰² *Jane Norman v. Jane Norman Retail* MIPR 2014 (2) 363.

¹⁰³ *Clinique Laboratories v. Gufic*2009 (41) PTC 41 (Del), at ¶45.

¹⁰⁴ *Intel Corp v. Anil Hada* CS(OS) 933/2002 (Delhi High Court, 06 November 2006), at ¶20.

¹⁰⁵ *Motorpresse International v. Mistrale Publishing* 2005 (30) PTC 489 (Del).

¹⁰⁶ *Pfizer Products v. Rajesh Chopra* 2007 (35) PTC 59 (Del), at ¶44, 66.

It bears repetition that all these harms were identified by Indian courts well before *Toyota*. It is clear that holding foreign Claimants to a *Toyota*-style ‘substantial evidence of adequate goodwill’ standard *would, in fact, inflict these harms on many such foreign Claimants.*

To make matters worse, enforcing a strict *Toyota*-based approach would be of little help to other key actors in the market. It would not, for instance, help Indian Defendants trading on similarly named trademarks. This is because the reputation earned abroad by the corresponding foreign Claimants does not attach to Indian Defendants’ products or services simply by misattribution.

Further, such an approach would be of no benefit to Indian consumers either. At best, they would be denied the genuine article if they were consumers of the foreign Claimants. At worst, they would be duped by something less than the genuine article, if they were consumers of the Indian Defendants. This is besides the cruel and extreme injustice that would be caused to the narrow class of foreign Claimants that transnational reputation has been adapted to protect.

By contrast, each of these harms was addressed by the pre-*Toyota* position on transnational reputation. Indeed, this position was so ingrained that it had even been employed as a conceptual reference point to illustrate weaknesses in other legal concepts.¹⁰⁷

¹⁰⁷ *Bonny Products v. Bonne Care* 2009 (41) PTC 129 (Del), at ¶10, for instance, narrated the fallacy in adopting a hyper-technical approach to geographical divisions of internal markets by reference to transnational reputation.

Disavowing it shuts off the possibility of dealing with these considerable and varied economic harms.

III. The Legislative Architecture Supporting Transnational Reputation

The final major reason for restoring the transnational reputation position has to do with the Indian statute itself. The territoriality principle, as it applies to passing off claims, is a poor fit for the architecture of the Indian Trade Marks Act of 1999. Two sets of provisions suffice to illustrate the point.

The first of these is Section 34 of the Trademarks Act.¹⁰⁸ This is in the nature of a savings clause. It preserves at common law the rights of prior users whose trademarks are identical with, or nearly resembling, trademarks over which later users secure registrations.¹⁰⁹ Conspicuously, Section 34 neither restricts its shelter to Indian proprietors, nor demands prior use in India as a pre-condition. It represents, therefore, a statutory base from which foreign Claimants may launch passing off actions based on transnational reputation.¹¹⁰ Synchronizing this with *Toyota* would require reading a heavy domicile requirement for goodwill into Section 34.¹¹¹ There is no warrant for doing so.

¹⁰⁸ This provision is *in pari materia* with its predecessor provision: Section 33 of the Trade & Merchandise Marks Act, 1958.

¹⁰⁹ See generally *Neon Laboratories v. Medical Technologies* 2015 (64) PTC 225 (SC).

¹¹⁰ See *Löwenbräu v. Jagpin Breweries* 2009 (39) PTC 627 (Del). See also *Royal Snacks Food Products v. Nabisco* 2005 (30) PTC 618 (IPAB).

¹¹¹ *Ajanta Pharma v. Zuventus Healthcare* CS(COMM) 336/2019 (Delhi High Court, 06 May 2020), where an Indian proprietor of a trademark registered in India but with reputation earned abroad failed in a passing off action against a later Indian user, demonstrates the difficulty well.

The second notable statutory step in this context is the arrangement of provisions recognizing ‘well-known marks’ under Section 11 of the Trademarks Act, 1999 and Rule 124 of the Trademarks Rules, 2017.¹¹²

This scheme enables proprietors to apply for, and authorities under the Trademarks Act to declare certain trademarks as well-known based on evidentiary criteria.¹¹³ This statutory certification, in turn, offers the proprietors of well-known marks certain benefits while bringing trademark claims.¹¹⁴ Though it has been suggested that the arc of well-known mark recognitions in India bends towards territoriality,¹¹⁵ there is little support for this post-*Toyota*.¹¹⁶

Here, Sub-clause (9) of Section 11 is of particular interest. It provides that well-known mark status can be secured by a trademark even if it has not been used in India [Section 11(9)(i)], been registered or applied for in India [Section 11(9)(ii) and (iii)], or is well-known to the public at large in India [Section 11(9)(v)]. Once again, this offers trademarks with pure transnational reputation a chance to qualify as well-known marks.¹¹⁷

¹¹² See also Section 2(1)(zg) of the Trademarks Act which defines ‘well-known mark’. On Rule 124 of the Trademarks Rules, see *Samsung Electronics Co v. DR Radio Corp* 2018 (73) PTC 170 (Del); NV Saisunder & S Vishaka, *India Jurisdiction Report: Protection of Well-Known Trademarks*, WORLD IP REVIEW (30 November 2018), <https://www.worldipreview.com/contributed-article/india-jurisdiction-report-protection-of-well-known-trademarks>.

¹¹³ Sub-sections (6) to (9) of Section 11 of the Trademarks Act set out these criteria.

¹¹⁴ See further Eashan Ghosh, *What Should It Take to be Well-Known? Fashioning an Evidence-for-Benefits Matrix for ‘Well-Known Marks’ under Indian Trademark Law*, 15 J. INTELLECT. PROP. RIGHTS 327-336 (2016).

¹¹⁵ Ragavan, *supra* note 74, at 362.

¹¹⁶ *Christian Louboutin et al.*, *supra* note 77; *Bayerische Motoren Werks & L’Oréal*, *supra* note 79.

¹¹⁷ See *Jaguar Cars v. Manufacture des montres Jaguar* MIPR 2013 (2) 187; *Allergan v. Intas Pharmaceuticals* 2014 (60) PTC 102 (Del)(DB).

To read Section 11(9) in line with *Toyota* would require an adjustment in one of two directions: a truncation of Section 11(9) to prohibit trademarks possessing only transnational reputation from accessing well-known mark protection; or a supervening condition that such trademarks, despite being well-known marks, have to demonstrate substantial evidence of domestic goodwill in litigation.

To be sure, there is a well-founded accommodation under Section 11(6)(i) that a well-known mark determination shall take into account “the knowledge or recognition of that trademark in the relevant section of the public, *including knowledge in India*, obtained as a result of promotion of the trademark.” This suggests that, at least part of the ‘substantial evidence of domestic goodwill’ requirement under *Toyota*, as it relates to the results of promotion of the trademark in India, is in line with statute.

This would clearly limit the effect of Section 11(9) if reputation earned abroad were to be disregarded or devalued while considering well-known mark status. Equally, it would be pointedly inconsistent with standing law¹¹⁸ to make the other adjustment.

Both accommodations are, therefore, riddled with difficulties. Neither accommodation appears possible without compromising the full and natural statutory scope of well-known marks.

¹¹⁸ See, for instance, *Havells India v. Rajeev Chawla* CS(COMM) 176/2019 (Delhi High Court, 15 October 2019); *Dharampal Satyapal v. Akshay Singhal* CS(COMM) 129/2019 (Delhi High Court, 17 October 2019); *Ferrero v. Kamco Chew Food* CS(COMM) 179/2019 (Delhi High Court, 18 December 2019).

CONCLUSION

To prove transnational reputation, the Claimant must demonstrate something in the nature of a business interest.¹¹⁹ Without it, a passing off claim has nothing on which to rest the essential elements of goodwill and use by the proprietor. At the same time, there is a danger that rules about localization of goodwill can become too technical for their own good.¹²⁰ It is somewhere on this spectrum that the Indian law must find a resolution.

The law of transnational reputation itself stands at a curious crossroads. This is perhaps to be expected. The first rush of transnational reputation cases came to Indian shores more than a quarter century ago.¹²¹ Critically, as we have seen at §1 and §2 above, the embrace by Indian trademark law of transnational reputation was immediate and total. This meant that, when the 21st century explosion in technology, travel and the internet did finally arrive, Indian law on transnational reputation had relatively few adjustments to make. The first two decades of this century have thus passed with Indian courts opening doors to all manners of trademark claims which assert reputations abroad to fulfill the traditional requirement of domestic use. The threat of saturation, if not fatigue, is therefore inevitable. Even setting aside the difficulties posed by *Toyota*, recent case law, as our discussion at §4 showed, betrays this sense of repetitiveness.¹²²

¹¹⁹ KERLY'S, *supra* note 3, at 453.

¹²⁰ KERLY'S, *supra* note 3, at 460-461.

¹²¹ It is staggering to think that the *Whirlpool* Supreme Court decision – still popularly thought of in Indian trademark circles as modern and forward-thinking – turns twenty-five in 2021.

¹²² *Burger King Corp*, *supra* note 81; *H&M Hennes & Mauritz* et al., *supra* note 82.

This discussion, however, prompts another possibility. It could be that we are witnessing less of a saturation and more of a narrowing in the function of transnational reputation. We suggest, therefore, that the true value of transnational reputation to Indian trademark law today is that it solves for an increasingly rare kind of case: where a foreign Claimant with an international reputation *and* carriers of that reputation in India (thanks to technology, travel, and the internet) cannot yet demonstrate mainstream use in India (*despite* the benefits of technology, travel, and the internet).

This would go a long way towards explaining the fate of recent transnational reputation claims in India. From §2 and §4, we notice that, where such claims have failed,¹²³ it has typically been for want of evidence of that elusive commercial footprint in India. Where such claims have been successful, genuine internationally reputed Claimants have bridged that gap in commercial footprint thanks to a benevolent line of case law being read flexibly.

This is, to be sure, a peculiar class of beneficiary. This peculiarity, we maintain, makes the preservation of transnational reputation *more* essential, not less. A strict territoriality position, with all the steep evidentiary standards piled on top of it by *Toyota*, as elaborated at §5.2, is of assistance to no one.

Admittedly, this turns the case against *Toyota* rather dark. In a broad sense, this is undesirable. *Whirlpool* and *Milmet Ofibo*, authored by Supreme Court benches equal to *Toyota*, approach the transnational

¹²³ *Asia Pacific Breweries et al.*, *supra* note 56; , *Nabisco et al.*, *supra* note 57.

reputation issue from the opposite direction. Taking each decision at its full meaning, it is next to impossible to reconcile *Toyota* with the pair before it. Attempts to do so have put post-*Toyota* courts in difficulties not of their own making.¹²⁴ This is especially jarring since the Supreme Court in *Toyota* was evidently aware of the pro-transnational reputation line of cases but chose not to engage with them.

Formally, of course, we ought to be loath to discarding *Toyota* as an outlier. It could reasonably be contended, for instance, that it simply represents a renewed commitment to a substantive territoriality position. As we noted in §3 and §5.3, there are, in fact, traces of judicial support for such a position in India. Under this view, the principal disappointment with *Toyota* is not its preference for a strong territoriality position but its failure to give such a position any substantive flavour. Left to responsible trademark courts, perhaps a robust set of territoriality-focused standards could, in time, be hewn from *Toyota*.

In an analytical sense, however, nearly everything in Indian trademark law on transnational reputation rebels against the *Toyota* decision.

From §3, we see that the pushback by *Toyota* towards territoriality was completely ahistorical, unnecessary, and rife with errors. It proceeded on a demonstrably false assumption of territoriality being a consensus position, which it then contradicted internally. It offered no bespoke

¹²⁴ See, for instance, *Keller Williams Realty*, *supra* note 83, at ¶12, where the Delhi High Court was so anxious not to offend *Toyota* while applying *Milmet Ofibo* that it limited the 'first in the world market' dictum in *Milmet Ofibo* only to medicinal products. See also *Exxon Mobil*, *supra* note 86.

reason for its adoption into Indian law. It placed a burden on foreign Claimants that was simultaneously egregious and vague.

Further, in §5, we explained how *Toyota* made no effort to understand the historical, commercial or policy justifications for the transnational reputation position that had been the *status quo* before it. It showed no appreciation for the extremely specific economic harms to Claimants, consumers and the market that a robust version of transnational reputation addressed. It ended up proposing a governing principle that is a bad fit for the existing architecture of the Trademarks Act.

Decisions since *Toyota* reflect this. They have demonstrated no great enthusiasm in applying its findings, ignored it entirely, or paid it lip-service before applying the law on transnational reputation that held the field before it.

This speaks to the degree to which *Toyota* has gone astray. More importantly, it speaks to the extent to which Indian courts have assimilated the vigour, nuance, depth and rich history of their indigenous iteration of transnational reputation. Indian trademark law should not look to fix what is not broken.

TO BLOCK OR NOT TO BLOCK?: ANALYZING THE EFFICACY OF WEBSITE BLOCKING ORDERS AND DYNAMIC INJUNCTIONS IN COMBATING DIGITAL PIRACY

*Pranay Bali and Nayantara Malhotra**

INTRODUCTION

In the present day and age, digital piracy is rampant and is the weapon of choice for infringers because it is easy, cheap and profitable.¹ Widespread availability of the internet and the presence of a massive, largely open digital market encourages digital piracy. Reportedly, as of January 2021, there are over 4.66 billion internet users around the world,² and the number is expected to rise to 6 billion by 2022.³

The increased use of mobile phones, availability of high-speed internet and low-cost storage also facilitate easy access to pirated content.⁴ Misconceptions, and a lack of awareness amongst consumers about the effects of piracy play a further role in the spread of digital piracy.⁵

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¹ Dana Dahlstrom et al., *Piracy in the Digital Age*, UNIVERSITY OF WASHINGTON (Dec. 6, 2006), <https://courses.cs.washington.edu/courses/csep590/06au/projects/digital-piracy.pdf>.

² *Digital Around the World*, DATAREPORTAL (last visited Apr. 5, 2021), <https://datareportal.com/global-digital-overview>.

³ Steve Morgan, *Humans on the Internet Will Triple From 2015 to 2022 and Hit 6 Billion*, CYBERSECURITY VENTURES (Jul. 18, 2019), <https://cybersecurityventures.com/how-many-internet-users-will-the-world-have-in-2022-and-in-2030/>.

⁴ Jayesh Varsani, *Fighting against digital piracy in the streaming age*, CARTESIAN (Nov. 15, 2019), <https://www.cartesian.com/fighting-against-digital-piracy-in-the-streaming-age/>.

⁵ Alexander Peter Snelling, *Digital Piracy: How the media industry is being transformed* (2013), <https://riunet.upv.es/bitstream/handle/10251/35922/Memoria.pdf?sequence=1>.

Now, with the onset of the COVID-19 pandemic, the most convenient form of entertainment is through digital content on the internet, whether legally or illegally. With theatrical releases and physical sales temporarily rendered impossible, most entertainment houses have taken to releasing content exclusively on digital platforms. Major streaming platforms, like Netflix and Amazon Prime, are expanding their repository of content, while new players such as Disney have entered the Indian Over-the-top (OTT) media market through acquisitions.⁶ However, such content is highly susceptible to piracy.⁷

In this article, we examine: the extent of digital piracy and its adverse economic impact, particularly in the context of the COVID-19 pandemic; the available measures to prevent or reduce digital piracy; the enforcement measures applied by Courts both internationally, and in India; the efficacy and proportionality of these measures, as well as ways to improve the same.

ECONOMIC IMPACT OF DIGITAL PIRACY

Digital piracy not only hurts the businesses of content production and distribution houses, but also the earnings of various stakeholders such as producers, directors, actors, screenwriters, technical staff, etc. who

⁶ *Disney+ Hotstar to launch on April 3; The Lion King, The Mandalorian to premier today*, BUSINESS TODAY.IN (Apr. 2, 2010), <https://www.businesstoday.in/latest/trends/disney-hotstar-to-launch-on-april-3-the-lion-king-the-mandalorian-to-premier-today/story/399970.html>.

⁷ ALAN INOUE, *THE DIGITAL DILEMMA: INTELLECTUAL PROPERTY IN THE INFORMATION AGE* 178 (1st ed., 2000).

suffer losses of revenues, royalties or salaries.⁸ Such losses stifle economic growth.⁹

According to a report released in 2019, global online piracy causes revenue losses of nearly USD 29.2 billion each year.¹⁰ The report also revealed that in the U.S., digital video piracy in 2017 resulted in the loss of 230,000 to 560,000 jobs and between USD 47.5 billion and 115.3 billion in GDP.¹¹

Rampant piracy can also result in some projects getting cancelled altogether. For instance, ‘Hannibal’, the popular NBC series, was cancelled by the network in 2015 owing to “poor ratings”. However, what is surprising is that the show was ranked as the 5th most illegally downloaded show of 2013,¹² showing that it was in fact quite popular, but not being viewed through legal means. The show’s producer, Martha De Laurentis later confirmed that “*Hannibal’s cancellation had a lot to do with piracy*”.¹³

In India, the Anti Video Piracy Cell of the Telugu Film Chamber of Commerce stated that as per some estimates, the Indian media and entertainment industry faces overall revenue losses close to USD 2.5

⁸ David Blackburn et al., *Impacts of Digital Video Piracy on the U.S. Economy*, CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA (Jun. 2019), <https://www.theglobalipcenter.com/wp-content/uploads/2019/06/Digital-Video-Piracy.pdf>.

⁹ *How Digital Piracy is Harming America’s Economy*, NCTA (Sep. 11, 2019), <https://www.ncta.com/whats-new/how-digital-piracy-is-harming-americas-economy>.

¹⁰ Blackburn, *supra* note 8.

¹¹ *Id.*

¹² Michael Kennedy, *Hannibal Producer Blames Online Piracy for Show’s Cancellation*, VALNET INC. (Mar. 18, 2016), <https://screenrant.com/hannibal-nbc-cancellation-online-piracy/>.

¹³ *Id.*

billion due to online piracy.¹⁴ However, the actual figure may be much higher. As per a 2019 status report on IPR infringement by the European Union Intellectual Property Office (EUIPO), there are no methodical estimates of piracy in India.¹⁵

IV. Impact of COVID-19 on digital piracy trends

It is pertinent to note that the aforementioned figures are pre-COVID-19 and do not account for the unprecedented surge in online piracy due to the pandemic. Digital piracy has been growing at a rapid rate amid the nationwide lockdowns and restrictions imposed globally. Use of film piracy websites, in the US and UK, has reportedly seen a jump of over 40% as citizens have been forced to self-isolate due to coronavirus.¹⁶ India also saw a spike of 62% in online piracy in the last week of March 2020 when compared to the last week of February 2020.¹⁷

The resultant losses may be compounded by the fact that online streaming will be a greater source of revenue for entertainment

¹⁴ Saikat Pyne, *India Loses \$2.5 Bn to Online Movie Piracy Every Year*, BUSINESS INSIDER INC. (Aug. 17, 2016), <https://www.businessinsider.in/india-loses-2-5-bn-to-online-movie-piracy/articleshow/53613620.cms>.

¹⁵ Megha Patnaik, *How India must fight the battle against piracy*, BUSINESS STANDARD PRIVATE LIMITED (Jun. 18, 2019), https://www.business-standard.com/article/opinion/how-india-must-fight-the-battle-against-piracy-119061801221_1.html.

¹⁶ Rosa Escandon, *Film Piracy Has Been Skyrocketing As People Stay Home*, FORBES MEDIA LLC (Apr. 27, 2020), <https://www.forbes.com/sites/rosaescandon/2020/04/27/film-piracy-has-been-skyrocketing-as-people-stay-home/#655cecc7c81>.

¹⁷ Lata Jha, *India sees big spike in film piracy post Covid-19*, HT MEDIA LTD (May 11, 2020), <https://www.livemint.com/news/india/india-sees-big-spike-in-film-piracy-post-covid-19-11589183182123.html>.

companies post-COVID-19.¹⁸ As per a recent report by KPMG,¹⁹ digital subscription revenues are expected to increase post-COVID-19, owing to habit formation among consumers. The report also predicts that an aversion to social gatherings in the medium-term could lead to lower ticket sales for theatrical releases, resulting in quicker arrival of movies on digital platforms. With content creators relying more heavily on revenues from digital content, increasing digital piracy will hit them harder. Further, with various projects having already been delayed or cancelled due to the pandemic,²⁰ continued piracy can have a devastating impact on ongoing projects.

V. Disincentive for investors and content creators

Whenever digital privacy thrives, ventures become risky, investors are disincentivized and the growth of content creation industries gets stifled. For instance, Mexico's recorded music market was ranked 8th worldwide in 2000.²¹ However, in 2003 retail sales dwindled by 50% due to piracy, resulting in widespread losses of jobs as investors cut their budgets.²²

¹⁸ Mark Beech, *COVID-19 Pushes Up Internet Use 70% And Streaming More Than 12%, First Figures Reveal*, FORBES MEDIA LLC (Mar. 25, 2020), <https://www.forbes.com/sites/markbeech/2020/03/25/covid-19-pushes-up-internet-use-70-streaming-more-than-12-first-figures-reveal/#51139a1e3104>.

¹⁹ Maulik Shah et al., *COVID-19: The many shades of a crisis*, KPMG INTERNATIONAL (Apr. 2020), <https://assets.kpmg/content/dam/kpmg/in/pdf/2020/04/the-many-shades-of-a-crisis-covid-19.pdf>.

²⁰ IndieWire, *Coronavirus Cancellations: Every Film TV Show, and Event Affected by the Outbreak (May 20,2020)*, <https://www.indiewire.com/feature/coronavirus-cancellations-hollywood-entertainment-covid19-1202215596/>.

²¹ Darrel Panethiere, *The Persistence of piracy: the consequences for creativity, for culture, and for sustainable development*, U.N.E.S.C.O (2005), <https://unesdoc.unesco.org/ark:/48223/pf0000262611>.

²² *Id.*

Furthermore, a pirate may be more interested in distributing popular content which can offer more returns, thereby spreading more awareness about content which is already popular. As a result, local creators of less popular content may find it hard to compete with illicit content and lose out on recognition and investment.²³

Therefore, in order to curtail losses due to digital piracy, which can have crippling effects, especially on a post-COVID-19 economy, a robust anti-piracy mechanism is required. Courts, internet service providers (“ISPs”) and rights-holders around the world have come up with and adopted various enforcement tools for tackling digital piracy. The following section discusses various blocking measures and their efficacy.

AVAILABLE BLOCKING MEASURES AND THE INDIAN JUDICIAL APPROACH

Rights-holders can rely on various measures to protect their intellectual property against digital piracy. One of the primary measures is website blocking. The 3 primary ways through which a website can be blocked are: Internet Protocol (IP) address blocking, Domain Name System (DNS) blocking, and Uniform Resource Locator (URL) blocking.

I. IP address blocking

An IP address is a unique numerical representation which identifies a device on the internet. IP address blocking works by preventing a

²³ *Id.*

connection from being established between a specific, or multiple, IP addresses and an internet server.²⁴ IP address blocking can be circumvented by reconfiguring domain names, thereby allowing internet users to visit new websites with new IP addresses.²⁵ Virtual Private Networks can also be used to transmit internet connections through servers which have different ISPs or through internet operators which are not affected by the block. However, circumventing IP address blocks is not easy, and most users do not possess the requisite technical skills to do so.

II. DNS blocking

While every webpage has a unique IP address, it is not possible to enter the IP address for every webpage which a user wants to visit. Therefore, to facilitate easy access, websites are allotted names, and this process of allotment is called DNS.

Through DNS blocking ISPs can prevent certain websites from being accessed by removing the websites' names from their servers.²⁶ For example, if an organization wishes to prevent its employees from using Facebook, it can have the domain name <facebook.com> blocked. DNS blocking can only be circumvented by using a different domain name. However, this often proves to be cumbersome.

²⁴ Techopedia, *IP Address Blocking*, JANALTA INTERACTIVE Inc. (Dec. 10, 2013), <https://www.techopedia.com/definition/3991/ip-address-blocking>.

²⁵ Nigel Cory, *How Website Blocking is Curbing Digital Piracy Without "Breaking the Internet"*, ITIF (Aug. 2016), <http://www2.itif.org/2016-website-blocking.pdf>.

²⁶ *What is DNS Blocking and How Can You Use it?*, SOLARWINDS MSP (Oct. 21, 2019), <https://www.solarwindsmsp.com/blog/dns-blocking>.

III. URL blocking

URLs indicate the exact address of a particular webpage. By blocking a URL, the specific webpage hosted thereat can be prevented from loading.²⁷ For instance, blocking “<https://www.movies4free.com/hollywoodmovies/titanic>” will cut access to the webpage, while the rest of the website www.movies4free.com remains accessible. URL blocking is also not perfect. It can be circumvented by using proxies designed for bypassing blocks; using different URLs, for e.g., instead of using gmail.com, using googlemail.com; using browsers on which the URL is not blocked, etc.

Using these mechanisms, ISPs can block access to infringing websites at the behest of rights-holders through the “notice and takedown” method. However, this process is not always effective and rights-holders frequently have to approach Courts for injunctions and blocking orders. This has resulted in the judiciary devising various protective measures.

IV. Application of blocking measures by the judiciary

To combat digital piracy, the Indian judiciary has adopted various strategies. One of these is issuance of ‘John Doe’ or ‘Ashok Kumar’ orders for blocking websites. The names ‘John Doe’, ‘Jane Doe’ and

²⁷ *What is Access Control | Authorization vs Authentication*, CLOUDFLARE (last visited Apr. 5, 2021), <https://www.cloudflare.com/learning/access-management/what-is-url-filtering/#:~:text=What%20is%20URL%20filtering%3F,devices%2C%20network%20bandwidth%2C%20etc.>

‘Ashok Kumar’ are used in respect of defendants who cannot be identified. Through John Doe orders, a court can injunct parties other than those which are impleaded in the suit if they are found to be violating rights of the plaintiff.²⁸ Issuance of John Doe orders, in cases of digital piracy, is especially helpful as, more often than not, it is difficult to identify the infringers.

A John Doe order was first issued in India in *Taj Television and Anr. v. Rajan Mandal and Ors.*²⁹ (popularly known as the “Ashok Kumar case”). The case revolved around unauthorized transmission of the Plaintiffs’ popular sports channel ‘Ten Sports’ by various cable operators. The Plaintiffs asserted that waiting to identify each infringer and thereafter collect evidence of infringement would result in a loss of time and money. Accordingly, the Plaintiffs prayed for John Doe orders whereby even unidentified infringers would be restrained from violating their rights. In view of the Plaintiffs’ assertions, the Delhi High Court issued an *ex-parte* injunction against both named and unnamed infringers.

Since then, for combatting rampant digital piracy, Indian Courts have issued various injunction orders, including John Doe orders, for not only blocking specific infringing webpages, but also websites in their entirety.³⁰ In *Star India Private Limited v. Haneeth Ujwal*,³¹ while issuing

²⁸ VK AHUJA, LAW RELATING TO INTELLECTUAL PROPERTY RIGHTS 191 (2nd ed., 2013).

²⁹ *Taj Television and Anr. v. Rajan Mandal and Ors.*, 2017 (71) PTC 200 (Del).

³⁰ *R.K. Productions Pvt. Ltd. and Ors. v. Bharat Sanchar Nigam Limited and Ors.*, 2012-5-LW 626. *See also*, *Fox Star Studios India Ltd. and Ors. v. Macpuler Willam and Ors.*, CS (OS) 1299/2015; *Yash Raj Films Pvt. Ltd. v. Bharat Sanchar Nigam Ltd. and Ors.* Notice of Motion (L) No. 1933 of 2016 in Suit (L) No. 692 of 2016; *Star India Private Limited v. Haneeth Ujwal*, 2014 (60) PTC 504 (Del).

³¹ *Star India Private Limited v. Haneeth Ujwal*, 2014 (60) PTC 504 (Del).

an order for blocking infringing websites, the Delhi High Court accepted the Plaintiff's contention that "...it is extremely easy to circumvent the blocking of the URLs by changing one character in the URL string, thus, unless access to the whole website is blocked, it would be extremely easy to circumvent any URL specific restrictions placed on such websites."

One of the criticisms levelled against such website-blocking orders is that they can be excessive in nature as legitimate content, and websites, which do not promote piracy also end up getting taken down.

Expressing caution about such overreaching injunctions, in *Balaji Motion Pictures and Anr. v. Bharat Sanchar Nigam and Ors.*,³² the Bombay High Court observed that, "...there is a long history of broad-based John Doe orders in the past...a trend that seems...if not downright dangerous, at least one that requires the introduction of some caution and circumspection". Accordingly, the Plaintiffs had to identify the exact suspected or potentially infringing URLs which they wanted to have blocked.

In *Eros International Media Ltd. and Anr. v. Bharat Sanchar Nigam Limited & Ors.*³³ ("*Eros International*"), the Bombay High Court, in its order dated July 22, 2016, initially refused to pass a John Doe order for blocking entire websites unless "*it was demonstrated that the entirety of the website contains, and contains only, illicit material.*"

³² *Balaji Motion Pictures and Anr. v. Bharat Sanchar Nigam and Ors.*, 2016 (67) PTC 483 (Bom).

³³ *Eros International Media Ltd. and Anr. v. Bharat Sanchar Nigam Limited & Ors.*, Notice of Motion (L) No. 2147 of 2016 in Suit (L) No. 755 of 2016 (Jul. 22, 2016).

In a subsequent order,³⁴ the Court also devised a three-step verification procedure that had to be followed by Plaintiffs seeking to injunct infringing links – firstly, verification of the link would have to be done by an independent entity and a letter in this regard would have to be submitted; secondly, the Affidavit (consisting of the infringing links) would have to be verified by the deponent and the Plaintiff's counsels; and finally, an Affidavit on oath would have to be submitted. The Court further held that the ban on the link would initially be for a period of 21 days, after which the Plaintiffs would have to approach the court for extensions.

It is therefore evident that while Courts, to their credit, have used blocking injunctions to clamp down on digital piracy, they have also noted the possible adverse effects of broad blocking orders, and have rightly attempted to strike a balance between the interests of intellectual property owners and freedoms of speech, expression and trade that are guaranteed by the Constitution of India.

V. Efficacy of website-blocking orders

With website-blocking orders being increasingly used as an enforcement mechanism, it is important to ascertain how effective they really are at curbing digital piracy. Various studies have shown that jurisdictions where website-blocking orders have been issued have

³⁴ Eros International Media Ltd. and Anr. v. Bharat Sanchar Nigam Limited & Ors., Notice of Motion (L) No. 2147 of 2016 in Suit (L) No. 755 of 2016 (Jul. 26, 2016).

seen a substantial drop in digital piracy, coupled with an increase in usage of legal sources.

While website-blocking alone cannot eliminate digital piracy, they can certainly reduce it.³⁵ A Carnegie Mellon University (CMU) study, released in 2016, showed that website-blocking in the UK has been effective in fighting digital piracy. The study estimated that the blocking of 19 major piracy websites in 2013 and 53 other piracy websites in 2014 in the UK caused a significant increase in the usage of paid, legal streaming websites by an average of 12% and 6%, respectively. The study also estimated that the blocks caused the most frequent users of piracy to reduce their use of pirated content by 28%. The study showed that website-blocking is more effective when done on a larger scale (against several rogue websites at once).

In Australia, digital piracy reduced by 25% year-on-year after two major website blocking injunction orders,³⁶ while in Russia, website blocking orders have reportedly contributed to an increase in box office returns by 10.9%, and an increase in cinema attendance by 11.4%.³⁷

³⁵ Cory, *supra* note 25, at ¶17.

³⁶ Nick Wigham, 'Shamelessly facilitating crime': Rights holders hit out at Google amid renewed Aussie piracy fight, NEWS LIFE MEDIA (Feb. 21, 2018), <https://www.news.com.au/technology/online/piracy/shamelessly-facilitating-crime-rights-holders-hit-out-at-google-amid-renewed-aussie-piracy-fight/news-story/7cf2b0b441a91c55484bf38c874aa222>.

³⁷ Daniil Kuzin, *Four times more likely to block pirated sites*, OBSHCHESTVO S OGRANICHENNOJ OTVETSTVENNOSTYU "MULTIMEJNYJ" INFORMACIONNYJ CENTR "IZVESTIYA" (Mar. 19, 2018), <https://iz.ru/716951/daniil-kuzin/piratskie-saity-stali-blokirovat-v-chetyre-razachashche>.

Thus, the numbers show that website blocking orders are effective in reducing digital piracy. However, it is easy for infringers to circumvent such blocks by putting up the same content on “mirror” websites. The next section discusses this issue and the mechanism devised to address it.

EVOLUTION OF THE DYNAMIC INJUNCTION – A MUCH NEEDED ENFORCEMENT MECHANISM

While website-blocking injunction orders are effective in preventing access to specific websites, they cannot prevent the same illegal content from popping up instantly on mirror websites with different URLs.³⁸ This concern was also expressed in the European Commission’s guidance on the European Directive on enforcement of intellectual property rights:

*“...where a competent judicial authority grants the injunction with reference to certain specific domain names...mirror websites can appear easily under other domain names and thus remain unaffected by the injunction.”*³⁹

To address this issue, Courts in multiple jurisdictions have started issuing “Dynamic Injunctions”, whereby the injunction issued against the primary website can be used by the Plaintiff to block mirror websites providing the same infringing content.

³⁸ Dr. Frederick Mostert & Jane Lambert, *Study on IP Enforcement Measures, especially Anti-Piracy measures in the digital environment*, WIPO/ACE/14/7 (Jul. 23, 2019).

³⁹ Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, *Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights*, COM(2017)/708 (Nov. 29, 2017).

I. Evolution of Dynamic Injunctions

The seeds for dynamic injunctions were sown by the Court of Justice for the European Union (CJEU) in *L'Oréal v. eBay*,⁴⁰ wherein it was held that Courts of Member States must be able to order online marketplaces to take measures not only to end current infringements, but also prevent future ones.

In the United Kingdom, there is express statutory power to grant website-blocking injunctions for the protection of copyrights under section 97A of the Copyright, Designs and Patents Act (“CDPA”) 1988.⁴¹ The procedural mechanism for dynamic injunctions have formed a part of various website-blocking orders granted under Section 97A of the CDPA. In *Cartier International AG and others v. British Sky Broadcasting Ltd and others*,⁴² Kitchin LJ observed that “*an important feature of all of the orders made pursuant to s.97A has been that they have included a provision for the rightsholders to notify additional IP addresses or URLs to the ISPs in respect of the websites which have been ordered to be blocked. This has allowed the rightsholders to respond to efforts made by the website operators to circumvent the orders by changing their IP addresses or URLs.*”

A dynamic injunction was also granted in 2018 by the Milan Court of First Instance, which held that it is compatible with the European Union’s E-commerce Directive to request an ISP to block access to the domain names identified in the relevant injunction, as well as any

⁴⁰ *L'Oréal v. eBay* (C-324/09), at ¶144.

⁴¹ Copyright, Designs and Patents Act, 1988, c. VI, §97A.

⁴² *Cartier International AG and others v. British Sky Broadcasting Ltd and others*, [2016] EWCA Civ. 658.

additional domain names through which the same rights are being infringed.⁴³

Thereafter, the framework and reasoning for dynamic injunctions were laid down comprehensively by the High Court of Singapore in *Disney Enterprises, Inc. and Ors. v. M1 Limited and Ors.*⁴⁴ (“*Disney*”). Apart from the primary injunction against the 53 infringing defendant websites, the Court also granted a dynamic injunction to the effect that the ISPs would be required to block new domain names, URLs and/or IP addresses providing access to the same websites, or ‘Flagrantly Infringing Online Locations’ (FIOLs). The reasoning behind granting a dynamic injunction was stated as follows:

“The dynamic injunction anticipates and seeks to counteract circumventive measures that may be taken by owners or operators of the FIOLs. This would include measures taken to change the domain name, URL and/or IP address providing access to the FIOL.”

While arriving at the decision, the Court observed that even during pendency of the suit, the URLs for some of the targeted FIOLs had been changed (for instance, “xmovies8.es” had been changed to “xmovies8.nu”). Accordingly, the dynamic injunction was seen as a necessary and effective remedy, and the Court held that it amounted to “*reasonable steps*” to disable access to the infringing websites. The Court also clarified that a dynamic injunction “*merely blocks new means of*

⁴³ Eleonora Rosati, *Milan court issues dynamic blocking injunction against Italian ISPs*, THE IPKAT (Aug. 25, 2018), <http://ipkitten.blogspot.com/2018/08/milan-court-issues-dynamic-blocking.html>.

⁴⁴ *Disney Enterprises, Inc. and Ors. v. M1 Limited and Ors.*, [2018] SGHC 206.

accessing the same infringing websites, rather than blocking new infringing websites that have not been included in the main injunction.”

II. Dynamic injunctions in India

India’s first dynamic injunction was granted by the Delhi High Court in *UTV Software Communication Ltd. And Ors. v. 1337X.to and Ors.*⁴⁵ on April 10, 2019:

(a) Facts of the case:

The suits were initiated by some prominent entertainment companies seeking a permanent injunction against certain websites, to restrain them from enabling unauthorized streaming and downloading of the plaintiffs’ copyrighted content.

In addition to the websites, the plaintiffs had arrayed various ISPs (for effective implementation of the injunction), the Department of Telecommunications (DoT) and the Ministry of Electronics and Information Technology (MEITY) [to issue a notification requiring that internet and telecom service providers registered with them disable access to the defendant websites] as defendants.

(b) Contentions of the parties:

The plaintiffs contended that the primary purpose of the defendant websites was to infringe, or facilitate infringement, of the plaintiffs’ copyrighted works. They submitted that if one impugned website is blocked, several mirror websites having the same content are created. The plaintiffs sought website-blocking orders and submitted reports

⁴⁵ *UTV Software Communication Ltd. And Ors. v. 1337X.to and Ors.*, 2019 (78) PTC 375 (Del).

and materials on the law of website-blocking injunctions in different jurisdictions, and the efficacy of such orders.

The Amicus Curiae appearing on behalf of the defendants argued that website-blocking orders should be granted only if there is no legitimate content on the websites. He submitted that if the evidence submitted by the plaintiffs could not establish that all the content was infringing, then a broad injunction interfering with legitimate content should not be granted. The *Amicus Curiae* also argued that the three-step verification test evolved by the Bombay High Court in *Eros International*⁴⁶ had not been satisfied by the plaintiffs. He further submitted that blocking faces many challenges (such as the invasion of privacy, high cost of deployment, etc.), and therefore, it is essential to make sure that these injunctions are proportionate.

(c) *Court's analysis:*

The Court undertook a detailed analysis of the economic impact of digital piracy, the available enforcement tools and their efficacy, as well as the judicial approach adopted in India and international jurisdictions. The Court also laid down the factors to be considered while determining whether a website is an FIOI or a “rogue” website, including – whether the primary purpose of the website is to commit, or facilitate, copyright infringement; the flagrancy of the infringement (or the facilitation thereof); whether details of the registrant and/or user are masked or unavailable; whether there is silence, or inaction, by

⁴⁶ *Eros, supra* note 34.

such website after receipt of take down notices pertaining to copyright infringement, etc.

The Court then evaluated whether the test for identifying a “rogue” website should be “qualitative”, viz. examining “*whether the primary purpose and effect of the website is to facilitate infringement*”, as opposed to “quantitative”, viz. examining “*purely the quantity of infringing content on the website*”.

The Court observed that in *Eros International*, the Bombay High Court had followed the quantitative test, holding that for an entire website to be blocked, the plaintiffs must show that all content hosted on it is infringing. However, the Court followed the Delhi High Court’s Division Bench judgment in *Department of Electronics and Information Technology v. Star India Pvt. Ltd.*,⁴⁷ where it was held that since the defendant websites were overwhelmingly infringing, website blocking as a whole was justified. Accordingly, in the instant matter, the Court held that the test for determining whether a website is rogue is qualitative.

(d) *Decision:*

Examining the evidence in light of the above factors, the Court found the defendant websites to be rogue in nature. While evaluating how to order an effective website blocking injunction, the Court referred to the Singapore High Court’s judgment in *Disney Enterprises* and granted a dynamic injunction. The dynamic injunction was granted with a view

⁴⁷ Department of Electronics and Information Technology v. Star India Pvt. Ltd., R.P. 131/2016 in FAO (OS) 57/2015.

to free the Courts “*from constantly monitoring and adjudicating the issue of mirror/redirect/alphanumeric websites*” and also to ensure “*that the plaintiffs are not burdened with filing fresh suits.*”

(e) *Dynamic Injunction order*

The injunction enables the plaintiffs to implead additional mirror/redirect/alphanumeric websites (under Order I, Rule 10 of the Code of Civil Procedure, 1908) along with an Affidavit submitted to the Joint Registrar of the Court, showing that the websites merely provide new means of accessing the same infringing content as the enjoined websites. Once satisfied that the impleaded websites are in fact mirror/redirect/alphanumeric websites, the Joint Registrar may order ISPs to block such additional websites. This order can be appealed against within 15 days from its issuance.

The Statutory power to grant the dynamic injunction was derived from Section 151 of the Code of Civil Procedure, 1908, which empowers courts to “*make such orders as may be necessary for the ends of the justice or to prevent abuse of the process of the court*”.

III. Aftermath of *UTV Software*

Based on this judgment, the Delhi High Court granted dynamic injunction orders against other “rogue websites” in suits instituted by Warner Bros. Entertainment Inc. in 2019.⁴⁸ Warner Bros. had also arrayed prominent ISPs, as well as the relevant government authorities

⁴⁸ Warner Bros. Entertainment Inc. v. <http://tamilrockers.ws> and Ors., CS(COMM) 369/2019; Warner Bros. Entertainment Inc. v. <https://hindilinks4u.to> & Ors., CS(COMM) 369/2019; Warner Bros. Entertainment Inc. v. <https://www2.filmlinks4u.is> & Ors., CS(COMM) 368/2019; Warner Bros. Entertainment Inc. v. <https://otorrents.com> and Ors., CS(COMM) 367/2019.

(DoT and MEITY), as defendants in the suits. While granting website blocking dynamic injunctions as per the *UTV Software* framework, the Court also made an additional direction to the DoT and MEITY to “suspend the aforementioned domain name registration of Defendant”. In March 2020, the Delhi High Court once again gave the same directions as *UTV Software* in *Disney Enterprises, Inc. & Ors. v. Rlsbb.Unblocked.Ltda & Ors.*⁴⁹

These dynamic injunctions make it easier to tackle circumvention of blocking orders by online infringers. The mechanism has lent more teeth to standard website blocking orders, and will likely render them more effective in combating digital piracy.

FAIRNESS AND PROPORTIONALITY OF THE WEBSITE BLOCKING MECHANISM

While website blocking measures may have greater efficacy in curbing digital piracy (at least when done on a large scale), they do raise concerns regarding fairness and proportionality. Critics of website blocking argue that – i. it amounts to excessive censorship; ii. it is antithetical to the preservation of a free and open internet; iii. it is expensive for ISPs and intermediaries to implement; and iv. it can be abused by rights-holders.⁵⁰ There are also apprehensions that website

⁴⁹ *Disney Enterprises, Inc. & Ors. v. Rlsbb.Unblocked.Ltda & Ors.*, IA No. 14909/2019 in CS(COMM) 594/2019.

⁵⁰ Cory, *supra* note 25.

blocking orders may result in “overblocking”, i.e., blocking of legitimate content or unrelated websites.⁵¹

These are all valid concerns and have been deliberated upon by courts internationally in such matters. In *L’Oreal vs. Ebay*,⁵² the CJEU held that injunctions against online marketplaces must be effective, proportionate, dissuasive, fair and equitable, and must not create barriers to legitimate trade.

In *Twentieth Century Fox Film Corp. v British Telecommunications PLC*,⁵³ Arnold J held that between a copyright owner’s right to block access to a flagrantly infringing website on the one hand, and the freedom of speech and expression on the other, the proportionality principle favours the copyright owner. Notably, it was clarified that this is true only when the order sought: is clear and precise; does not excessively burden an ISP; is technically feasible; is not overly expensive; and can easily be varied or discharged if future events so warrant.⁵⁴

We are also of the view that website blocking orders must strike the right balance between the exclusive right to intellectual property, the right to trade, and the freedom of expression. Such orders should be necessary, proportionate, uncomplicated and inexpensive for ISPs to

⁵¹ Pekka Savola, *Proportionality of Website Blocking: Internet Connectivity Providers as Copyright Enforcers*, 5 JIPITEC 116 (2014).

⁵² *L’Oreal v. eBay* (C-324/09) at ¶125-143.

⁵³ *Twentieth Century Fox Film Corp. v British Telecommunications Plc*, [2011] EWHC 1981.

⁵⁴ Michael Schlesinger, *Site Blocking Global Best Practices*, INTELLECTUAL PROPERTY ASSOCIATION OF JAPAN (Aug. 2018).

execute,⁵⁵ and must be implemented with adequate procedural safeguards.⁵⁶

I. Decision on proportionality of website blocking in *UTV Software*

In *UTV Software*, the Delhi High Court framed specific issues to assess whether website blocking orders would be fair, proportionate and justified. The issues framed, along with the Court's ruling on each are as follows:

- ***Whether an infringer of copyright on the internet is to be treated differently from an infringer in the physical world?***

The Court stated that the primary objective of most online infringers is to make money through digital piracy. It was held that an online copyright infringer should not be treated differently from an infringer in the real world, and if this differential standard did exist, physical infringers will easily shift online to escape liability.

- ***Whether seeking the blocking of a website dedicated to piracy makes one an opponent of a free and open internet?***

The Court held that advocating limits on accessing illegal content online does not violate open Internet principles.

⁵⁵ Kostyantyn Lobov, *The effectiveness of blocking injunctions*, HARBOTTLE & LEWIS LLP (Aug. 17, 2016), <https://www.harbottle.com/news/effectiveness-blocking-injunctions/>.

⁵⁶ Dr. Saulius Lukas Kalėda, *The Role of the Principle of Effective Judicial Protection in Relation to Website Blocking Injunctions*, 8(3) JIPITEC (2017).

- ***Whether the Court would be justified in passing directions to block these ‘Rogue Websites’ in their entirety?***

The Court stated that a website blocking order should only be issued if the Court is satisfied that the same is ‘necessary’ and ‘proportionate’, keeping in view the extent and nature of infringement.

While the Court acknowledged that URL blocking (as opposed to blocking entire websites) will address the issue of over-blocking, it took the view that tasking plaintiffs with identifying individual infringing URLs would not be proportionate or practicable as it would require the plaintiffs to expend considerable effort and cost. Further, placing reliance on the ruling in *L’Oreal v. Ebay*, the Court held that “...*while passing a website blocking injunction order, it would have to also consider whether disabling access to the online location is in the public interest and a proportionate response in the circumstances...*”.

Based on the above reasoning, the Court concluded that “*website blocking in the case of rogue websites, like the defendant-websites, strikes a balance between preserving the benefits of a free and open Internet and efforts to stop crimes such as digital piracy.*”

It is therefore evident that the Court duly considered the proportionality of website blocking orders, and we are of the opinion that the Court’s reasoning and ruling on this issue is fairly astute. Instead of making an overly broad ruling (to the effect that website

blocking orders against any websites containing infringing content would be proportionate), the Court has carefully and deliberately limited its ruling exclusively to ‘rogue websites’ (which have been found to facilitate large scale copyright infringement). This precludes rights-holders from placing reliance on this judgment to claim that website blocking against all types of infringing websites would be proportionate.

II. Deficiencies in the UTV Software framework

The UTV Software decision is fairly well-reasoned on the issue of proportionality, however, it left room for clarification and streamlining:

- (a) While the Court laid down comprehensive factors and a qualitative test for determination of rogue websites, it did not elaborate on the plaintiff’s evidentiary requirement for establishing the same. This has resulted in the potentially problematic practice of placing reliance solely on the plaintiff’s evidence.
- (b) The Court has not provided any mechanism for the communication of blocking orders to the affected parties. In the absence of a communication mechanism, the affected parties may not become aware of the blocking order within a reasonable time. This can prejudice the rights of affected parties as the stipulated time period for appealing against such orders is just 15 days.

- (c) The Court did not specify whether the cost of implementing the blocking measures is to be borne by the ISPs or by the Plaintiffs.
- (d) In the *Warner Bros.* suits,⁵⁷ the Delhi High Court, while granting dynamic injunctions under the *UTV Software* framework, also directed the DoT and MEITY to suspend the domain name registrations of the defendant websites. It was not clarified under which authority government departments could suspend domain registrations, many of which were not registered with registrars in India. We hope that this is not symptomatic of a new trend of granting overly broad directions under this mechanism.

Regarding the overall proportionality of the *UTV Software* dynamic injunction framework, further guidance can be taken from the general balancing rule formulated in a detailed article on proportionality of website blocking orders⁵⁸. According to the rule, the severity of the blocking order should be directly proportional to the negative economic impact of the infringement on the right holder.

In view of the current international scenario and the upcoming post-COVID era, a balancing act has become increasingly relevant. Since the negative economic impact of digital piracy on IPR holders will only escalate (as shown in 'I'), stronger enforcement measures (such as dynamic injunctions) will be warranted.

⁵⁷ *Warner Bros.*, *supra* note 48.

⁵⁸ Savola, *supra* note 51, at ¶126.

Accordingly, we are of the view that website blocking dynamic injunctions are the suitable enforcement measure going forward, but need to be infused with improved checks and balances to ensure their proportionality and to streamline their implementation.

RECOMMENDATIONS FOR IMPROVING THE FRAMEWORK

Our recommendations for making the existing dynamic injunction mechanism more proportionate, fair and equitable are as follows:

I. Laying down the evidentiary requirements

While the amount of evidence required to establish that a website is a rogue website (as per the qualitative test) will always be subjective, Courts should lay down some requirements for the quality of such evidence. For instance, if plaintiffs are required to have the list of infringing websites and URLs verified by independent agencies, as directed by the Bombay High Court in *Eros International*,⁵⁹ the veracity of the evidence would get enhanced.

II. Allowing ISPs and other interested entities to object to/seek amendment of the blocking order

ISPs as well as any other interested person should be permitted to approach to the Court to object, or seek variation of the blocking order, in case there is a change in factors such as the costs, effectiveness of blocking measures, etc.

⁵⁹ *Eros, supra* note 34.

The Bombay High Court and Singapore High Court provided for this in *Eros International*⁶⁰ and *Disney*.⁶¹ In *Disney*, the Singapore High Court held that additional URLs can be blocked by network service providers on the basis of an existing dynamic injunction order, provided that it is shown that these URLs resolve to FIOs blocked under the main injunction order. However, in absence of a sufficient basis, network service providers may refuse to block the URLs, and in such a case the parties have the option to approach the court for determination of the issue.

III. Communicating details of the website blocking orders to the public

Towards making the affected parties aware of the blocking orders and the available remedy, Courts should direct ISPs to provide relevant information regarding the blocking order, and the procedure for appealing against the same, to the affected parties at the blocked webpages (instead of merely showing an error notification).

For this, some pointers may be taken from the Bombay High Court's decision in *Eros International*,⁶² wherein the ISPs were directed to display “*special default error pages*” at the blocked links, including the relevant provisions of the Copyright Act, 1957, details of the suit and blocking order, as well as information regarding recourse against the blocking order.

⁶⁰ *Id.*

⁶¹ *Disney*, *supra* note 44.

⁶² *Eros*, *supra* note 34.

IV. Allocation of costs for implementing dynamic injunctions

ISPs implement website blocking orders to enforce the plaintiff's rights, but should they also bear the cost of such implementation? *UTV Software*⁶³ as well as subsequent Indian judgments are silent on this question, but there has been much discussion regarding this internationally. Early jurisprudence in the EU and UK imposed such costs on the ISPs, based on the reasoning that since they commercially benefit from legitimate as well as infringing content on the internet, they should contribute to the cost of enforcement.⁶⁴

However, in 2018, the UK Supreme Court adopted a different approach in *Cartier International AG and Ors. v. British Telecommunications Plc and Anr.*⁶⁵ In this case, the Court held that since the entire benefit of compliance with website blocking injunctions inures to the rights-holders, they should seek compensation only from infringers. Accordingly, it was held that “...*the rights-holders should indemnify the ISPs against their compliance costs...the indemnity must be limited to reasonable compliance costs.*” The Court also clarified that this ruling is applicable only when the ISPs are found to be legally innocent.

Indian Courts should also take guidance from the above decisions, analyse the actual costs of implementation of website blocking orders and accordingly devise a framework for allocation of such costs.

⁶³ *UTV*, *supra* note 45.

⁶⁴ Martin Husberg, *Blocking Injunction Requisites – The balancing of rights and other aspects of blocking injunctions against intermediaries*, LAGM01 20151 (2015), 44. *See also*, *Cartier International AG and others (Respondents) v. British Telecommunications Plc and another (Appellants)*, [2018] UKSC 28.

⁶⁵ *Id.*

Incorporating specific and clear directions on these aspects of dynamic injunction orders will enhance the proportionality of the orders and streamline the overall enforcement framework.

IMPROVEMENTS IN POLICY

The Draft National E-commerce Policy (issued on February 23, 2019 by the Department for Promotion of Industry and Internal Trade) includes a provision on “online piracy measures”. This provision provides for the creation of a body of industry stakeholders for the identification of ‘rogue websites’ (which the policy defines as *“those that host predominantly pirated content”*). The ‘rogue websites’, after verification (the intended verifier has not been specified), would then be included in the “Infringing Websites list”. Thereafter, the policy mandates that ISPs shall remove or disable access to these websites; payment gateways shall not permit flow of payments to or from such websites; and search engines shall take necessary steps to remove these websites from their search results.

However, the policy does not elaborate on the constitution of this proposed body of industry stakeholders. Further, there is no mention of the entity responsible for verifying the identified rogue websites. It can be problematic if the stringent blocking measures provided in the policy are ordered without thorough judicial scrutiny and verification.

Reportedly, the policy has been re-drafted and put on hold owing to the COVID-19 pandemic.⁶⁶ Hopefully, the revised policy will be more comprehensive.

CONCLUSION

With the entertainment industry placing greater reliance on digital content for revenue generation, especially in the COVID-19 era, it is more vulnerable than ever to losses arising from digital piracy. Accordingly, India needs strong enforcement of IP rights with a view to curtail such losses and preserve the health of the entertainment industry and the economy at large. Of the available enforcement measures, website blocking dynamic injunctions appear to be the most effective in this regard. However, the dynamic injunction mechanism devised by the Delhi High Court for this purpose leaves a lot to be desired with respect to its fairness and proportionality. With the incorporation of more clarifications, safeguards and improvements, an effective, fair and proportionate dynamic injunction mechanism can be devised to tackle digital piracy in India.

⁶⁶ Kirtika Suneja, *E-commerce policy put on hold* (May 12, 2020), <https://economictimes.indiatimes.com/news/economy/policy/e-commerce-policy-put-on-hold/articleshow/75683719.cms?from=mdr>.

TRADEMARK EXHAUSTION: A TALE OF TWO BENCHES AND THE DRAFT E-COMMERCE POLICY

Anuna Tiwari*

Abstract

Trademark exhaustion limits the control of a trademark owner over the movement of the goods post a legitimate 'first-sale'. The choice between competing models – national and international exhaustion (depending on what a legitimate first sale is), has been a tough one. Two Delhi High Court Benches oscillated between the two models in Kapil Wadhwa v. Samsung Electronics, ultimately deciding in the favour of international exhaustion. Ignoring the decision, the Draft E-Commerce Policy (2019) mandates that e-commerce platforms must seek the prior concurrence of the trademark owner before listing their goods for sale. To resolve such confusion and inconsistency, the scope of "market" under S. 30(3) of the Trademarks Act must be clarified. The draft policy ought to reflect the same. While the 'tale of two benches' in Kapil Wadhwa is a hint of legislative ambiguity and its ramifications, the recent Amway-Amazon dispute is a clarion call for urgent and meaningful reform.

INTRODUCTION

Post-Sale restraints are a subset of vertical restraints on trademarked goods and services.¹ They allow the trademark owner to exercise

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¹ Ariel Katz, *The Economic Rationale for Exhaustion*, RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS (Irene Calboli et al. eds. 2016).

greater control over how goods carrying the mark may be used, alienated, and otherwise disseminated after the first authorized sale. Trademark exhaustion sets limits to this restraint. It puts an end to the monopoly of the owner over the transfer of a good. There is disagreement over when exhaustion happens – by a sale in the domestic market or by a sale anywhere in the world.² Article 6 of the TRIPS (Trade Related Aspects of Intellectual Property Rights) Agreement leaves this determination to the nation-states. The debate was recently settled by the Delhi High Court in favour of international exhaustion in *Kapil Wadhwa v. Samsung Electronics Company Limited*, albeit not without some internal oscillation between the two competing models.³ This paper deals with the two judgments in the Kapil Wadhwa-Samsung dispute and the Draft National E-Commerce Policy that sparked the debate on exhaustion in the context of e-commerce regulation.

Moving beyond conventional channels, the internet has facilitated post-sale alienation by way of re-sale, parallel imports etc. In a bid to keep up, The Department of Promotion of Industry and Internal Trade prepared the Draft National Policy on E-commerce (the Policy) to regulate the sale of counterfeit and pirated goods on these platforms. This policy requires an e-commerce platform to seek the prior concurrence of the owner of the trademark in the goods, before listing them on the platform.⁴ Unfortunately, in a bid to curb

² Cristina Mulligan, *Personal Property – Servitude on the Internet of Things* 50 Ga. L. Rev. (2016) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2465651.

³ (2012) 194 DLT 23 (India).

⁴ Draft National Policy on E-Commerce, DIPIIT, Page 21 (C) 3.12.

counterfeits, it makes even legitimate second sales onerous. Furthermore, it is in stark contrast to the aim of trademark exhaustion law – to deny centralized control of the trademark owner. It not only ignores exhaustion as a whole but also falls foul of the ruling precedent in *Kapil Wadhwa*.

The trademark exhaustion law in India is in itself a maze, if not a minefield. Before analysing the Policy, some clarity on the said law is essential. In the *Kapil Wadhwa-Samsung Electronics* dispute, the Single Bench (SB) and the Division Bench (DB) of the Delhi High Court reached contrary decisions on trademark exhaustion. While the former decided in favour of national exhaustion, the latter disagreed and decided that international exhaustion is to be followed under the Trademarks Act. Recently, the Delhi High Court decision in *Amway vs. Amazon* also raised similar questions.⁵

In its present form, the law can be interpreted both ways as confirmed by the diverging judicial opinions. Further, the absence of empirical data on economic ramifications of either model begets inconsistent policy decisions such as the Policy. In Part I, I examine why the anti-counterfeiting measures and anti-piracy provisions of the policy must be restructured to align with the Delhi High Court (DB) decision in *Kapil Wadhwa*.⁶ In its present form, the draft e-commerce policy overlooks international exhaustion in so far as it mandates prior

⁵ *Amazon Seller Services Pvt. Ltd. vs. Amway India Enterprises Pvt. Ltd.* CM. APPL. 32954/2019 ¶116; (2020) 81 PTC 399 (Del).

⁶ Arul G Scaria, *Draft E-Commerce Policy: A 101 Guide To Decimating Digital Competition*, BLOOMBERG QUINT (Mar. 14, 2019) <https://www.bloomberquint.com/opinion/draft-e-commerce-policy-a-101-guide-to-decimating-digital-competition>.

concurrency. The Policy conflates legitimate parallel imports and counterfeit goods, in effect, unduly restricting the former. This, I argue, is undesirable considering the consumer tilt towards secondary markets and because the Trademarks Act sufficiently accounts for consumer confusion while allowing parallel imports.

Nevertheless, the final decision in *Kapil Wadhwa* and certain notifications under the Customs Act lean heavily towards international exhaustion. However, the necessary empirical analysis and impact assessment of the competing models is missing. Thus, in Part II, I attempt to list some points of consideration while choosing between national and international exhaustion. As Maskus Kieth highlights⁷, meticulous empirical analysis of several economic aspects is necessary. The current judicial determination in favour of international exhaustion is welcome, and generally speaking, developing countries benefit from international exhaustion (at least for certain goods). However, a more qualified assessment would require painstaking empirical exercise. Without plugging the vast empirical gap, policy decisions will largely be shots in the dark and judicial decisions would remain equivocal.

⁷ Keith E. Maskus, *Economic Perspectives on Exhaustion and Parallel Imports*, RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS (Irene Calboli et al. eds. 2016).

THE DRAFT NATIONAL E-COMMERCE POLICY – DO WE NEED IT?

I. IPR Owners' base, parallel imports, and consumer tilt towards secondary markets.

Trademark exhaustion policy of a country is determined by “*how it fares in the net*”.⁸ The benefits from its IPR owners' control over international markets vis-à-vis costs incurred in procuring goods from IPR owners outside the country should determine a country's choice of exhaustion regime. If the former exceeds the latter, the country is a net IPR producer or an IPR consumer if the inverse holds true.⁹ The logical corollary is that countries with a small base of IPR owners are more likely to adopt international exhaustion to enable the creation of a cheaper parallel grey market, and benefit from the IPR created abroad. Often, the developed-developing divide permeates the ability of citizens to own IPRs. This can be attested by the fact that in 2016, 12 of the 20 top trademark filing companies belonged to developed upper-middle-income countries.¹⁰

Interestingly, India featured in the top 5 trademark filing countries (majority of filings by Residents) in 2016.¹¹ For the corresponding period, out of the total 2.8 lakh applications filed in India, 2.6 lakh were filed by Indians. Similarly, in 2017-18, 2.4 lakh of 2.7 lakh applications

⁸ Vincent Chiappetta, *Working Towards international harmony on intellectual property exhaustion*, RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS (Irene Calboli et al. eds. 2016).

⁹ *Id.*

¹⁰ World Intellectual Property Organization, World Intellectual Property Indicators 2017-Trademarks, https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2017-chapter3.pdf.

¹¹ *Id.*

filed in India, were filed by Indians.¹² This weakens the net-IPR consumer argument for international exhaustion. However, a large IPR base does not undermine consumer reliance on a secondary market for cheaper goods in developing countries. These consumer dynamics play an important role here. A possible explanation for this consumer reliance on secondary markets could be structural income inequality and its impact on consumer spending and access.¹³ Despite having a significant trademark-owner base, the benefits do not necessarily percolate to the entire population of developing countries, which explains the reliance on secondary markets.¹⁴ There are also other reasons for this reliance on the secondary market.¹⁵ Even though the sales of devices fell worldwide, the second-hand market for refurbished imported phones saw a 14% rise. While Apple's overall sales took a hit, it continues to top the refurbished market recommendations.¹⁶ In fact, the import policy was tweaked in order to account for the same.¹⁷ E-commerce websites are ideal for secondary

¹² Annual Report 2017-2018, The Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications India, ¶ 58 http://www.ipindia.nic.in/writereaddata/Portal/IPOAnnualReport/1_110_1_Annual_Report_2017-18_English.pdf.

¹³ Jayanta Sen, *Consumer Expenditure Inequality in India: a source decomposition analysis*, 17 *International Journal of Development Issues*, 157 (2018), <https://www.emerald.com/insight/content/doi/10.1108/IJDI-08-2017-0131/full/html>.

¹⁴ Anushruti Singh, *With consumerism shifting gears, Indian buyers move towards used goods*, *SME FUTURES* (Jul. 24, 2019), <https://smefutures.com/consumerism-shifting-gears-indian-buyers-move-towards-used-goods%E2%80%AF%E2%80%AF/>.

¹⁵ Sanshita Dash, *These Start-ups are Making a Killing with Second-hand Products*, *ENTREPRENEUR* (Oct. 5, 2019), <https://www.entrepreneur.com/article/302217>.

¹⁶ K Sunil Thomas, *Sales of refurbished smartphones see rise in India*, *THE WEEK* (Mar. 19, 2019), <https://www.theweek.in/news/biz-tech/2019/03/19/second-hand-smartphones-sales-see-rise-in-india.html>.

¹⁷ Sandhya Sharma, *India's new rule on import of refurbished goods ends Apple's long wait*, *ET PRIME* (May 15, 2019), <https://prime.economictimes.indiatimes.com/news/69334312/technology-and->

market sales. Considering the consumer tilt towards secondary markets for imports, the Policy's prior concurrence requirement would be costly for e-commerce websites. The secondary sales of refurbished goods and parallel imports could plummet due to such a requirement.

Broadly, international exhaustion and smoother parallel imports facilitate competition and restrict price discrimination between different national markets. This makes goods with elastic demand cheaper and more accessible (with exceptions).¹⁸ Even though India is not strictly consistent with the net IPR consumer category, we are still a developing country with diverse consumer requirements. Thus, the tilt towards secondary markets cannot be ignored in framing an e-commerce policy.

II. Trademarks Act 1999 and Consumer Confusion

Consumers are central to the trademark law. The producer-centric view held that trademarks intend to tackle consumer confusion only when it diverted trade. Now, the law targets consumer deception regardless of trade diversion and reputational harm.¹⁹ Thus, the focus of trademark law (as contradistinguished from other regulatory laws for advertising, etc.) should be confusion regarding the source, that

startups/indias-new-rule-on-import-of-refurbished-goods-ends-apples-long-wait; Notification 5 of 2015-2020, Ministry of Commerce and Industry May 7 2019, <https://dgft.gov.in/sites/default/files/Notification%20No.%205%20dated%2007.05.2019%20English.pdf>

¹⁸ MASKUS, *supra* note 7.

¹⁹ Mark McKenna, *The Normative Foundations of Trademark Law*, 82 Notre Dame L. Rev. 1839 (2010), https://www.researchgate.net/publication/228162647_The_Normative_Foundation_of_Trademark_Law.

leads to a choice which the consumer would not make but for the confusion. Therefore, only such confusion that prevent(s) consumers from getting what they want must be actionable.²⁰ This begs the question – does the present trademark law address deception already, and does the Policy, therefore, make an unnecessary overreach?

The Indian Trade Marks Act not only sufficiently accounts for consumer confusion, but also envisages parallel imports. The Policy thus does not add much value on that front. Rather, it confuses parallel imports with counterfeit goods and overlooks Section 29(4) of the Trademarks Act 1999, that allows parallel imports.

The Policy equates parallel imports (sale of goods bearing the same mark) and counterfeit goods (sale of goods bearing a misleadingly similar mark). The distinction is crucial for the determination of infringement. Section 29(4) of the Act clearly states that the plaintiff must show that there was a “likelihood of consumer confusion”.²¹ The main purpose is to avoid “confusion as to the source of the goods”.²² In the context of the European Union, source-related confusion happens only when there are two trademarks. “*The essential purpose of a trademark is to indicate the origin of the product. The trademark loses its distinctive character.*”²³ Mere re-sale with the *same mark* is enforceable and is in fact

²⁰ Mark McKenna, A Consumer Decision-Making Theory of Trademark Law, 98 Va. L. Rev. 68, 134 (2012), https://scholarship.law.nd.edu/cgi/viewcontent.cgi?article=2119&context=law_faculty_scholarship.

²¹ Skol Breweries v. Unisafe Technologies, MIPR 2010 (3) 0037 ¶ 13 as cited in Advance Magazine Publishers Inc. v. M/S Just Lifestyle Pvt. Ltd., 2016 SCC Online Bom 8417 (India).

²² Carlsberg India Pvt. Ltd. v. Radico Khaitan Ltd., (2012) 49 PTC 54 (Del).

²³ Van Zuylen Frères v. HAG A.G., [1974] ECR 731.

in the interest of the (EU) common market. Parallel-imported goods (as opposed to counterfeits) carry the genuine mark of the manufacturer and correctly indicate the source. There are no “two trademarks” or loss of distinctive character of the mark. Thus, there is no source-related confusion, as envisaged by Section 29(4).

Since the existing law already accounts for counterfeits and the confusion arising therefrom, the Policy becomes unnecessarily burdensome. The e-commerce platform may refrain from selling parallel imports due to the long-winding permission process, making offline sale the only option. This, however, restricts competition and consumer choices online. Thus, the Policy effectively confines perfectly legal parallel imports to offline markets, disregarding the law on exhaustion as well.

NATIONAL OR INTERNATIONAL EXHAUSTION – KAPIL WADHWA AND SUBSEQUENT DEVELOPMENTS.

Exhaustion limits the trademark owner’s control over alienation after one legitimate sale.²⁴ National exhaustion means that such a legitimate first sale must take place in the same national market as the subsequent sale; international exhaustion means that the first sale could be in any market around the world.²⁵ Exhaustion created a rift among the developing and developed countries and Article 6 of the TRIPS

²⁴ Herman Cohen Jehoram, *International Exhaustion versus Importation Right: A Murky Area of Intellectual Property Law*, (1996), <https://www.ivir.nl/publicaties/download/Cohen1.pdf>.

²⁵ *Id.*

Agreement was thus, an ‘agreement to disagree’.²⁶ As we shall see, the Indian law is rooted in international exhaustion. In Kapil Wadhwa and then in Amazon-Amway disputes, the judicial determination in favour of international exhaustion seems reasoned and is welcome. International exhaustion largely appears to be the pro-competitive and pro-consumer one of the two choices. However favourable as they may be, Court rulings will meander endlessly to reconcile competing interests until legislative clarity eludes us. This section endorses such clarity in order to harmonise the trademark law and the law on imports and to pre-empt confusion in judicial opinions.

The diverging decisions of a Single-Judge bench²⁷ and a Division bench²⁸ of the Delhi High Court in the Kapil Wadhwa-Samsung Electronics dispute set the debate in motion. This is a textbook example of how widely an ambiguity in law can be interpreted. The Court opened a can of worms with its contradicting decision in this case.

Section 30(3) of the Trademarks Act 1999 states the law as follows:

“Where the goods bearing a registered trademark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trademark by reason only of

²⁶ Ramses Trogh, *The International Exhaustion of Trademark Rights after Silhouette: The End of Parallel Imports?*, (2002), <https://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=1554568&fileOId=1563370>.

²⁷ Samsung Electronics Company Limited v. Kapil Wadhwa, (2012) 49 P.T.C. 571 (Del).

²⁸ KAPIL WADHIWA, *supra* note 3.

- (a) the registered trademark having been assigned by the registered proprietor to some other person, after the acquisition of those goods; or
- (b) the goods having been put on the market under the registered trademark by the proprietor or with his consent.”

The choice between the two models will depend on the meaning attributed to ‘lawfully acquired’ and ‘market’. In the instant case, the defendant (Kapil Wadhwa) was importing and selling printers manufactured by the plaintiff (Samsung Electronics).²⁹ The imported printers were cheaper than the ones sold by the plaintiff through their licensed entities in India. The plaintiff sued the defendant alleging infringement and non-consensual sale of the imported printers that were not earmarked for India. The SB granted an interim injunction on the sale of the imported printers. The Bench held that Section 30(3) embodied national exhaustion and thus parallel imports amounted to infringement. Justice Manmohan observed that acquisition under Section 30(3) is ‘lawful’ only if the mark is registered in India. Thus, imports (bearing marks registered abroad) were violative of Section 30(3). It was further held that ‘markets’ meant domestic markets and that “*reading it otherwise would be misreading or ignoring the words in the statute.*”³⁰

For the SB, ‘lawful acquisition’ can happen only where the mark is registered. Any other reading would result in a conflict between S. 30(3) and S. 29(6)(c). The Court observed that it was incorrect in that

²⁹ SAMSUNG ELECTRONICS, *supra* note 26, at ¶ 14.

³⁰ *Id* at ¶ 69.

“lawful acquisition will exclude the rigors of Section 29 (1) read with Section 29 (6)”. The Division Bench remarked that this observation overlooks the entire purpose of creating an exception under Section 30(3), and astutely remedied the same. The DB reasoned that jurisdictions that adopt national exhaustion expressly restrict their exhaustion law to that effect. Unlike them, Indian law doesn’t explicitly limit Section 30(3). Thus, the legislative intent is to adopt the broader version i.e., international exhaustion. Taking a cue from the Statement of Objects and Reasons, the Division Bench decided in favour of international exhaustion.³¹ This decision reconciles the interests of trademark owners and re-sellers and is considered the leading authority on the subject of exhaustion in India.³²

Trademark law aside, notifications under various laws specifically prohibit imports violating specific provisions of the Trademark Act. There is no blanket ban on parallel imports unless specific violations are established. Import of original/genuine goods purchased in foreign markets is not affected by such import bans. Subject to the procedures under the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007, imports are regulated by the Customs Act 1952. A 2010 Notification under the latter prohibited import of goods having a false trademark, or a false description under Section 102 and Section 2(1)(i) of the Trademark Act.³³ After the SB decision in *Kapil Wadhwa*, the

³¹ *Id* at ¶ 56, 58.

³² Arul George Scaria, *supra* note 6.

³³ Notification No. 51/2010, June 30 2010, <http://www.cbic.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-2010/cs-nt2010/csnt51-2k10>.

Central Board of Excise and Customs drew attention to this notification and clarified that as long as the goods are not materially altered or impaired and are lawfully acquired in a foreign market, *the consent of the owner of the trademark is immaterial*.³⁴ The Trademark exhaustion law cannot be read in isolation from the customs law, the two must be read harmoniously.

I. Territorial Application, National Treatment and Exhaustion.

The present section shall deal with an aspect of the Single Judge Bench decision that the Division Bench did not explicitly engage with – territorial application and its interface with national treatment.

Territorial application of IP laws and national treatment are commonly conflated with national exhaustion. However, national treatment and territoriality are simply procedural provisions and are consistent with exhaustion.³⁵ As per the SB, the territorial application of trademark law implies national exhaustion:

“one has to understand that if the words "on the market" as stated in Section 29 (6) (b) are interpreted [at] international market, then there cannot be any infringement as a trademark law of the registration extends only to the territorial bounds of India. Therefore, if anyone exposes the goods or put the goods on the market, if that is the

³⁴ Circular No. 13/2012-Customs, F. No. 528/21039/08-Cus/ICD, May 8 2012, http://foundryinfo-india.org/Important_Notification/CUS-CR-13-2012.pdf.

³⁵ John Rothchild, *Exhaustion of Intellectual Property Rights and the Principle Of Territoriality In The United States*, RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS (Irene Calboli et al. eds. 2016).

infringement then the said market invariably has to be domestic market.”³⁶

The Committee on Development and Intellectual Property (CDIP) Report observed that it could be argued that territorial application of IP Laws dealt with substantive rights. However, the same is incorrect and territoriality is a procedural provision.³⁷ The argument for national exhaustion emerging from territoriality goes as follows – statutory law (that indicates legitimacy of first sale) does not apply extraterritorially, and thus, cannot be invoked to claim relief in a foreign jurisdiction (where the second sale happens).³⁸

Arguably, once Indian law embodies international exhaustion, the provision of national treatment will not support any foreign entity claiming national exhaustion. Territorial application is merely a presumption that the law applies within the national boundaries of the country. The mere recognition of the sale in a foreign market by Indian law is not extraterritorial application of the Indian law.³⁹ Moreover, the presumption of territoriality can be rebutted by law.⁴⁰ National treatment is simply a rule of non-discrimination and does not lay down

³⁶ *Id.*

³⁷ World Intellectual Property Organization, Committee on Development and Intellectual Property (CDIP Interface Between Exhaustion of Intellectual Property Rights and Competition Law 2011) https://www.google.com/url?sa=t&trct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=2ahUKEwjMyLjRzeDIAhWCeisKHfjCqWQFjAEegQIBRAC&url=https%3A%2F%2Fwww.wipo.int%2Fedocs%2Fmdocs%2Fmdocs%2Fen%2Fcdip_4%2Fcdip_4_4rev_study_inf_2.pdf&usq=AOvVaw3hffnowMbUdFZDCBnwF_C1.

³⁸ *Palmar v. Braun*, 376 F.3d 1254, 1258 (11th Cir. 2004).

³⁹ *Omega SA. v. Costco Wholesale Corporation*, 541 F.3d 982.

⁴⁰ *E.E.O.C. v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991).

substantive rights of the trademark owners. TRIPS itself clarifies that national treatment and territoriality are consistent with both national and international exhaustion. While it explicitly requires national treatment in Article 3, it is open to both models of exhaustion in Article 6.⁴¹

Therefore, Country B's exhaustion law can be validly applied to the first sale made in Country A to determine the legality of resale or parallel import in Country B.⁴² Just like the legitimate sale of Samsung printers abroad could validly result in exhaustion of Samsung's rights to pursue an infringement claim under the Indian law if the latter recognises international exhaustion. Thus, territorial application and national treatment neither imply national exhaustion nor rule out international exhaustion.

II. Need for Legislative Clarity and Empirical Lacunae.

Notwithstanding occasional hiccups, international exhaustion finds a sound basis in *Kapil Wadhwa v. Samsung Electronics* and import-related notifications. However, with the appeal pending before the Supreme Court, the dust around trademark exhaustion is yet to settle decisively in favour of international exhaustion. Meaning of 'market' under Section 30(3) lies at the centre of this debate. An amendment clarifying the meaning of the same would help prevent all the confusion.

⁴¹ JOHN ROTHCHILD, *supra* note 35.

⁴² *Id.*

Recently, similar questions arose in the context of sale of Direct Sale items on e-commerce platforms in *Amazon Seller Services v. Amway India Enterprises*.⁴³ Amway brought a suit against Amazon for selling Amway products without consent. Amway claimed that such a sale on Amazon contravened the contract between Amway and its Direct Sellers and was against the Direct Seller's Guidelines. Undermining privity of contract, the Single Bench held that such sale was violative of Sections 29(6) and 29(9) of the Trademarks Act and granted an injunction. The Single Bench observed that trademark exhaustion could not exempt the defendants from the injunction. This was so, even though it was not a suit for trademark infringement and that the Court was bound by the *Kapil Wadhwa* precedent. Correcting the error, the Division Bench held since this was not a suit for infringement, the finding of a violation of Trademark Act was unwarranted.⁴⁴ They affirmed the *Kapil Wadhwa* (DB) position and held that international exhaustion stood squarely invoked as a defence to Amway's claims, and could not be offset by plaintiff's sweeping claims of alleged tampering by the defendants.⁴⁵ Casting tampering-of-goods-claim aside as a matter of evidence, the Division Bench finally denied injunctive relief to the plaintiff.

This is a much-needed shield against run-of-the-mill injunctions on e-commerce websites, without evidence of tampering. However, once an injunction is granted, to some extent the harm is done. Subsequent correction by a larger bench might not restore the parties to their

⁴³ 2020 SCC Online Del 454.

⁴⁴ *AMAZON SELLER SERVICES*, *supra* note 43, at ¶ 67,104.

⁴⁵ *Id* ¶ 126.

original position. This is something we cannot afford in times when e-commerce trade is growing exponentially. Online trade is developing continuously due to which new and complex situations will arise. Thus, clear law and policy guidelines are the need of the hour.

Judicial precedent aside, striking the right balance between national and international exhaustion policy has been a matter of great interest and debate internationally. This was, of course, before Article 6 of the TRIPS Agreement placed responsibility on the national legislatures. Some of the arguments presented by the International Trademark Association (ITA) in their intervention application before the Supreme Court of India in the Kapil Wadhwa-Samsung Electronics dispute are insightful.⁴⁶ The ITA argued against recognising international exhaustion under the Indian law. Taking two of their arguments as my starting point, I shall examine some of the contentions on either side of the debate. Based on existing consumer studies and fetters on price discrimination it places, international exhaustion seems ideal for consumers. But as Maskus Keith laments, the foremost reason for the confusion is lack of comprehensive empirical research.⁴⁷ International exhaustion may benefit consumers of certain goods but a deeper understanding of its impact on different goods – essential, non-essential, elastic, inelastic, etc. is needed. While undertaking an empirical exercise, the following may be useful cues for policymakers:

⁴⁶ In the Matter of Samsung Electronics v. Kapil Wadhwa (Application seeking intervention) <https://www.inta.org/INTABulletin/Documents/India%20PI%20Case%20FINAL.pdf>

⁴⁷ MASKUS KIETH *supra* note 7.

(a) *Impact on Prices*

Parallel imports and price discrimination are interconnected. Price discrimination is desirable only if it opens markets, increases access, and reduces prices of goods. Parallel imports generally result in equalised prices. The prices would increase in case of inelastic goods and decrease in case of elastic goods.⁴⁸ Thus, developing countries benefit from the impact of price discrimination on medicines.⁴⁹ The WHO also concurs, and considers price discrimination to be advantages to developing countries.⁵⁰ Nevertheless, in the context of patented brand-named medicines, Keith suggests that parallel imports resulted in 12-19% reduction in pricing power.⁵¹ However, to arrive at confident conclusions, much more granular data on the nature of markets, size of markets, geographical proximity and consumer homogeneity etc. would be required.⁵²

(b) *Consumer Benefits and Deception.*

ITA argues that allowing parallel imports would harm consumer interest, result in consumer deception, consumer disappointment due to the inferior quality of parallel imports, loss of guarantees and

⁴⁸ *Id.*

⁴⁹ Keith E. Maskus, *Parallel Imports In Pharmaceuticals: Implications For Competition And Prices In Developing Countries*, Final Report to World Intellectual Property Organization (2001) https://www.wipo.int/export/sites/www/about-ip/en/studies/pdf/ssa_maskus_pi.pdf.

⁵⁰ World Health Organization, Commission on Intellectual Property Rights, Innovation and Public Health (2006). Public health, innovation, and intellectual property rights: report of the Commission on Intellectual Property Rights, Innovation and Public (2006), <https://www.who.int/intellectualproperty/documents/thereport/ENPublicHealthReport.pdf?ua=1>.

⁵¹ Mattias Ganslandt et. al., *The Price Impact of Parallel Imports in Pharmaceuticals: Evidence from the European Union*, ECONSTOR (2004), <https://www.econstor.eu/bitstream/10419/81266/1/wp622.pdf>.

⁵² MASKUS KIETH *supra* note 7.

warranties, and ultimately result in reduced availability/choices for the consumers. In India, the consumer trend for electronic goods tilts in favour of parallel imports. While international exhaustion is generally considered pro-consumers,⁵³ concrete arguments on the impact of parallel imports on prices of goods cannot be made in the absence of statistics and data on the “nature of goods, the market, and consumer homogeneity”.⁵⁴ Some of IITA’s concerns, however, can be accommodated within the international exhaustion model.

Concerns around consumer disappointment and deception can be addressed by ensuring that the imports are distinctly labelled as parallel imports, reinforcing the role of trademarks in preventing consumer confusion.⁵⁵ Kapil Wadhwa, for instance, argued that the imported printers were distinctly labelled. Secondly, parallel importers are firms rather than individuals.⁵⁶ In order to overcome the issue of after-sale services and warranties, parallel importers’ ability to provide these services by such firms could be considered and augmented. In the case of pharmaceuticals, it was observed that parallel imports (of patented goods) were happening at the wholesale, or distributor level and the ultimate benefit of price reduction was not passed on to the

⁵³ Mattias Ganslandt et al., *Intellectual Property Rights, Parallel Imports, and Strategic Behaviour*, IFIN Working Paper No 704 (2007) <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.689.7715&rep=rep1&type=pdf>.

⁵⁴ MASKUS KIETH, *supra* note 7.

⁵⁵ Shubha Ghosh et al., *Trademark Exhaustion across Selected Jurisdictions in*, EXHAUSTING INTELLECTUAL PROPERTY RIGHTS: A COMPARATIVE LAW AND POLICY ANALYSIS 69 (2018).

⁵⁶ Mattias Ganslandt et al., *Vertical Distribution, Parallel Trade, and Price Divergence in Integrated Markets* 51 Eur. Econ. Rev. (2007), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=970838.

consumers.⁵⁷ The same must be addressed, as it somewhat debases the ‘pro-consumer’ argument in favour of international exhaustion.

CONCLUSION

Initially, the trademark protected the property of the owner, not the mark on that property. The property interests were defined by the markets in which they operated. That is why the Courts protected the right to operate in a trade exclusively. From guarding against trade diversion to protecting consumer confusion per se – there has been a growing recognition of a consumer-centric understanding of trademark law.⁵⁸

A rule on exhaustion must be tailored to reflect and advance its objectives.⁵⁹ Traditional trademark theories guided the discussion on exhaustion to the extent that they protected the interests of the owner in a market the owner had invested – traditionally, local markets. However, globalization changed this and the question became trickier with e-commerce platforms transcending the limits of mainstream markets.

The Draft National Policy is misplaced in so far as it convolutes the two – counterfeit goods and genuine imported goods. The requirement of prior concurrence is contrary to the settled position on (international) exhaustion and is unduly burdensome. Conflating counterfeits and parallel imports is incorrect. ITA also argues in their

⁵⁷ Panos Kanavos et al., *Pharmaceutical Parallel Trade in Europe: Stakeholder and Competition Effects*, 20 ECONOMIC POLICY (2005), https://www.jstor.org/stable/3601058?seq=1#metadata_info_tab_contents.

⁵⁸ MARK MCKENNA, *supra* note 19.

⁵⁹ VINCENT CHIAPPETTA, *supra* note 8, at 138.

submissions that allowing parallel imports could ease counterfeit goods into markets. This causality is not backed by empirical data. Rather, disallowing parallel imports is bound to lead to litigation (and onerous injunctions) of the kind we saw in *Amazon v. Amway*. Such litigation is seen as a barrier to legitimate trade and increases costs.⁶⁰ In fact, with trademark owners and e-commerce platforms embroiled in endless litigation, counterfeit goods could gain rather than lose.⁶¹ Beginning with the definition of ‘market’ in Section 30(3) of the Trademarks Act 1999, the law and policy on trademark exhaustion must be clearly stated. It is time we plug the wide empirical gaps for a meaningful analysis of consumer trends and interests.

⁶⁰ *Weak link*, India Business Law Journal, May 15 2019, <https://www.vantageasia.com/e-commerce-policy-anti-counterfeiting/>.

⁶¹ Narendra Sabharwal, *E-commerce: The threat of counterfeits and piracy*, HINDUSTAN TIMES (Feb. 9 2020), <https://www.hindustantimes.com/analysis/e-commerce-the-threat-of-counterfeits-and-piracy-opinion/story-Q7LujeIDtiVn9OTvnZKeqL.html>.

THE SNIPPET TAX: ENABLING ACCESS TO FAKE NEWS?

Kali Srikari Kancherla*

Abstract

The Internet has enabled the large-scale dissemination of disinformation and fake news in society. Many countries have begun recognising the problem of fake news and have started to adopt measures to control its circulation. In 2019, the European Union ('EU') Directive on Copyright in the Digital Single Market ('the Directive') was adopted. Draft Article 11 (Article 15 in the final Directive), introduced the 'snippet tax' which creates a new set of exclusive intellectual property rights ('IPR') giving news publishers the right to charge royalties to anyone who uses or shows news snippets, i.e., short summaries of journalistic online content created by online news publishers. This tax in particular will impact search engines like Google that feature snippets on its search page. While the EU claims that this will have a beneficial impact by protecting news publishers from a loss of revenues caused due to Google's commercial use of snippets, and promote a free and diverse press as a result, a closer examination shows otherwise.

This article seeks to demonstrate how this new ancillary IP protection exacerbates the problem of fake news and misinformation. It first explores the impact IPRs have on fake

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news in general and highlights the unintended consequences that the snippet tax has had on the market for information in jurisdictions in which it was enacted previously. Based on this, the paper will study the impact that the implementation of the Directive by EU member states will have on news publishers, consumers, and innovation in the industry. This paper ultimately establishes how the Directive will contribute to the problem of misinformation.

FAKE NEWS AND EMERGING BUSINESS MODELS IN DIGITAL REPORTING

In 2018, the European Commission constituted a High-Level Expert Group (“the HLEG”) to advise on policy initiatives to counter the spread of fake news and disinformation online. In its report, the HLEG defined ‘disinformation’ to mean all forms of false, inaccurate, or misleading information that is designed, presented, and promoted to intentionally cause public harm or for the purpose of profit.¹ This definition includes within its ambit fake news stories and content that resembles news stories that is not intended to educate or inform but instead created to appeal to preconceived notions about an event or society in general.²

¹ A MULTI-DIMENSIONAL APPROACH TO DISINFORMATION REPORT OF THE INDEPENDENT HIGH LEVEL GROUP ON FAKE NEWS AND ONLINE DISINFORMATION (2018) <https://ec.europa.eu/digital-single-market/en/news/final-report-high-level-expert-group-fake-news-and-online-disinformation>.

² Joshua Humphrey, *The Plague of Fake News and the Intersection with Trademark*, 8 CYBARIS 131 (2017).

The generation of such ‘fake news’ may either be a result of not adhering to standard journalistic procedures and mechanisms of quality control, or the result of intentionally creating fictitious stories and presenting them in the format of genuine news reports. Particularly, the manner in which the latter is presented tends to trigger emotional responses that motivate clicks, i.e. ‘clickbait’.³

The rapid creation and spread of misinformation and fake news is intertwined with the emergence of digital media. This is because, first, unlike with traditional news reporting and broadcasting, online news content is easier to access at any point of time, through one’s smart phone, personal computer etc. and thus has wider reach. Second, the emergence of social media platforms like Twitter, Facebook, WhatsApp etc., has made sharing content easier.⁴ Additionally, social media platforms, through their algorithmically driven content suggestion systems, make it easy to share certain articles to a targeted audience.⁵ This was evidenced in the 2016 U.S. presidential elections.⁶ Fake news stories that were fabricated to demonize particular candidates were shared to targeted users based on their network and user data which was collected based on their online activity.

Such targeted sharing exacerbates the problem of misinformation in the society given psychological phenomena such as confirmation bias

³ Steven Novella, *Fake News*, NEUROLOGICA BLOG (Nov. 22, 2016), <https://theness.com/neurologicablog/index.php/fake-news/>.

⁴ Johanna M. Burkhardt, *Combating Fake News in the Digital Age* (ALA TechSource 2017).

⁵ *How is Fake News Spread? Bots, People Like You, Trolls, and Microtargeting*, CENTRE FOR INFORMATION TECHNOLOGY AND SOCIETY AT UC SANTA BARBARA <https://www.cits.ucsb.edu/fake-news/spread>.

⁶ *Id.*

(the tendency to process information by seeking out and interpreting only information that is consistent with an individual's existing beliefs) source amnesia (where an individual is unable to recall where and how they have acquired a particular piece of information), and motivated reasoning (where individuals use emotionally-biased reasoning to produce justifications despite the existence of compelling evidence to the contrary), which make people more susceptible to fake news.⁷ Third, the development of tools such as 3D modelling, graphic design and other forms of AI have made it easier to generate 'deepfakes'⁸, create memes that carry disinformation etc.⁹

In addition to the unique characteristics of digital news and content sharing, the revenue streams of online news agencies are driven by advertisements that are provided by self-service ad technology of companies such as Google and Facebook.¹⁰ This means that the traffic or 'clicks' an article is able to attract generates revenue as opposed to the merit or the quality of the content.

⁷ Gordon Pennycook and David Rand, *Who Falls for Fake News? The Roles of Bullshit Receptivity, Overclaiming, Familiarity, and Analytic Thinking*, JOURNAL OF PERSONALITY, FORTHCOMING (2019).

⁸ Deepfakes are AI-generated media in which a person in an existing image or video is altered and replaced with another person in a convincing manner. Deepfakes leverage powerful techniques from machine learning and artificial intelligence to manipulate or generate visual and audio content with a high potential to deceive.

⁹ Daniella Lebor, *Why the Digital Media Makes a Happy Home for Fake News*, APKO WORLDWIDE (Nov. 20, 2019), <https://apcoworldwide.com/blog/why-the-digital-world-makes-a-happy-home-for-fake-news/>.

¹⁰ Abby Ohlheiser, *This is how Facebook's fake-news writers make money*, WASHINGTON POST (Nov. 18, 2016), <https://www.washingtonpost.com/news/the-intersect/wp/2016/11/18/this-is-how-the-internets-fake-news-writers-make-money/>>.

THE SNIPPET TAX

In 2019, the European Union Directive on Copyright in the Digital Single Market was adopted with effect from June 7, 2019. This Directive was intended to ensure ‘a well-functioning marketplace’¹¹ for copyright and reduce the value gap that exists between content creators and online platforms like Google, Facebook, etc.¹² The most significant contribution of this Directive was Draft Article 11, or Article 15 in the final Directive (‘the Article’) that introduced the ‘snippet tax’. This Article essentially creates an extra layer of copyright¹³ or what may be considered a new set of exclusive IPRs¹⁴ for news publishers. It grants news publishers the right to impose a copyright fee on anyone that uses or shows snippets of online content created by publishers. As per the Article, this right is vested with press publishers and will subsist for 20 years after publication. EU member states have until 2021 to integrate this Directive into their national laws and each member state would have to define how much of the original work would constitute a ‘snippet’.

Some news publishers do not prefer snippets of their articles to be shown.¹⁵ This is due to the fact that readers may get the information

¹¹ Council Directive 2019/790 art. 1(1) O.J.(L 130).

¹² *Modernisation of EU Copyright Rules*, EUROPEAN COMMISSION (Jul. 8, 2019) <https://ec.europa.eu/digital-single-market/en/modernisation-eu-copyright-rules>.

¹³ Julia Reda, *Extra Copyright for News Sites (“Link Tax”)*, JULIA REDA (Jul. 18, 2017), <https://juliareda.eu/eu-copyright-reform/extra-copyright-for-news-sites/>.

¹⁴ Pamela Samuelson, *Questioning a New Intellectual Property Right for Press Publishers*, COMMUNICATIONS OF THE ACM (Mar. 2019), <https://cacm.acm.org/magazines/2019/3/234918-questioning-a-new-intellectual-property-right-for-press-publishers/fulltext>.

¹⁵ Ilias Konteas, *We Need a Workable Publisher’s Neighboring Right if we are to Avoid Viewing the World exclusive through the lens of Google*, EMPOWER DEMOCRACY (Dec. 11, 2018),

they need directly from these snippets without having to click on the link and read the entire article itself. According to them, this ‘substitution effect’, of users merely reading snippets for information, is likely to hit their revenue streams that are based on advertising, which in turn dependent on the number of clicks they receive.¹⁶ They also argue that when their content is reused freely without any negotiations upon the terms for such use (as is the case with Google’s business model) there is a creation of a ‘value gap’, i.e., where platforms make large profits from copyrighted content but do not share this profit, or do not share enough of it, with the rightsholders.¹⁷ They state that a strong and enforceable right for press publishers is the only way to ensure a free and diverse press.¹⁸ Thus, the European Council based the need for the snippet tax on public interest in a sustainable, free, and pluralist press by solving for this value gap. It has also been claimed that the snippet tax, by sustainably financing press content, would protect the quality of journalism and in particular reduce the visibility and spread of fake news.¹⁹

<http://www.empower-democracy.eu/blog/we-need-a-workable-publishers-neighbouring-right-if-we-are-to-avoid-seeing-the-world-exclusively-through-the-lens-of-google/>.

¹⁶ Mihai Calin et al., *Attention Allocation in Information-Rich Environments: The Case of News Aggregators*, BOSTON UNIVERSITY SCHOOL OF MANAGEMENT RESEARCH PAPER SERIES NO. 2013-4 (2013).

¹⁷ The Parliament Magazine, *New EU Copyright Rules Will Protect the Press*, THE PARLIAMENT MAGAZINE (Mar. 26, 2018), <https://www.theparliamentmagazine.eu/news/article/new-eu-copyright-rules-will-protect-the-press>.

¹⁸ *Supra* note 16.

¹⁹ Copyright directive: statement by Axel Voss (EPP,DE), rapporteur, (Jul 2, 2018) <https://multimedia.europarl.europa.eu/documents/20143/25533992/I158298%5BSD-EN%5D.pdf/f876bae3-f403-c5a9-1451-c9100c43b2f9?download=true>.

I. A Failed Model: Germany and Spain

In order to protect news publishers from unauthorised commercial use of their stories and exploitation by news aggregating platforms like Google News, Germany and Spain enacted this special ‘ancillary right’ in 2013 and 2014 respectively. These extra copyrights were characterised as a *sui generis* layer of new and exclusive rights.²⁰ They essentially gave newspaper and magazine publishers an exclusive right to make parts of the literary work available to the public for ‘commercial purposes’²¹ and gave them the right to claim reasonable compensation from commercial search engines and news aggregators for the use of non-significant snippets from their articles.²² The difference between the law enacted in Germany and Spain is that in the latter, such a right could not be waived by the publishers i.e., publishers themselves were not allowed to opt-out of receiving payments and allow Google to display their snippets for free.

(a) The German Experience

In Germany, the policy objective of enacting this ancillary right was not met.²³ The enactment of the snippet tax was envisioned to help news publishers to license and claim return on investment for their work. However, this policy impacted those news publishers that raised claims of compensation against Google News for the use of snippets

²⁰ Armin Talke, “The Ancillary Right” for Press Publishers: The Present German and Spanish legislation and the EU Proposal, Paper presented at: IFLA WLIC 2017 – Wrocław, Poland – Libraries. Solidarity. Society (2017).

²¹ Copyright Code (Urheberrechtsgesetz), 1965, s. 87f (Germany).

²² Intellectual Property Code (Ley de da Propiedad Intelectual), art. 32 (Spain).

²³ *Supra* note 21, at 5.

from their articles. Those that made a claim were provided with reduced visibility on the Google News page.²⁴ Faced with the choice of either making a claim against Google for compensation or ensuring their visibility is not impacted negatively, many news publishers withdrew their claims for compensation and allowed Google News to use their snippets free of cost.²⁵ This was followed by the district court ruling in *Google v VG Media* where it was held that Google News, by reducing the visibility of those news articles whose publishers did not grant a free of cost license, and was not abusing its position in the market as a dominant search engine.²⁶ The court stated that Google's 'unequal treatment' was 'objectively justified' since the plaintiff companies made it clear that they would assert their claim for compensation or injunctive relief, to which they were entitled to as a result of the new ancillary copyright, if their press products were reproduced without authorisation. The same would not be a threat to Google with the other press publishers that granted free of cost licenses. It stated that Google's act was merely a result of its endeavour to abide by the law while it compiles, ranks and presents search results. According to the court, it was Google's 'legitimate interest' to protect itself and it did so while not impacting the relevance of results for a user's query. This decision enabled Google News to continue this

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Google v. VG Media*, 2016 ZUM 879, 883 (Germany).

practice. Germany's law was also later found to be invalid due to certain procedural issues.²⁷

(b) The Spanish Experience

The impact that the introduction of the snippet tax had in Spain was much more serious given the non-waivable nature of this right. Google News shut down its services altogether and remains unavailable in Spain.²⁸ A number of local Spanish aggregators like Planeta Ludico, NiagraRank, InfoAliment, Multifriki etc., also exited the market entirely fearing economic and legal liability resulting from the new law.²⁹ This severely impacted some publishers' web traffic. In a study of the impact of the shutdown of Google News in Spain, it was found that the overall news consumption in the society had reduced, as indicated from the drop in traffic to all news sites despite the general increase in internet usage in Spain.³⁰ It was noticed that the shutdown of Google News had a greater impact on the traffic of smaller, niche, independent and newer innovative projects and digital native news houses which depended on Google and other aggregators for visibility, compared to their larger well-established news publishing counterparts (although data suggests that there has been a decline in visitors to the 84 major

²⁷ C-299/17, VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH v. Google LLC, ECLI:EU:C:2019:716.

²⁸ Tom Hirche, *New tariff will kill Spanish Aggregators*, IGEL (Feb. 9, 2017), <http://ancillarycopyright.eu/news/2017-02-09/new-tariff-will-kill-spanish-aggregators>.

²⁹ Mike Masnick, *Study of Spain's 'Google Tax' On News Shows How Much Damage it has Done*, TECHDIRT (Jul. 29, 2015), <https://www.techdirt.com/articles/20150725/14510131761/study-spains-google-tax-news-shows-how-much-damage-it-has-done.shtml>.

³⁰ Susan Athey et al., *The Impact of Aggregators on Internet News Consumption*, STANFORD UNIVERSITY GRADUATE SCHOOL OF BUSINESS RESEARCH PAPER NO. 17-8 (2017).

Spanish online newspapers as well³¹). This impacted free competition by resulting in market concentration of major publishing houses and created entry barriers for emerging news houses/start-ups.³² It impacted the variety of content available, stifled innovation in the industry and increased search time for news for readers across Spain.³³ This ultimately resulted in consumers reading less breaking news and news that was not covered by their preferred news publishers (where they were the large well-established publishers).³⁴

Although the measure was intended to improve the imbalance between news aggregators/search engines and news publishers, and promote freedom and diversity of the press, as can be observed, in both these countries the snippet tax ultimately impacted news publishers and the general public detrimentally.

II. The Impact of Implementing the Directive on the Information Market

In today's media landscape, newspapers cannot cope without an online presence, despite the fact that investing in an online presence may not always be profitable. Many news publishers are, thus, forced to experiment with and develop newer business models relevant to the

³¹ PEDRO POSADA DE LA CONCHA ET AL., IMPACTO DEL NUEVO ARTÍCULO 32.2 DE LA LEY DE PROPIEDAD INTELECTUAL, INFORME PARA LA ASOCIACIÓN ESPAÑOLA DE EDITORIALES DE PUBLICACIONES PERIÓDICAS (AEEPP) (2015) 54, <https://www.acepp.com/pdf/InformeNera.pdf>. Relevant portion translated by the author.

³² *Id.* at 42.

³³ *Id.*

³⁴ *Supra* note 21.

changing environment.³⁵ In the cases of *Ahmet Yildirim v Turkey*³⁶ and *Animal Defenders International v The United Kingdom*,³⁷ the European Court of Human Rights specifically emphasized the growing importance of the internet and the function of social media as a platform for public debate.

Publishers going digital are dependent on news aggregators for visibility and revenue and are hence, vulnerable to unfair terms that may be imposed by such platforms.³⁸ It is essential to protect them in order to protect the freedom and plurality of the press. However, as seen from the previous section, this policy objective could not be attained in jurisdictions in which the snippet tax was enacted due to this very dependence of news publishers on aggregators.

The scope of application of the snippet tax that the EU Commission enacted is much broader than the German and Spanish provisions, which is a cause for concern. Article 15 of the Directive enables news publishers to prohibit the use of snippets and links not just for ‘commercial purposes’ but also for private and educational purposes. Additionally, the duration of the protection is provided for 20 years, which is long after the said news report has any value as ‘news’.

The EU in 2018 took the lead in the fight against fake news by launching an action plan against disinformation. The EU Commission,

³⁵ 1 WHERE NEWS? THE MEDIA FUTURE RESEARCH INITIATIVE, BUSINESS MODELS OF NEWSPAPER PUBLISHING COMPANIES 10 (IFRA, 2006) <http://www.robertpicard.net/PDFFiles/IFRABusinessModels.pdf>.

³⁶ *Ahmet Yildirim v. Turkey*, [2012] ECHR 3003.

³⁷ *Animal Defenders International v. The United Kingdom*, [2013] ECHR 362.

³⁸ *Supra* note 14.

taking into account the HLEG's report, released a Communication titled '*Tackling Online Disinformation: A European Approach*', which was aimed at raising awareness about fake news. It proposed several measures which the Commission sought to implement to tackle the problem effectively, including fostering media literacy, decreasing the visibility of disinformation by improving the findability of trustworthy content, creating fact-checking organisations etc.³⁹ The snippet tax is counterproductive to EU's stated goals of fighting the spread of fake news and disinformation in society. The reasons for this will be explored in the following sub-sections.

(a) *Dependence on News Aggregators*

The existing relationship between news aggregators and news publishing houses is such that digital publishers and online content creators are heavily reliant on news aggregators to reach readers and generate revenues. In the current paradigm, the snippet tax would only widen these existing asymmetries in the market. For instance, news aggregators that possess the ability to deprioritise and delist articles may resort to removing articles and news stories of publishers who make a claim against them for snippet tax, as they did in Germany. In France, which was the first EU member state to implement this new Directive in 2019, Google, instead of paying the snippet tax, took a hardline approach and simply blocked the display of all snippets unless

³⁹ COM/2018/236, Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions, 7-8.

the publishers themselves wanted to opt-in to add them back.⁴⁰ Google was able to avoid paying the snippet tax without contradicting the law per se, while also not losing out on publishers that sought to list their content on Google. This was because publishers rushed to have their snippets displayed again as they noticed a reduction in user traffic that ultimately resulted in a reduction of advertisement revenues, as soon as the snippets were removed. This indicates the skewed balance of power between publishers and monopolized news aggregators.⁴¹ It also demonstrates that the snippets that Google displays are more important for the publishers than they are to Google. Interestingly, several empirical studies have also shown that the increase of traffic through the display of snippets outweighs the supposed ‘substitution effect’ of users merely deriving information from the snippets without even clicking the link.⁴² The fact that most users merely skim through the snippets indicates that users are not interested in reading articles in their entirety, demonstrating the necessity for some sort of monetization of snippets. The French Competition Authority took cognizance of Google’s dominance in April 2020 and ordered Google to negotiate fees for the use of snippets from French news companies’

⁴⁰ Roger Monti, *European News Lose Google Snippets Per French Law*, SEARCH ENGINE JOURNAL (Oct. 21, 2019), <https://www.searchenginejournal.com/european-news-snippets/331301/>.

⁴¹ *EtudesLa dépendance de la presse française à Google, selon Heroiks*, CB NEWS (Oct. 8, 2020), <https://www.cbnews.fr/etudes/image-dependance-presse-francaise-google-heroiks-55389>.

⁴² Peukert, *An EU related right for press publishers concerning digital uses. A legal analysis*, RESEARCH PAPER OF THE FACULTY OF LAW, GOETHE UNIVERSITY FRANKFURT AM MAIN NO 22/2016, ¶37.

articles.⁴³ This order was also confirmed by the Paris Court of Appeal in October 2020.⁴⁴ Google, in its statement released a day prior to the Court's judgement, said that it had been negotiating with French publishers and news agencies for over a year and that it is close to reaching a deal with them.⁴⁵ In November 2020, Google entered into individual agreements with six top French publishers and stated that the payments would be based on criteria such as daily publication volumes, monthly internet traffic, and 'publisher's contribution to political and general information'⁴⁶. It is still to be seen how Google's arrangements with other publishers and press agencies will pan out. More particularly, how such arrangements will be structured with smaller and emerging publishers, and the impact this will have on them, given Google's bargaining power.

This dependence on news aggregators has also become the reason why journalists and news publishers are opposing the snippet tax themselves.⁴⁷ The impediment on the circulation of quality news that arises from imposing a snippet tax (resulting from Google

⁴³ Thomas Claburn, *French Monopoly Watchdog Orders Google to Talk Payment Terms with French Publishers*, THE REGISTER (Apr. 10, 2020), https://www.theregister.com/2020/04/10/french_competition_authority_orders_google/.

⁴⁴ Mathieu Rosemain, *Google must talk to French publishers about paying for their content, court says*, REUTERS (Oct. 8, 2020), <https://in.reuters.com/article/us-france-google-copyrights/google-must-talk-to-french-publishers-about-paying-for-their-content-court-says-idUKKBN26T18J>.

⁴⁵ *Id.*

⁴⁶ Agence France-Presse, *Google Strikes Copyright Payment Deal With Some French Media Groups*, GADGETS 360 (Nov. 20, 2020), <https://gadgets.ndtv.com/internet/news/google-signs-france-copyright-payment-deal-media-groups-le-monde-figaro-liberation-2327819>.

⁴⁷ OCCRP, *OCCRP's Position on the Proposed Directive On Copyright in the Digital Single Market*, OCCRP (Apr. 25, 2018), <https://www.occrp.org/en/62-press-releases/8003-occrp-position-on-the-proposed-directive-on-copyright-in-the-digital-single-market>.

deprioritising or delisting such sources) has the effect of circulating misinformation by inadvertently elevating content from fake news creators and propaganda outlets,⁴⁸ who are unlikely to demand royalties.⁴⁹ The statement released by the Organised Crime and Corruption Reporting Project (OCCRP)⁵⁰ against the Directive also affirms this. It states that by implementing the snippet tax, the ability of the OCCRP and other independent media organizations to reach a wider possible audience would be severely impacted. This would be counterproductive in the fight against misinformation and promoting fair reporting. Additionally, the work of organizations like the OCCRP, to take on prevailing issues such as corruption or organized crime through investigative journalism would be rendered futile if circulation of their stories is hampered as a result of the snippet tax. This was further elucidated in the collective statement released by around 169 EU academics.⁵¹ While opposing the claim that the snippet tax would guarantee the availability of reliable information, they stated that if users of a social media platform were prohibited from circulating links posted by subscribers to publicly accessible and good quality news, users will start relying on information derived from ‘other sources’. In essence, restricting reliable news or making it legally risky or expensive

⁴⁸ Friedhelm Greis, *Jarzombek considers ancillary copyright law to be "highly dangerous"*, GOLDEM.DE (Apr. 25, 2018), <https://www.golem.de/news/cdu-netzpolitiker-jarzombek-haelt-leistungsschutzrecht-fuer-brandgefaehrlich-1804-134040.html>.

⁴⁹ Academics Against Press Publisher’s Right, *Statement from EU Academics on Proposed Press Publishers’ Right*, IVIR (Sept. 6, 2018), <https://www.ivir.nl/academics-against-press-publishers-right/>.

⁵⁰ *Supra* note 48.

⁵¹ *Id.*

to share reputable news will merely result in providing fake news creators greater visibility.

(b) Pluralism, Diversity, and Innovation in the Market for Information

As seen from the German and Spanish experience, publishing houses, especially small, independent and emerging news publishers are likely to be the worst hit. Such an exercise of market dominance by Google triggered by the implementation of the snippet tax would ultimately reduce diversity and the range of discussion and opinions on a particular subject. All of this is necessary to counter misinformation in society and equip users with the ability to fact-check news and form opinions based on reliable facts.

The snippet tax is a result of a myopic view taken on the issues faced by publishers, and at best it may merely sustain the status quo in terms of how publishers carry out their business. It runs contradictory to the development of newer business models that publishers may adopt to reconcile the challenges they face with the digital exploitation of their content. These include the increasingly successful efforts to establish paywalls for content and B2C digital subscription offers.⁵² In India, The Hindu, after systematically gaining a critical mass of online readers over the years has developed a user-friendly online payment infrastructure and implemented a paywall in 2019 and is slowly moving towards ‘removing advertisements and third-party recommendation engines’.⁵³ This model has worked successfully for the company so far.

⁵² *Supra* note 43 at ¶100.

⁵³ Neha Gupta, *How the Hindu Paywall is Paying Off*, WORLD NEWS PUBLISHING FOCUS (Apr. 2, 2020), <https://blog.wan-ifra.org/2020/04/02/how-the-hindus-paywall-is-paying-off>.

It demonstrates how publishers may gradually evolve their business models to grow less reliant on aggregators like Google and still make adequate revenues, without an additional layer of IPR protection.

Innovation is also impacted on the side of news aggregators. For instance, Multifriki, was a niche aggregator that was forced to exit the Spanish market after the enactment of the snippet tax. It was focused on content that related to alternative leisure activities (books, comics, otaku, board games, video games etc.) where one can find the most ‘interesting and vital articles for geek survival’ where the community themselves could filter and approve content based on its quality.⁵⁴ Another aggregator, InfoAliment, exited Spain after 14 years of existence. It was a news aggregator related to the field of food, nutrition and food distribution. It curated a daily newsletter for its users that contained the best and most reliable articles from the food sector.⁵⁵ However, both these services, since they were offered free of cost to users, with no advertisements, could not cope with the payments they had to make for linking articles.

Thus, the implementation of the snippet tax would severely stifle innovation in the industry, which is inconsistent with the basic principle that copyrights must not impede the spread and contribution of new technologies.⁵⁶

⁵⁴ *Multifriki.com closes*, MULTIFRIKI (Dec. 20, 2014), <http://multifriki.blogspot.com/>.

⁵⁵ *The aggregators Info.Aliment.com and NiagaRank.es closed, victims of the Intellectual Property Law*, ASOCIACION DE INTERNAUTAS, <https://www.internautas.org/html/8714.html>.

⁵⁶ Joined Cases C-403/08 and C-429/08, *Football Association Premier League Ltd and Others v. QC Leisure and Karen Murphy v. Media Protection Services Ltd*. ECLI:EU:C:2011:631, para 179.

(c) *Diversion of Resources from Fact-Checking and Reliable Curation*

The snippet tax hampers the ability of news aggregators to invest resources towards human or automated fact-checking mechanisms. In Spain, Niagarank.es, developed robotic news curation as an innovative method to create a news site tailored to Spanish readers. The site kept a track of real time news by parsing the tweets of an identified community of several thousand users. Once a given issue had been tweeted a threshold number of times, a thumbnail, snippet of the text, and an aggregation of relevant tweets in which that news item had been mentioned would be created.⁵⁷ This automated curation process also involved distillation and ranking of information based on veracity and relevancy of the news to the community.⁵⁸ However, despite having developed an innovative way of reliable news aggregation, Niagarank.es was forced to shut down after the non-waivable snippet tax was introduced, as it was too early for them to be able to afford the economic and legal burden.⁵⁹

Moreover, forcing news aggregators and search engines to enter into licensing arrangements with publishers and prohibiting them from allowing publishers to opt-in to royalty-free snippets, makes

⁵⁷ Luistxo Fernandez, *Niagarank.es, Robot Curation for News Aggregation*, CODESYNTAX (Jan. 30, 2013), <https://www.codesyntax.com/en/blog/niagarank-es-robot-curation-for-news-aggregation>.

⁵⁸ Luistxo Fernandez, *Managing Niagarank, a news aggregator and robot curator*, EIBAR.ORG (Feb. 13, 2013), <https://eibar.org/blogak/luistxo/en/managing-niagarank-a-news-aggregator-and-robot-curator>.

⁵⁹ PEDRO POSADA DE LA CONCHA ET AL., IMPACTO DEL NUEVO ARTÍCULO 32.2 DE LA LEY DE PROPIEDAD INTELECTUAL, INFORME PARA LA ASOCIACIÓN ESPAÑOLA DE EDITORIALES DE PUBLICACIONES PERIÓDICAS (AEPP) (2015) 44, <https://www.aepp.com/pdf/InformeNera.pdf>.

dissemination of information more expensive. If Google News decides that it is not feasible for it to enter into such arrangements, there is a risk that it will pull out from the EU as it did in Spain.⁶⁰ This would severely impact the indexing of reliable sources of news and news readership. For instance, if a user seeks to read about the coup in Myanmar and is indifferent about which news publisher they derive the information from, they will still be directed to a reliable source given how Google presently indexes its content (it prioritises and ranks sources based on authoritativeness and relevance⁶¹). If Google News were to exit and the same indifferent user seeks to be informed of the incident, they will no longer be directed to reliable sources, since there no longer exists an aggregator to index multiple reliable sources. This would also result in increasing the user's search time, thus disincentivizing them from actively seeking out reliable news. Instead, many readers would get their information from individual-user posts on social media or obscure sources that are more readily available, attractively phrased or confirm to their existing bias.⁶² The high search time will also make it difficult for the user to cross-check the veracity of certain stories and reports.⁶³ Therefore, this makes it much easier for readers to fall victim to misinformation and hoaxes, exacerbating the problem of fake news in society.

⁶⁰ Joshua Benton, *Google is threatening to kill Google News in Europe if the EU goes ahead with its "snippet tax"* NIEMANLAB (Jan. 22, 2019), <https://www.niemanlab.org/2019/01/google-is-threatening-to-kill-google-news-in-europe-if-the-eu-goes-ahead-with-its-snippet-tax/>.

⁶¹ Ranking within Google News, https://support.google.com/news/publisher-center/answer/9606702?hl=en&ref_topic=9603441 (last visited Aug. 21, 2020).

⁶² Hunt Allcott and Matthew Gentzkow, *Social Media and Fake News in the 2016 Election*, NBER Working Paper 4 (2017).

⁶³ Darrell M. West, *How to Combat Fake News and Disinformation*, BROOKINGS (Dec. 18, 2017), <https://www.brookings.edu/research/how-to-combat-fake-news-and-disinformation/>.

CONCLUSION

The basis upon which the snippet tax was introduced was that the strengthening of IPRs would result in greater revenue flows to news publishers, that are struggling to adapt to the emerging digital media markets. However, through this article it was demonstrated how IPRs as they exist may inadvertently end up protecting fake news and how the snippet tax, being an additionally ancillary IPR protection, has in itself been proven ineffective in ensuring this policy objective.

Given the asymmetries in the digital reporting market, in terms of the market power news aggregators and search engines like Google possess and the reliance of news publishers on them, the snippet tax would only curtail the vibrancy and diversity of information available. It would impose significant transaction costs in the creation and dissemination of information. This would inadvertently result in greater visibility to dubious sources and readers relying on limited number of sources and unreliable avenues for gaining information, thereby exacerbating the problem of fake news in the society. It was also demonstrated how the snippet tax could curtail innovations on both sides of the industry, with publishers and emerging news aggregators, going against the basic tenet of copyright policy. The EU, in its fight to combat fake news, must therefore keep in mind the interplay between IPRs and the impact strengthening of the IPR regime would have on the dissemination of misinformation in society.

The EU instead of taking a myopic view on the problems faced by news publishers, must look at the avenues platforms like Google use to gain market power and income, such as targeted advertising using

user data. Strengthening existing data protection laws to limit the use and collection of users' personal data, is likely to systematically reduce the reliance that publishers place on Google and push them towards evolving alternative business models to achieve the same. The European Commission's report titled '*A multi-dimensional approach to disinformation*'⁶⁴ itself nowhere recommends the adoption of such an ancillary right to combat disinformation. Instead, it proposes the strengthening of existing online tools and promoting client-based interfaces, that allow users to exercise their right to reply and correct false stories. It also discusses the importance of empowering journalists by providing them with source checking tools etc. Additionally, another way to support a free and pluralist press would be taking the route of tax reductions or providing tax benefits to press publishers. Thus, the imbalance that the EU seeks to correct between search engines and news publishers will be better served if it is not pegged to a need for stronger IPR laws.

⁶⁴ *Supra* note 1.

KEEPING UP WITH THE MACHINES – CAN COPYRIGHT ACCOMMODATE TRANSFORMATIVE USE IN THE AGE OF ARTIFICIAL INTELLIGENCE?

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Abstract

In 1951, the United States Court of Appeals for the Second Circuit stated that a painter may choose to copyright an inadvertent mark created by them on their canvas due to shock from a clap of thunder.[1] What started here was a conscious push towards the beginning of a jurisprudence that would not necessarily deny according protection to unconsciously created works, or a part thereof. But fifty years hence, this verdict has assumed significance in a subject matter that only existed in one's imagination at the time of its conception. Today, Machines imbued with artificial intelligence (AI) are made capable of creating works autonomously without any human intervention, limiting the contribution of humans to writing the algorithm that forms the base for the AI. The algorithm is programmed to mine data pertaining to the relevant art, to train the AI to perceive common patterns recurring within. Ultimately, the AI spews a work that is displayed as "art" to the human eyes. While the scientific and tech community has been applauded for this feat, the method of creation of such AI that inherently requires infringing hundreds of copyrights has been called into question: The process of Machine learning involves unauthorized use of

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several protected works to enable the neural network study; unlike a human brain that is influenced by its external environment, neural networks mimic this phenomenon of being “influenced” or “inspired” only where the artwork is thoroughly analysed by the algorithm. But since the machines are inherently incapable of appreciating a work of art like a “romantic reader”, the doctrine of transformative use has been argued to excuse the process, save a few exceptions. This paper will first discuss the mechanics of emergent works, and analyse the contours of Fair-use and Fair-dealing doctrines to discuss the legality of the process of data-base creation and machine-learning, which is often criticized to undercut the traditional scope of one’s copyright, given their commercial significance.

INTRODUCTION

In the summer of 2018, a Canadian programmer, Adam Basanta, was sued for an alleged violation of copyright, inter alia, in a picture generated and uploaded to a Twitter and Instagram account by an Artificial Intelligence (AI) designed by him, but acting independently of his or any human intervention. As the programmer calls it, the AI, or the “Art Factory” is a project programmed to explore connections between mass technologies using the technologies themselves.¹ The AI uses a deep-learning algorithm that is taught to autonomously generate images, influenced by the lighting conditions in the room as constantly analysed by the computer’s scanners. The generated images are then validated as “art”, if it matches any of the contemporary artworks in

¹ See ADAM BASANTA, ALL WE’D EVER NEED IS ONE ANOTHER, 2018, (<http://adambasanta.com/allweneverneed>).

the AI's database, and uploaded online with due credit to the matched artwork. In other words, a deep learning algorithm compares these abstract images (autonomously generated) to the artworks stored in its database, to identify any similarities between them. Less than 5% of the images generated by the Art Factory are "validated" by the algorithm as "art" if they match the color scheme or exhibit structural similarities to any of the works in its database. This process of "validation" requires a database of contemporary artworks that are reproduced and stored without the artist's consent. This is the Art Factory's *modus operandi*.

In this particular case, Art Factory autonomously generated a picture, an abstract artwork,² which matched with the plaintiff's work, "Your world without paper 2009", up to 85.81% as per the AI's own estimation.³ The plaintiff, Amel Chamandy, contended that this process indicated that the AI must have had an unauthorized copy of the plaintiff's work in its database, as it would not have otherwise been able to estimate the similarity between the two works. Chamandy's claim, therefore, was against the *modus operandi* of the AI that Basanta developed. Doing so, Chamandy's suit questioned the legality of creating a database comprised of protected arts without obtaining artists' authorization. The protected works in the database are not reproduced for public viewing. However, they are mined and

² Teresa Scassa, *Artist sued in Canada for copyright infringement for AI-related art project* (Oct. 04, 2018, 5:43 AM), http://www.teresascassa.ca/index.php?option=com_k2&view=item&id=286:artist-sued-in-canada-for-copyright-infringement-for-ai-related-art-project&tmpl=component&print=1.

³ *Id.*

temporarily reproduced in the database, which is used by the Art Factory to “validate” the art it generates. Essentially, it would not be able to function at all without the database, which has implications not only for Basanta, but any similar forms of AI and their creators. The question of its legality under copyright law will form the crux of the analysis pursued in this paper.

This paper is structured the following way. First, it will discuss the mechanics of “emergent works” or works created by AI autonomously without human intervention to explain the relevance of data mining and Machine Learning. Then, it will proceed to explore the contours of fair use and fair dealing doctrines, to analyse the legality of the process of Machine Learning for creative AI, which is often criticized for undercutting the traditional scope of one’s copyright. This exercise is undertaken with an intent to identify an appropriate legal framework to regulate reproduction of works that are used for Machine Learning by AI. Through this, the legality of the Art Factory’s usage of protected works to *validate* an autonomously generated art, the creation of which does not require an elaborate Machine Learning process, will also be discussed.

EMERGENT WORKS

I. Definition and Analysis

“Emergent works” are those where the connection between the human creator of the AI and the work that is produced by that same

AI is very tenuous.⁴ The creation of emergent works involves a lengthy process of Machine Learning, based on a database containing a compilation of protected works. First, the AI analyses the input (the database of protected works) by perceiving a common pattern running through the works in the database. This is done by breaking the works down to the simplest units (bits of information or binary, i.e., a format that is readable by the computer).⁵ After analysing a hundred of such works, the AI assesses the similarities between each work and creates an arithmetic mapping of the inherent characteristics of the input works, that permits them to be classified as art. It then reassembles and recreates the learned patterns into myriad permutations to consequently generate an “art”, incorporating the styles and the methods of the data without any human intervention.⁶ The result is an “original” work that has, in some cases, attained commercial success and popularity.⁷ In a sense, a rough parallel may be drawn to an art class, where the instructor helps the students identify techniques used to create past works of art to use those techniques to create their own.

⁴ See Tim W. Dorris, *Artificial Creativity: Emergent Works and the Void in Current Copyright Doctrine*, 22 YALE J.L. & TECH. 1 (2020).

⁵ Matthew Sag, *Orphan Works as Grist for the Data Mill*, 27 BERKELEY TECH. L.J. 1503, 1503 (2012); Matthew Sag, *Copyright and Copy-Reliant Technology*, 103 NW. U. L. REV. 1607, 1608 (2009), Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990).

⁶ Elise De Geyter, *The Dilemma Of Fair Use And Expressive Machine Learning: An Interview With Ben Sobel Interview*, INTELLECTUAL PROPERTY WATCH (Aug. 08, 2017) <https://www.ip-watch.org/2017/08/23/dilemma-fair-use-expressive-machine-learning-interview-ben-sobel/>.

⁷ See *Infra* text accompanying foot note 41. See also Ismet Bumin Kapulluoglu, *The Emerging Need To Allocate Copyright Ownership And Authorship Over Computer Generated Musical Composition*, 2018 (Published Master’s thesis, Tilburg University), can be accessed online at <http://arno.uvt.nl/show.cgi?fid=144801>.

Except, in the case of machines, the AI assumes the roles of both, the instructor and the student.

Some examples of such AI are the Next Rembrandt⁸, Bot Dylan⁹, AIVA¹⁰, or Google's Deep Dream¹¹, which are outstanding examples of technological progress and the birth of next-generation art. The Next Rembrandt and Bot Dylan are programmed to create works that, in effect, recreate the works of artists from the distant past. AIVA is capable of generating “emotional” music and harmonies on its own. Google's Deep Dream is a visualization tool that creates unique images using neural networks. Neural networks are based on computational algorithms. These algorithms function in a manner that resembles a human brain, which allows the AI to interact with different sets of data.¹² They function entirely on the basis of Machine Learning with almost no assistance from its human creators. This is to the extent that it is often impossible for the programmers to predict what images or harmonies will be generated by the AI. Such works emerging from an AI program with minimal to no human intervention are commonly referred to as the aforementioned “emergent works”.

Here, while AI intends to create a work, the exact parameters of the work are not known to the programmer of the AI or the AI itself. The

⁸ Information on the Next Rembrandt can be accessed at <https://www.nextrembrandt.com>.

⁹ Richard Gray, *Bot Dylan is the computer using artificial intelligence to write its own folk music*, MIRROR (May 26, 2017), <https://www.mirror.co.uk/tech/bot-dylan-computer-using-artificial-10504774>.

¹⁰ Information on AIVA can be accessed at <http://aiva.ai/about>.^{SEP}

¹¹ Information on Deep dream can be accessed at <https://deepdreamgenerator.com>.

¹² Juergen Schmidhuber, *Deep Learning in Neural Networks: An Overview*, 61 NEURAL NETWORKS 85–117.

process is a randomized generation of art that largely mimics the patterns that the AI familiarises itself with during the process of Machine Learning.¹³ Such works are inadvertently created by AI, but resemble creative expressions to audiences *ex-post*¹⁴. In most cases, the programmers of AI examine the work to validate or analyse the expression,¹⁵ to then present it for public viewing. In the case at hand, Art Factory validates the work it creates by comparing it with works stored in its database. What is important in this technical distinction is the lack of control that the creator has over the exact creative decisions made by the AI,¹⁶ unlike a photographer who takes a picture using a camera, or a graphic designer using Photoshop.

This technical distinction between work generated by an AI, without precise creative decisions made by the programmer, and a work where the author is merely using technology as a medium for their specific creative vision, has been implicitly recognized by the law. In the United States, the Supreme Court, in *Burrow-Giles Lithographic v. Sarony*,¹⁷ granted copyright protection to a photographer on the basis that the camera merely *mediated* rather than *took over* the process by which the work was created. In that instance, the photographer had creative control over the entire picture and merely used the machine, i.e., the

¹³ See JOHN H. HOLLAND, EMERGENCE FROM ORDER TO CHAOS 225 (1997), as cited in Bruce E. Boyden, *Emergent Works*, 39 COLUM. J.L. & ARTS (2016).

¹⁴ Bruce E. Boyden, *Emergent Works*, 39 COLUM. J.L. & ARTS 390-91 (2016).

¹⁵ See Bob L. Sturm et al., *Artificial Intelligence and Music: Open Questions of Copyright Law and Engineering Praxis*, 8 ARTS 10 (2019).

¹⁶ Robert Yu, *The machine Author: What Level of Copyright Protection is Appropriate for Fully Independent Computer-Generated Works?*, 165 U. PENN. L. REV. 1265 (2017); Andres Guadamuz, *Do Androids Dream Of Electric Copyright? Comparative Analysis Of Originality In Artificial Intelligence Generated Works*, 2 INT. PROP. Q. 9 (2017).

¹⁷ *Burrow-Giles Lithographic v. Sarony*, 111 US 53, 59 (1884).

camera, to actually take the picture. Thus, the technology merely *mediated* the final work. While the case did not deal with AI, it addressed the question of authorship when a piece of technology is involved in the process of creating the final work. In this instance, the camera was merely the medium through which the final work was crystallized. However, with Art Factory, the AI is not merely the medium, but rather decides what the final work itself will be.

This standard has been recreated in Europe as well, where courts look at whether the author exerted intellectual skill and creativity in the creation of the final AI/computer generated work.¹⁸ However, for AI such as Art Factory and others, the programmer does not exert creativity over the final work, unlike a photographer in *Burrow-Giles* who sets up the minute details of the photo, or a designer who makes deliberate alterations on Photoshop.¹⁹ The AI controls the details of the final work to the extent that it is an autonomous creation.

II. Romantic Readership v. Machine Learning

With an increasing number of both emergent works, and machines that create such works, the mode of training the AI still remains contentious due to its utilization of protected works without artists' authorization. However, what is overlooked is that this form of consumption barely interferes with authors' economic rights.

¹⁸ Case C-145/10 Eva-Maria Painer v. Standard Verlags GmbH & Others, [2010] ECR I-12533; Case C-5/08 Infopaq International A/S v. Danske Dagblades Forening [2009] ECR I-06569.

¹⁹ Andres Guadamuz, *Do Androids Dream Of Electric Copyright? Comparative Analysis Of Originality In Artificial Intelligence Generated Works*, 2 INT. PROP. Q. 9 (2017).

Generally, the law of copyright permits subsequent authors to borrow or take inspiration from existing works despite the copyright in them.²⁰ This is because all works are either based on or influenced by pre-existing works for creative activities are constantly influenced by other works, and never occur in a vacuum.²¹ Hence, a certain leeway must be granted to allow neural networks to *learn from or take inspiration* from existing protected works to create their own. This cannot be done without taking the AI through the process of learning from a created database of *relevant* pre-existing works, where temporary reproduction of copyrighted works and their consumption is the *sine qua non*. But this process of training neural networks is far from how humans train or pick up an art form.

Machines, generally, cannot connect with the persona and creative expression of the author that is imbibed in the work, unlike “romantic readers” who possess the ability to look for and appreciate an author’s originality.²² Grimmelmann notes that romantic readership involves an engagement with the authors’ expression;²³ the ability to connect with the singularity of an expression is an exercise only humans can engage in. While the legality of this exercise on questions pertaining to one’s sensitive data and personal information is a different debate, the notion

²⁰ PAUL GOLDSTEIN, ON COPYRIGHT §1.14, at 1.40 (1996).

²¹ “No man writes exclusively from his own thoughts, unaided and uninstructed by the thoughts of others. The thoughts of every man are, more or less, a combination of what other men have thought and expressed, although they may be modified, exalted, or improved by his own genius or reflection.” Emerson v. Davies, 8F. Cas. 615 (C.C.D. Mass.1845).

²² James Grimmelmann, *Copyright for Literate Robots*, 101 IOWA L. REV. 657 (2015).

²³ *Id.*

of romantic readership or the act of “expressive-reading” in the context of creative AI deserves some thought.

Pursuantly, during the process of Machine Learning, a work of art is reduced to bits of data, as explained above. The nature and purpose of the protected work is completely transformed²⁴ and is largely functional - it is not the artistic expression in the work, rather it is the fundamental pattern (usage of words, structure of notes in a symphony, nature of brush strokes, etc.) emerging out of each work that is discerned and stored in the AI’s memory. This consumption of the work by a machine, therefore, lacks any notion of “romantic readership”.²⁵ Absent an intention to appreciate the *original intended expression in the protected work* or communicate the same to the public, “non-expressive usage”²⁶ largely deviates from a traditional infringing use of a protected work, i.e., reproduction of work for commercial use, appropriation of creative expression in protected work, etc.

This does not imply that an author’s right to prevent a third party from exploiting their work ought to be restricted. Instead, that an exception may be carved out within this right to permit AI to be trained, provided the resultant work does not exhibit such stark similarities that it encroaches upon the market of protected works used in its training.

²⁴ Amanda Levendowski, *How Copyright Law Can Fix Artificial Intelligence’s Implicit Bias Problem*, 93 WASH. L. REV. 579, 623-625 (2017).

²⁵ See also *Burrow-Giles Lithographic Co v. Sarony*, 111 U.S 53, 59 (1884); *AV ex rel Vanderhye v. iParadigms, LLC*, 562 F. 3d 630 (4th Cir. 2009).

²⁶ Benjamin L. W. Sobel, *Artificial Intelligence’s Fair Use Crisis*, 41 COLUM. J.L. & ARTS 45 (2017).

However, commercialization of the resultant work should be permitted, provided it is novel.

These nuances question the suitability of application of the fair use and the fair dealing doctrine in their traditional sense to examine the legality of the process of Machine Learning. In this context, the following section will analyse the application and appropriacy of the fair use doctrine as used in the United States and fair dealing exceptions as applied in Canada, UK and India in cases such as that instituted by Chamandy. These doctrines, in their respective jurisdictions, govern situations where copyrighted works can be used/reproduced, in whole or in part, without it amounting to an infringement.

FAIR USE

I. Framework and applicability

The Digital Millennium Copyright Act (“DMCA”) regulates the copyright law in the United States. However, it does not address the question of legality of usage of a protected work in the process of training a software to create new literary, musical or artistic work. Therefore, it would be subject to the infringement analysis undertaken through the fair use doctrine. Conceived by Justice Story in 1841,²⁷ the fair use doctrine emerged predominantly to acknowledge that not all forms of usage of protected works would constitute infringement. In fact, Justice Story adopted one of the most liberal stances on the fair use doctrine and established a firm precedent by holding that not all

²⁷ Folsom v. Marsh, 9 F Cas. 342, 348 (CC DMass 1841).

literal copying constitutes infringement.²⁸ Codified later in the DMCA, in 1976, the defense of fair use²⁹ with all factors as deemed important by Justice Story was clarified to be cumulatively interpreted and established.³⁰ The four-part test constitutes:

- (a) the purpose of the use,
- (b) the nature of the copyrighted work,
- (c) the amount and substantiality of the portion used in relation to the copyrighted work as a whole,
- (d) the effect of use on the potential market for or value of the copyrighted work.

Courts have, however, deviated from plain application of these traditional elements to the digital copyright arena, permitting *literal* copying and complete reproduction of work in some instances, for as long as the subsequent use was “transformative”.

In *Sega v. Accolade*³¹ (“*Sega*”), the US Court of Appeals for the ninth circuit, in effect, drew a distinguishing feature between a “slavish copyist” and a “non-expressive reader”³². The Court held that the act of studying of Sega’s games by Accolade’s employees for the purpose of understanding only the functional, non-expressive information contained therein,³³ did not amount to infringement, for Accolade’s

²⁸ L. Ray Patterson, *Understanding Fair Use*, 55 LAW AND CONTEMP. 249 (1992).

²⁹ 17 U.S.C. § 107.

³⁰ *Campbell v. Acuff-Rose Inc.*, 510 U.S. 569, 578 (1994).

³¹ *Sega Enters. v. Accolade, Inc.*, 977 F.2d 1510 (8th Cir. 1992).

³² As observed by Professor Grimmelman, *see supra* note 22.

³³ As Accolade wanted to manufacture games that were compatible with Sega’s console, the team reverse-engineered Sega’s video game programmes to understand its compatibility requirements. This process entailed making a copy of Sega’s games in full, so it could be

customers lacked access to the expressive details of Sega's content. Revisiting the foundational idea-expression doctrine, it is reiterated that it is only the unique expression of an idea that is protected,³⁴ this extent of protection, as has been argued, ensures a sufficient return on an author's investment.³⁵ Functional uses in the most unique expressions are not the subject of a copyright protection.³⁶

Judicial opinion holds that even the act of copying (or reproduction) *per se* would not amount to an infringement under the statute, as such a protection would amount to a *de facto* monopoly over one's work, and was previously denied by the congress.³⁷ Since reproduction is only theorised as the legal basis for exploitation and market distribution - where reproduction is not succeeded by commercialization, courts have a tendency to protect subsequent unauthorized use where it does not interfere with the economic rights of the authors. In 2009, the US Court of Appeals for the fourth circuit, in *A.V. ex rel. Vanderhye v. iParadigms*³⁸ ("*iParadigms*"), provided the rationale which could form the basis for decisions in all such disputes. The Court held that the mechanics of Turn-it-in, that evaluates the ratio of originality and plagiarism on a student's paper by scanning through a database of pre-

studied. For having carried this step out without a license, Sega sued Accolade for infringement of their copyrights.

³⁴ Baker v. Selden, 101 US 99.

³⁵ Cf. 8 91-108 (2003), as cited in Matthew Sag, *Orphan Works as Grist for the Data Mill*, 27 BERKELEY TECH. L. J. 1503, 1514 (2012).

³⁶ E.g., Baker v Selden, 101 US 99.

³⁷ Sega Enters. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992).

³⁸ 562 F.3d 630 (4th Cir. 2009).

existing works, did not require prior authorization from the authors of the works used in the data base.³⁹ Given the transformative nature of the use of the work, which was far from the intended original expression, the Court held that no market substitutes were created.⁴⁰

The direct application of this rationale to the *Art Factory*, provides clarity on the legality of the its *modus operandi*. In addition to the transformative use of protected works in this specific case, the defendant's work does not create a market substitute to the plaintiff's work either. Hence, the usage of protected works by the *Art Factory* should fall within the ambit of the fair use doctrine.

II. Addressing heterogeneity in market: Humans v AI

The problem is more pronounced in the case of software where the databases are used to create works that could encroach upon human-authors' markets. There are multiple types of software currently in use. Some like The Next Rembrandt are trained to largely mimic the style of artwork based on the database of artists it is made to *read* while still being autonomous in terms of the art it would produce. Alternatively, others like Botdylan and AIVA are allegedly capable of creating its *own* style of Irish music and symphonies respectively and have garnered audiences who appreciate the same. In fact, AIVA is officially recognised by the French and Luxembourg author's rights society, and is now allowed to earn royalties under its own name.⁴¹ Additionally,

³⁹ *Id.* at 641.

⁴⁰ *Id.* at 638.

⁴¹ Ed Lauder, *Aiva is the first AI to Officially be Recognised as a Composer*, AI BUSINESS (Mar. 10, 2017), https://aibusiness.com/document.asp?doc_id=760181.

there have been multiple instances of commercial sale of such artworks in recent years.⁴²

Arguments that romanticise the “human connectedness”⁴³ sought by purchasers of art have failed to adequately address the threat of AI-generated art, considering its increased demand. Japan’s advisory board on Artificial Intelligence and Human society⁴⁴ escalates this concern by addressing the divide AI would create between itself and the society. Citing the example of rejection and loss of market demand for traditional taxi services with the rise of the ridesharing/hail ride services, the policy expresses concerns over the difficulties in the acquisition of knowledge, resources, literacy and capital by the general society vis-à-vis the AI.⁴⁵ This results in an imbalance in social costs. This reality does not find recognition in the “romantic readership” approach.

However, this cannot justify simplifying the debate down to the question of competency of humans v. AI, or be used as an excuse to

⁴² For instance, the portrait of Edmund Belamy was sold for \$432,500; the AI developed novel titled “Konpyuta ga shosetsu wo kaku hi”, translated as “the day a computer writes a novel” was nominated to the third Nikkei Hoshi Shinichi literary award, (which has opened its nominations to non-human authors in the recent years); the sale of the deep dream art of Google’s Deep Dream has resulted in accrual of profits to the owners. See Naomi Rea, *Is the Art Market Ready to Embrace Work Made by Artificial Intelligence? Christie’s Will Test the Waters This Fall*, ARTNET NEWS (Aug. 20, 2018); Michael Schaub, *Is the future award-winning novelist a writing robot?*, LOS ANGELES TIMES (Mar. 22, 2016); Matt McFarland, *Google’s Psychedelic “Paint Brush” Raises the Oldest Question in Art*, WASH. POST, Mar. 10, 2016.

⁴³ Human connectedness or “romantic authorship” is the unique humanity of the author that is often sought by copyright’s ideal readers; it is the author’s originality or their individual reaction upon nature that makes a work original. See Grimmelmann, *supra* note 22.

⁴⁴ *Report on Artificial Intelligence and Human Society* (Unofficial translation), Advisory board on Artificial Intelligence and Human Society (Mar. 24, 2017), https://www8.cao.go.jp/cstp/tyousakai/ai/summary/aisociety_en.pdf.

⁴⁵ TAKASHI NAGAZAKI, ARTIFICIAL INTELLIGENCE POLICIES IN JAPAN: DATA PROTECTION 2018, (contributed by Anderson Mori & Tomotsune firm), <https://iclg.com/practice-areas/data-protection-laws-and-regulations/2-artificial-intelligence-policies-in-japan>.

mute progress of varied art forms. There are subtle signs to infer that American courts are in favour of such novel forms of art. The following section will enumerate upon this proposition.

III. Transformative “productive use” as an exception to commercialisation

Judicial precedents indicate that courts may take a considerably liberal stance even in cases where a said database is used to train AI to create such commercial art, barring a few exceptions. There is a consensus amongst practitioners and academics that a transformative use requires evidence of convincingly different manner and usage of an original expression, for productive purposes.⁴⁶ A “productive use”, however, requires an added benefit to the public beyond that already provided by the first author’s work.⁴⁷

The Supreme Court of the United States, in the case of *Kelly v. Arriba Software*⁴⁸ rejected the notion that the commercial use of an existing protected work would prevent the Court from delving into questions on nature and character of the use by the allegedly infringing party. The Court held that a transformative use that goes beyond the *object* of the original work has a greater chance of falling within the ambit of fair use.⁴⁹ The defendant’s work that involved complete reproduction

⁴⁶ Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990).; *See also* Nunez v. International News Corp, 235 F.3d 18 (1st Cir. 2000); *Campbell v. Acuff-Rose* 510 U.S.569 (1994).

⁴⁷ *Sony Corporation of America v Universal City Studios*, 464 U.S. 417, 478-79 (1984), (Blackmun, J., dissenting).

⁴⁸ *Kelly v. Arriba Soft Corp.*, No. 00- 55521 (9th Cir. filed Oct. 10, 2002).

⁴⁹ *Id.* at 941; *See also* *Perfect 10 v. Amazon.com*, 508 F. 3d 1146 (9th Cir. 2007) where the Ninth Circuit held that Google’s use of Perfect 10’s images as thumbnails hyperlinking search engines was fair use as they were “highly transformative”.

of the plaintiff's work for commercial purpose was allowed by the Court, for the Court recognised that verbatim copying of the image was essential for the defendant's "novel" purposes. Hence, in the Court's opinion, the transformative nature of the use eclipsed all the other pressing factors that usually weigh against the fair use doctrine.

This analysis was taken a step further in *Authors Guild v Google*,⁵⁰ where the second circuit found Google's limited display of about 20 million books on its website - for readers to search for a specific term and its underlying context, to evaluate whether or not to buy the book itself - to be of transformative nature. Despite the finding that the context provided by Google's display sufficed for the limited requirement that the readers turned to the book for, and that the project undertaken by Google for profit motive consequently harmed the market potential for the original books, the second circuit nevertheless held that Google's project fell within the fair use standards.⁵¹

These judgments demonstrate that consumption of pre-existing copyrighted works in mass amounts, even with a commercial intention, at the cost of a certain amount of market power of works authored by humans, have not been subjected to harsh treatment by the judiciary. Taking this idea forward, one could presume that same treatment could be accorded to AI authored works.

⁵⁰ *Authors Guild v Google*, 804 F.3d 205 (2d Cir. 2015).

⁵¹ *Id.* at 215-16.

FAIR DEALING

I. Fair dealing as a rule, not exception

In an early nineteenth century dictum, Lord Ellenborough wrote “While I shall think myself bound to secure every man in the enjoyment of his copyright, one must not put manacles on science”.⁵² The idea that excessive protection of copyright will stifle innovation was a common sentiment that ran through judgements favouring fair use and fair dealing. Additionally, academic literature on limitations of copyright has always emphasised the fact that no creative activity is absolutely original. Every work of copyright acts as a foundational block of creativity. The resultant work may then, itself, serve as the basis for even further creativity and additional works.⁵³ In this regard, Professor Vaver states that “user rights are not just loopholes. Both owner rights and user rights should therefore be given the fair and balanced reading that befits remedial legislation”⁵⁴. Subsequently, Chief Justice Beverly McLachlin of the Supreme Court of Canada, in *CCH Canadian Ltd. v Law Society of Upper Canada* (“*CCH*”),⁵⁵ wrote, “Fair dealing exception, like other exceptions in the Copyright Act, is a user’s right”. She stressed upon the need to view its function as an integral part of the Act than as a mere defense to infringement. This approach has found favour in Indian jurisprudence.

Considering the sheer magnitude of tech-based businesses in India, the jurisprudence pertaining to fair dealing analysis regarding technology

⁵² Cary v. Kearsley, 170 Eng. Rep. 679, 68i, 4 Esp. 68, 170 (1803).

⁵³ Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1109 (1990).

⁵⁴ DAVID VAVER, *COPYRIGHT LAW* (Toronto: Irwin Law, 2000).

⁵⁵ *CCH Canadian Ltd. v. Law Society of Upper Canada*, (2004) 1 S.C.R. 339 p.148.

and software has remained surprisingly underdeveloped. The fair dealing provision of the Indian Copyright Act, 1957 contains a series of exemptions, as in the US's DMCA, under section 52 (1). The only two factors differentiating it from the DMCA is its finite list of exceptions and the lack of guidelines assisting in the determination of the extent of the fairness of use. Despite this restrictive nature of the Act, India has taken a more liberal approach in its judicial application. Courts have permitted verbatim copying of protected works, albeit for a transformed purpose and use. The following section will analyse jurisprudence pertaining to transformed use as a permitted use under the fair dealing framework.

II. A look at India's attempt to protect creative transformation

In *Chancellors v Narendra Publishing House*,⁵⁶ the Delhi High Court expanded the contours of the fair dealing exception for the first time by making references to several US and Canadian case laws. The court also cited judge Pierre Leval of the United States Court of Appeals to state, “transformative works have a greater chance of falling within the fair use defense and that such ‘works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright’”. The Court, while going over the elements of fair use and fair dealing, opined that where the work “is transformative, it might not matter that the copying is whole or substantial”.⁵⁷ This paved the way for a much liberal interpretation of fair dealing for later cases.

⁵⁶ *Chancellors, Masters and Scholars of Oxford University v. Narendra Publishing House*, 2008 (106) D.R.J. 482.

⁵⁷ *Id.* at 34.

Subsequently, in *Syndicate of the Press of the University of Cambridge v. B.D. Bhandari*,⁵⁸ the Delhi High Court resorted to a more consolidated approach following the reasoning of the US Court of Appeals in *Perfect 10 v. Amazon.com*⁵⁹ and that of the Canadian Supreme Court in *CCH*⁶⁰, to permit verbatim copying of the appellant's literary work. The court held that usage of protected works for a different purpose altogether triumphs the question of amount copied and the presence of commercial intent, and dismissed the application of the plaintiff.

While these judgements ought to be lauded for expanding the contours of fair dealing analysis in the country, it is important to note that these cases look at the transformational nature of the subsequent work to excuse unauthorised use of the protected work. But justifying Machine Learning requires an analysis of transformational nature of use of the protected work, regardless of the nature or character of the subsequent work. Given that the analysis of the Supreme Court of Canada in *CCH* has been the trigger that inspired deviation from the strict statutory analysis for fair dealing in India, the following section will examine the Canadian jurisdiction to determine its readiness towards permitting data mining as a part of Machine Learning as a legal use of protected works.

⁵⁸ *Syndicate of the Press of the University of Cambridge v. B.D. Bhandari*, (2011) 185 DLT 346 (DB).

⁵⁹ *Perfect 10 v. Amazon.com*, 508 F. 3d 1146 (9th Cir. 2007).

⁶⁰ *CCH Canadian Ltd. v. Law Society of Upper Canada*, (2004) 1 SCR 339.

III. Using the Canadian model as a framework to legalise Machine Learning

For long, the Canadian courts followed a restrictive interpretation of the copyright statute, and dismissed any pleas to widen the scope of the fair dealing exception under section 29 of the Act, on the pretext that it was not in the intention of the parliament to do so.⁶¹ It was not until 1995, that the Ontario Court of Justice adopted a liberal stance towards the interpretation of the exception under s.29, stating that examination of fair dealing is not a mechanical test, but rather a purposive one.⁶² *CCH* resulted in a more lenient stance matching that of the US.⁶³ It created an expectation on the courts to *weigh the rights of the authors of the work against public interest*.⁶⁴ While the effect of the dealing on authors' market is usually vital in other jurisdictions that follow the doctrine of fair dealing,⁶⁵ the Canadian Supreme Court held that the fair dealing defense would not necessarily be revoked where there is commercial intent in the usage.⁶⁶

The country is now contemplating the inclusion of information analysis under fair dealing, to enable the promotion of more AI

⁶¹ Gluseppina D'Agostino, *Healing Fair Dealing – A Comparative Copyright Analysis of Canada's Fair Dealing to U.K. Fair Dealing and U.S. Fair Use*, 53 MCGILL L. J. 309 (2008).

⁶² *Allen v. Toronto Star Newspapers Ltd.* (1995), 26 O.R. (3d) 308., 129 D.L.R. (4th) 171 (Ct. J. (Gen. Div.)).

⁶³ *Id.* at 53 (citing Linden J.A. from the Federal Court of Appeal).

⁶⁴ Parveen Esmail, *CCH Canadian Ltd. v. Law society of Upper Canada: Case Comment on a Landmark Copyright Case*” *Case comment*, 10 APPEAL 13, (2005).

⁶⁵ U.K. awards significant importance to this factor, *See Ashdown v Telegraph group Ltd.*, [2001] EWCA Civ 1142, (2002) Ch.149.

⁶⁶ (*CCH Canadian Ltd. v. Law Society of Upper Canada*) (2004) 1 SCR 339 at 51.

generated work.⁶⁷ The proposed exception would be limited to the process of deriving information from data to teach and develop sophisticated AI, and would not permit commercialisation or the actual use of the data.⁶⁸ While the terms of actual implementation are not clear, the proposal is similar to the laws in countries like the UK, Japan and several countries in the EU which permit the usage of data for non-commercial research⁶⁹ to support a culture of intellectual property development. Japan has one of the most lenient data mining policies⁷⁰ - in addition to which the country consequently authorises creation of derivative works that are protected under the Statute.⁷¹ It is evident that the proposed exception encompasses the process of Machine Learning (as in the context of this paper) as an implication, *i.e.*, for the process of creating emergent works.

Thus, the trend in different jurisdictions seems to indicate that reproduction of protected works to enable an AI to analyse and imbibe

⁶⁷ Element AI Inc, Promoting Artificial Intelligence in Canada: A Proposal for Copyright Reform (2018); Michael Geist, *Want to Keep Canadian AI Thriving?: Create a Copyright Exception for Informational Analysis*(2018), <http://www.michaelgeist.ca/2018/10/elementai-copyright/>; See Pina D'Agostino, *Submission to Standing Committee on Industry, Science and Technology*, (Dec. 2018).

⁶⁸ Element AI Inc, Promoting Artificial Intelligence in Canada: A Proposal for Copyright Reform (2018) at 2.

⁶⁹ Amended EU Directive at article 3(1), paragraph 2, Eleonora Rosati, *An EU text and data mining exception for the few: would it make sense?*, 13 JIPLP 429 (2018). Amendments adopted by the European Parliament and of the Council on copyright in the Digital Single Market (COM (2016)0593 – C8-0383/2016 – 2016/0280(COD)); Directive (Eu) 2019/ Of The European Parliament And Of The Council on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC, art. 3(1) [restriction] and 2(1), 2(2) [definitions].

⁷⁰ Copyright law of Japan, Art. 47 (7); European Alliance For Research Excellence, *Japan Amends Its Copyright Legislation To Meet Future Demands In AI And Big Data* (2018).

⁷¹ Copyright law of Japan, Article 12 & Article 12 *bis*.

information from them is permissible.⁷² How exactly such information analysis is a permissible exception to copyright infringement will now be analysed. This will assist in reaching a conclusion on what the optimum approach should be toward databases such as that used by Art Factory.

IV. Exploring Information analysis as a permitted use for creative AI

As per the theory of non-expressive usage, copyrighted works are reduced to bits of data when “read” by machines.⁷³ As explained before,⁷⁴ only the non-expressive information or data in any work is analysed by AI. This process where information is derived from data, but the data is not commercialised as such, is also termed “information analysis”.⁷⁵ This, as argued, is vastly different from the human nature of consumption.

Professor Silke Von Lewinski, in her report studying the fair use/ fair dealing exceptions for technological purposes/informational analysis across various countries, lays down two criteria for being covered by exceptions to copyright. First, the copies must be temporary and occur automatically as a part of a technological process. Second, the copies must be indispensable to the process itself.⁷⁶ However, the fairness of

⁷² See MULTIFORA USERS RIGHTS NETWORK, JOINT COMMENT TO WIPO ON COPYRIGHT AND ARTIFICIAL INTELLIGENCE, (2020), <http://infojustice.org/archives/42009>.

⁷³ Grimmelman, *supra* note 22.

⁷⁴ Refer to discussion accompanying foot notes 4-6 & 21-25 for information on the process of Machine Learning.

⁷⁵ Element AI Inc, Promoting Artificial Intelligence in Canada: A Proposal for Copyright Reform (2018).

⁷⁶ *Information Society Directive*, in MICHEL M. WALTER AND SILKE VON LEWINSKI (EDS.), EUROPEAN COPYRIGHT LAW: A COMMENTARY, 968-969, 1024-1027 (New York, USA: Oxford University Press 2010).

compelling copyright owners to oversee free supply of copyrighted works to machines and technology developers is constantly called into question.⁷⁷

Thus far, two countries have attempted to address the question of copyrighted works being reproduced in databases: the UK and Canada. The UK has included a data mining exemption under s. 29A of the Copyright Designs and Patent Act, 1988 (“CDPA”) as part of its fair dealing provisions. On the other hand, Canada has created an entirely new provision, granting general exemption to reproduce material for technological purposes, under s. 30.71 of the Canadian Copyright Act (“CCA”). The latter is more attuned to the AI industry and its future growth for the following reasons:

- (a) The CDPA requires lawful access to the data if one wishes to subject it to computational analysis, even for non-commercial purposes⁷⁸ Given the magnitude of the amount of previous works subjected to analysis in deep learning algorithms, the feasibility of this process has been questioned time and again.⁷⁹ Additionally, given that this provision in CDPA has

⁷⁷ See Canadian Musical Reproduction Rights Agency, *Submission to the Standing Committee on Industry, Science and Technology*, <https://www.ourcommons.ca/Content/Committee/421/INDU/Brief/BR10271356/br-external/CanadianMusicPublishersAssociation-e.pdf>.

⁷⁸ Section 29 A, of the CDPA reads, “*The making of a copy of a work by a person who has lawful access to the work does not infringe copyright in the work provided that—*
(a) *the copy is made in order that a person who has lawful access to the work may carry out a computational analysis of anything recorded in the work for the sole purpose of research for a non-commercial purpose, and...*”.

⁷⁹ VALERIE LAURE BENABOU, PRESENTATION ON AI, MORAL RIGHT AND ADAPTATION RIGHT, EUROPEAN COPYRIGHT SOCIETYDOTOORG, <https://europeancopyrightsocietydotorg.files.wordpress.com/2018/06/benabou-presentation-ai-moral-rights1.pdf>.

not been subjected to judicial interpretation yet, the proper interpretation of the term “non-commercial use” is not clear. This raises questions as to whether the term connotes the nature of use of the obtained data or use of the final product created post computational usage of the data.

- (b) Section 30.71 of the CCA, on the other hand, allows for reproduction of a work if it is an essential part of a technological process, and for a purpose that is not an infringement of an existing copyright.⁸⁰ It reads as follows:

30.71 It is not an infringement of copyright to make a reproduction of a work or other subject-matter if

- i. the reproduction forms an essential part of a technological process; or*
- ii. the reproduction's only purpose is to facilitate a use that is not an infringement of copyright; and*
- iii. the reproduction exists only for the duration of the technological process.*

The provision adequately covers the nature of consumption that occurs in the process of Machine Learning. The reproduction of protected works in the database, manually or through automated mining, is an essential process that kicks off step 1 of deep learning algorithms: Machine Learning. The only purpose of such reproduction is to train the AI; the database is not subjected to commercial or any other use. There are ongoing debates on the interpretation of the

⁸⁰ Copyright Act, s. 30.71 (1985).

clause “only for duration of the technological process” as under s.30.71 (c). However, restricting the duration of use of the database seems unlikely given the intention behind the provision is to make the CCA more technologically neutral,⁸¹ i.e., to balance the need for creative progress through technology with the other forms of permitted use. The country has also been showing a willingness to create conditions for the AI industry to expand.⁸² Further, the placement of s.30.71 outside the fair dealing exceptions, but still as a defense to infringement, offers a more flexible interpretation that need not adopt the course of a traditional fair dealing analysis – e.g., extent of commercialisation, amount of work taken, etc. This approach is commendable and should be emulated in order to clearly distinguish it from the traditional defence to copyright.

AN INDEPENDENT STANDARD OF PROTECTION FOR MACHINE LEARNING

I. Machine learning as a permitted use, not an exception to copyright

To facilitate a more appropriate interpretation in favour of data mining and analysis, in the context of building creative AI, and for reasons enumerated below, we believe that Machine Learning should not be categorised as a fair use or fair dealing exception -

⁸¹ Canadian Council of Archives Copyright Committee, *Changes to copyright law for Archivists as a result of Bill C-11*, http://www.archivescanada.ca/uploads/files/Publications/Bulletin10_EN.pdf.

⁸² Michael Geist, *Why Copyright Law Poses a Barrier to Canadian AI ambitions*, THE GLOBE AND MAIL (May 17 2017); Michael Geist, *Want to Keep Canadian AI Thriving?: Create a Copyright Exception for Informational Analysis* (2018), <http://www.michaelgeist.ca/2018/10/elementai-copyright>.

- (a) Given that the most works created by the AI ultimately land in the market, amidst the availability of audience who welcome and appreciate such art, incorporating data mining under the fair dealing provisions (considering that factors like amount of consumption and the commercialisation of the final product weigh into the legality of the use)⁸³ would result in a futile attempt at encouraging AI and related innovations.
- (b) Machine Learning is a process that converts copyrighted works into bits of information or data – i.e., the most basic version of their functionality. The AI extracts only the *idea* embodied within varied forms of expression to understand the fundamentals of their construction. It does so in order to create the final work it has been programmed to produce. This form of consumption of copyrighted works is not contemplated by a fair dealing or fair use exceptions in the relevant statutes.
- (c) An argument towards its resemblance to educational purposes⁸⁴ as listed under fair dealing can be made. However, consuming large amounts of copyrighted works only to understand the basic element (of any work) that builds into their expression ought to have a separate category. This will drive home the technical differentiation in the nature of learning by machines and by humans. In other words, humans

⁸³ In *CCH*, while the court did not expressly clarify if using larger amounts or if commercial research is fair dealing, it implied that it can be – our argument appeals to the very idea of such factors under consideration, given that the nature of the work involved, the nature of consumption and utilisation have not been subjected to judicial scrutiny or application, *See CCH Canadian Ltd. v. Law Society of Upper Canada* (2004) SCC 13.

⁸⁴ Copyright Act, s 29.4 (1985).

still appreciate and connect with the original expression in the work, as well as with the intention of authors, during the process of education. However, such appreciation does not occur with AI consumption. This technical differentiation is extremely important, for it forms the very basis of economic rights of authors. Where machines do not consume works in traditional ways, categorising this under the defense of educational use is untenable.

- (d) Importantly, introducing this exception under the fair dealing or fair use doctrine might blur the lines between the rules that normally apply to infringement analysis between works authored by humans. The intent behind permitting Machine Learning for creative AI is to foster the creation of futuristic art and endorse technological advancement, which is not the intent behind the fair use and fair dealing exceptions. Therefore, the traditional approach to these doctrines will prove insufficient and a distinction, like that in the CCA, would be better attuned to the specific needs of the AI industry.

Therefore, introducing Machine Learning as a “permitted right” for creative AI might be more appropriate given this unprecedented nature of consumption of protected works. This would essentially protect storage *and* consumption of copyrighted works for Machine Learning, even in cases where the data has been used for commercial purposes, as is the end goal of several innovative AI.⁸⁵

⁸⁵ See Pina D’Agostino, *Submission to Standing Committee on Industry, Science and Technology*, (Dec. 2018).

II. Extra-legal justifications

Philosophically, the goal of copyright law is to support a democratic culture where unimpeded discourse on art, society, culture and politics may occur without excessive control. Hence, neo-classical propositions⁸⁶ do not stand under scrutiny of the economic justification theory, which characterises intellectual property rights as tools that fosters technological, cultural or economic advancements.⁸⁷ This means, copyright does not entitle one to maximise profits at the cost of muting progressive transformation. Courts have held that only those commercial uses that would *substitute* the market demand for, and not those uses that *compete* with the original expressive use raise concerns.⁸⁸

Accordingly, the usage of artworks for Machine Learning, which contributes to the field of artistic works, is a novel use. The art generated as a result adds to the wealth of the community under a specific head (of works authored by AI), and does not necessarily *replace* the originals contained in the database used for Machine Learning. AI that generates automated work and competes at par with the human-authored works would enrich the current market and add to art representing the future.

⁸⁶ Neo-classical theory supports entitlement by traditional authors to an absolute ownership over their works. Neil Weinstock Netanel, *Copyright and a Democratic Civil Society*, 106 YALE L.J. 283 (1996).

⁸⁷ Alexandria Chun, *Economic Approaches to Intellectual Property*, by Nicola Searle and Martin Brassell, 54 OSGOODE HALL L.J. 1389 (2017).

⁸⁸ Authors Guild v. Hathi Trust, 755 F.3d 87, 96 (2d Cir. 2014), *See* CCH Canadian Ltd. v. Law society of Upper Canada, (2004) 1 SCR 339; White v. West, S.D.N.Y. (2014), Fox v. T.V Eyes, S.D.N.Y. (2014).

To that extent, transformative uses like that of Machine-Learning for the purposes of translation services, smart reply services, generating art, music, literature, or as in the present case – to validate an art created through automation, would conveniently fall within protected use of copyrighted works.

CONCLUDING REMARKS

There are numerous examples one can cite from within our immediate surroundings to argue in favour of “transformational, unlicensed fair use”⁸⁹. In this regard, William Patry uses the role of Search Engines as a prime example – their utilitarian function of assisting users in choosing web pages by showing snippets of web pages, providing thumbnails, ranking them in the order of most utilised to the least, etc., is valued over the fact that unauthorised, transient copies of protected images are created in the process. Pursuantly, the promotion of technological growth requires liberal application of copyright laws, so far as the purpose of the use is completely transformational. This reduces the analysis of the legality of the creation of database of protected works for Machine Learning, and in the new-age dispute between Adam Basanta and Amel Chamandy, to one particular test: the extent of transformation, particularly, the extent of transformation *in the purpose from that the art works in the database were originally meant to serve*. In the case of Chamandy v. Basanta, utilisation of a protected work to validate a newly created work is a purpose that is fairly unheard of and extremely distant from that the art was originally meant to serve. The pre-existing protected works are not unauthorisedly reproduced

⁸⁹ William Patry, *Limitations and Exceptions in the Digital Era*, 7 IJLT 1 (2011).

elsewhere, and serve a singular purpose. This, it is believed, would conveniently fall under lawful use of existing work.

Intellectual Property law has often been unreceptive to new forms of technology and technological progress. Keeping up should not mean that law should be at loggerheads with innovation – in the context of emergent works, we believe that a distinction between romantic readership (as applicable to humans) and information analysis (as applicable to AI), as discussed in this paper, should provide a compelling guideline to proceeding with the infringement analysis of deep-learning and data mining processes.

ORPHAN DRUG EXCLUSIVITY IN INDIA: NEED FOR A REVISIT

*Bhavik Shukla and Iravati Singh**

INTRODUCTION

Patents are the most challenging of the lot of Intellectual Property Rights ('IPRs'). Be it a tiny microchip in your computer's core processor, or a single tablet that cures viral fever, the expenditure and time involved in its invention and subsequent grant of patent is phenomenal. It is befitting that the inventor's time, money and effort be incentivised. This incentive is granted by the patent right, which prevents a third party from manufacturing, selling, using or importing the patented invention without the owner's consent.¹ However, most developed countries grant data exclusivity for patents in addition to the ordinary patent right.² Simply put, data exclusivity refers to a period of time during which the data submitted by the inventor to obtain an approval from the government or its agency to market the drug is kept confidential.³ This ensures that during the operation of the data exclusivity period no generic manufacturer can rely on the data submitted by an inventor.⁴ Rather, the generic manufacturer will have to undergo all stages of experimentation, including clinical trials, if it were to obtain an approval for marketing its drug. Viewed in this light,

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¹ Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 28(1), Annex 1C, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197. *See also*, Section 48, Indian Patents Act, 1970, No. 39 of 1970.

² WORLD INTELLECTUAL PROPERTY ORGANIZATION, PROMOTING ACCESS TO MEDICAL TECHNOLOGIES AND INNOVATION 65 (2nd ed., 2012).

³ Srividhya Ragavan, *The Significance of the Data Exclusivity and its Impact on Generic Drugs*, 1 J. OF INTELLECTUAL PROP. STUDIES 132 (2017). *See also*, MAGDALENA KREKORA, CONTRACT MANUFACTURING OF MEDICINES 237 (1st ed., 2008).

⁴ Gargi Chakrabarti, *Need of Data Exclusivity: Impact on Access to Medicine*, 19 JNL. OF INTELLECTUAL PROP. RIGHTS 325 (2014).

data exclusivity might negatively impact the development and subsequent availability of drugs. However, it needs to be viewed through a different lens in the case of orphan drugs.

In brief, an orphan drug refers to a drug which treats a rare disease. The understanding of 'rare diseases' is crucial to the further appraisal of this topic. As per the World Health Organization ('WHO'), a disease affecting 6.5 to 10 persons per 10,000 shall be considered a rare disease.⁵ The classification of a rare disease differs across countries,⁶ and is autonomously decided to suit their demographics. India does not have a formal definition of a 'rare disease',⁷ but in line with the global average set by the WHO, it is estimated that persons suffering from rare diseases in India may be between a whopping 72 to 96 million.⁸ Coupled with the disinclination of pharmaceutical companies to manufacture orphan drugs, rare diseases pose an insurmountable challenge to patients in India.

Numerous government-appointed committees have failed to arrive at a consensus on a suitable orphan drugs policy for India.⁹ Even the previously subsisting National Policy for Treatment of Rare Diseases

⁵ Simin Derayeh et al, *National Information System for Rare Diseases with an Approach to Data Architecture: A Systematic Review*, 7(3) INTRACTABLE RARE DIS. RES. 156 (2018).

⁶ Luciana Giughiani et al, *Clinical research challenges in rare genetic diseases in Brazil*, 42(1) GENETICS AND MOLECULAR BIOLOGY 305 (2019). See also, LIONEL EDWARDS ET AL, PRINCIPLES AND PRACTICE OF PHARMACEUTICAL MEDICINE 266 (2nd ed., 2007); MARILYN FIELD & THOMAS BOAT, RARE DISEASES AND ORPHAN PRODUCTS: ACCELERATING RESEARCH AND DEVELOPMENT 32 (1st ed., 2010), https://www.ncbi.nlm.nih.gov/books/NBK56189/pdf/Bookshelf_NBK56189.pdf.

⁷ National Policy for Treatment of Rare Diseases, Ministry of Health and Family Welfare, 2017, <https://main.mohfw.gov.in/sites/default/files/Rare%20Diseases%20Policy%20FINAL.pdf>.

⁸ *Id.*, at ¶9.

⁹ *Id.*, ¶¶16-22.

was withdrawn through a notification in December, 2018.¹⁰ Subsequently, the Secretary of the Ministry of Health and Family Welfare claimed before the Delhi High Court that an updated version of the policy would be prepared within nine months.¹¹ After some delay, a draft of the updated policy on rare diseases was released in January, 2020.¹² As a primer to the discussion that follows, the authors recognize this draft as a lost opportunity for the government to meaningfully tackle the menace of rare diseases.

The authors are of the opinion that specific data exclusivity for orphan drugs presents an appropriate solution to the rare disease conundrum in India. Having discussed the central issue in Part I, the authors shall discuss India's position on data exclusivity in Part II. The requirement of specific orphan drug data exclusivity shall be substantiated upon in Part III, and the authors argue in favour of data exclusivity for orphan drugs in India in Part IV. Part V shall conclude the discussion on the topic.

DATA EXCLUSIVITY AND INDIA: A POLICY-BASED DECISION

As mentioned in the previous section, data exclusivity refers to a fixed time period stipulated by a country, during which the data submitted by an inventor is kept confidential. In most countries this confidentiality extends to non-reliance on the data submitted by one

¹⁰ Notification dated December 18, 2018 in the Gazette of India published by the Department of Health and Family Welfare, <http://egazette.nic.in/WriteReadData/2018/194057.pdf>.

¹¹ *Mohammad Kalim and Others v. Employees State Insurance Corporation and Others*, W.P. (C) 8445/2014.

¹² Tabassum Barnagarwala, *Govt. publishes policy for treatment of rare diseases*, THE INDIAN EXPRESS (Jan. 14, 2020), <https://indianexpress.com/article/lifestyle/health/govt-publishes-policy-for-treatment-of-rare-diseases-6215224/>.

proprietor when granting approvals to another.¹³ This implies that the latter proprietor would be required to independently conduct clinical trials and other experimentations to receive marketing approval for its drug. Therefore, data exclusivity norms impose regulatory as well as financial burdens on generic manufacturers, making it a hard pill to swallow.¹⁴ In most developing countries this would translate into a delayed entry for generics.¹⁵ Interestingly however, India's pharmaceutical market is dominated by domestic generic players,¹⁶ which ensures lower prices for medicines, thereby fostering accessibility. Bearing this in mind, India has not adopted a specific data exclusivity regime to tend to drugs outside the purview of 'new drugs'. It accordingly permits reliance on regulatory data submitted by an inventor for the grant of approvals to generics/biosimilars for 'new drugs' after completion of a four-year term.¹⁷

The Indian position has historically been influenced by prevailing economic conditions. Proposals dealing with IPR issues were circulated by participants of the Uruguay Round of the TRIPS

¹³ WIPO, *supra* note 2, at 187.

¹⁴ Christian R. Fackelmann, *Clinical data, data exclusivity and private investment protection in Europe* in PHARMACEUTICAL INNOVATION, COMPETITION AND PATENT LAW 170 (2013). *See also*, Lisa Diependaele et al, *Raising the Barriers to Access to Medicines in the Developing World – The Relentless Push for Data Exclusivity*, 17(1) DEV. WORLD BIOETH. 12 (2017).

¹⁵ Jakkrit Kuanpoth, *TRIPS-Plus Rules under Free Trade Agreements* in INTELLECTUAL PROPERTY & FREE TRADE AGREEMENTS 39 (eds. Christopher Heath, Anselm Sanders, 2007).

¹⁶ Kiran Shaw, *Indian Pharma is not sub-par, it is ensuring the world doesn't face a healthcare crisis*, THE PRINT (Jul. 18, 2019), <https://theprint.in/health/indian-pharma-is-not-sub-par-it-is-ensuring-the-world-doesnt-face-a-healthcare-crisis/264124/>.

¹⁷ Shamnad Basheer, *Generics v. big pharma, reloaded*, THE HINDU (Nov. 23, 2016), <https://www.thehindu.com/opinion/op-ed/Generics-vs-big-pharma-reloaded/article16681172.ece>; Animesh Sharma, *Data Exclusivity with Regard to Clinical Data*, 3 INDIAN JOURNAL OF LAW AND TECHNOLOGY 96-97 (2007).

negotiations from 1987.¹⁸ The decade of 1980s witnessed a strong movement towards liberalization of the Indian economy,¹⁹ which came to fruition only in 1991. However, India was conscious of the dangers of implementing a provision governing data exclusivity, considering the surge in dominance of multinational drug companies. Accordingly, India submitted a joint communication with other developing countries during the TRIPS negotiations, which did not contain any provision even closely related to the current data exclusivity provision.²⁰ This proposal was in contrast with those of the European Community,²¹ the U.S.²² and Switzerland²³ all of whom expressly advocated for a data exclusivity provision. The Dunkel Draft included the text of the current Article 39.3 of the TRIPS Agreement to cover the prevention of “unfair commercial use”, while discarding other strict requirements suggested by the developed countries.²⁴

¹⁸ MATHIAS KENDE, *THE TRADE POLICY REVIEW MECHANISM: A CRITICAL ANALYSIS* 59 (1st ed., 2018).

¹⁹ Arvind Panagariya, *India in the 1980s and 1990s: A Triumph of Reforms*, ¶¶1-3 IMF (Nov., 2003), <https://www.imf.org/external/np/apd/seminars/2003/newdelhi/pana.pdf>.

²⁰ Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, https://www.wto.org/gatt_docs/English/SULPDF/92100147.pdf.

²¹ Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 28, MTN.GNG/NG11/W/68, http://www.tripsagreement.net/documents/GATTdocs/Draft_Agreement_on_Trade_Related_Aspects_of_IP_Rights_E_E.pdf.

²² *Id.*, art. 33, https://www.wto.org/gatt_docs/English/SULPDF/92100144.pdf.

²³ *Id.*, art. 243, https://www.wto.org/gatt_docs/English/SULPDF/92100157.pdf.

²⁴ Jerome Reichman, *Undisclosed Clinical Trial Data under the TRIPS Agreement and its Progeny: A Broader Perspective*, UNCTAD-ICTSD DIALOGUE ON MOVING THE PRO-DEVELOPMENT IP AGENDA FORWARD (2004). *See also*, Burcu Kilic, *Defending the Spirit of the Doha Declaration in Free Trade Agreements: The Trans-Pacific Partnership and Access to Affordable Medicines*, 12 *LOYOLA UNIV. CHICAGO INT'L L. REV.* 47 (2014).

Accordingly, Article 39.3 of the TRIPS Agreement governs the global data exclusivity requirement and ambiguously²⁵ mentions that the aim of the provision is to protect submitted data against “unfair commercial use”.²⁶ Discussion of the *travaux préparatoire* in the previous paragraph leads to the conclusion that the provision merely envisages that the data must not be disclosed to competitors. India has adopted its position on data exclusivity using a liberal interpretation of 39.3 of the TRIPS Agreement, considering the ambiguous nature of the provision.²⁷ It therefore permits the submitted data to serve as a reference while determining whether a license to market should be granted to a third party, after the expiry of four years, in cases involving generics/biosimilars of ‘new drugs’.²⁸ Thus, India does not advocate for data exclusivity in the strictest terms, but merely satisfies the bare condition of preventing “unfair commercial use”.

The Satwant Committee, set-up to assess the requirement for a data exclusivity provision in India before the implementation of the TRIPS Agreement in 2005, suggested that Article 39.3 was flexible and that the trade secret mode of protection offered by common law was

²⁵ Carlos M. Correa, *Unfair Competition Under the TRIPS Agreement Protection of Data Submitted for the Registration of Pharmaceuticals*, 3(1) CHICAGO J. OF INT'L L. 77 (2002), where the author notes that there is no prescribed definition for the term “unfair commercial use” which makes it very open-ended to interpret.

²⁶ TRIPS Agreement, *supra* note 1, art. 39.3.

²⁷ Rahul Goel, *Data Exclusivity – Its Interpretation and India*, MONDAQ (Jan. 7, 2005), <https://www.mondaq.com/india/international-trade-investment/30263/data-exclusivity--its-interpretation-and-india>. See also, Aman Raj Khanna & Hemant Krishan Singh, *India's IPR Regime: Reconciling Affordable Access with Patent Protection*, INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS 26 (2015), http://www.icrier.org/pdf/India's_IPR_Regime.pdf.

²⁸ REJI JOSEPH, *PHARMACEUTICAL INDUSTRY AND PUBLIC POLICY IN POST-REFORM INDIA* 161 (1st ed., 2016).

sufficient to discharge India's obligations under it.²⁹ A Parliamentary committee which submitted its report in 2008 observed that the inclusion of data exclusivity would imply adherence to a TRIPS-plus rule.³⁰ The Delhi High Court has on numerous occasions rejected the view that India has provided for data exclusivity in its laws.³¹ Evidently, the Indian government has decided against the inclusion of data exclusivity in a strict sense, and merely provides for data exclusivity in case of 'new drugs'.

In a meeting of the Regional Comprehensive Economic Partnership aimed at drafting a Free Trade Agreement in 2019, the Indian contingent objected to the inclusion of a data exclusivity provision during negotiations.³² The basis for this move was to prevent detrimental effects on the Indian generic pharmaceutical market as well as public health.³³ The Special 301 Report of the U.S. Trade Representative released in 2020 specifically mentioned that the lack of an adequate data exclusivity regime in India was a 'concern'.³⁴

²⁹ Report on Steps to be taken by Government of India in the context of Data Protection Provisions of Article 39.3 of TRIPS Agreement, <https://www.ipa-india.org/static-files/pdf/publications/resources/Jun%202011.pdf>, at p. 3. In the pertinent part, it stated that Article 39.3 has been "interpreted differently by different countries owing to the flexibility in Article 39.3 enabling them to adopt an approach best suited to their needs and circumstances."

³⁰ The 88th Report on Patents and Trademarks Systems in India, Rajya Sabha, Oct. 24, 2008, <http://164.100.47.5/newcommittee/reports/EnglishCommittees/Committee%20on%20Commerce/88th%20Report.html>, ¶3.9.

³¹ *Syngenta India Ltd v. Union of India and Others*, 161 (2009) DLT 413, at ¶39. *See also*, *Genetech Incorporation and Others v. Drugs Controller General of India and Others*, 2016 (66) PTC 554 (Del.), at ¶216; *Roche Products (India) Private Limited and Others v. Drugs Controller General of India and Others*, 2016 (66) PTC 349 (Del.), ¶299.

³² Rupali Mukherjee, *India protects drug, agriculture business at RCEP*, TIMES OF INDIA (Jul. 1, 2019), <https://timesofindia.indiatimes.com/business/india-business/india-protects-drug-agri-biz-at-rcep/articleshow/70016068.cms>.

³³ Anoo Bhuyan, *India will not cross red lines on generic drugs in RCEP, but stay vigilant, say officials*, THE WIRE (Oct. 24, 2017), <https://thewire.in/external-affairs/india-red-line-generic-drugs-rcep>.

³⁴ Office of the United States Trade Representative, 2020 Special 301 Report, https://ustr.gov/sites/default/files/2020_Special_301_Report.pdf, ¶50.

However, the Indian stance on data exclusivity is aimed at encouraging production of domestic generic drugs and protecting public health, while complying with the standard set forth in the TRIPS Agreement. Both these considerations of the government are closely related. An increase in the production of generic drugs leads to greater accessibility of cheap medicines, thereby promoting public health. However, in a conflict between domestic generic drugs and public health, it is certain that public health shall have the upper hand in India. This is because India has been heralded for securing and effectuating public health considerations rather than focusing exclusively on pure economic considerations.³⁵ Bearing in mind the importance of public health in India as an overarching concept, it shall prove useful to understand how orphan drugs make a strong case for data exclusivity.

ORPHAN DRUGS: STRONG CASE FOR INVOCATION OF DATA EXCLUSIVITY

As per a recent study, it was estimated that the amount expended for the development of a new drug ranges between USD 1.4 billion and USD 2.6 billion.³⁶ Though some researchers have argued that the development of orphan drugs is cheaper when compared to non-orphan drugs,³⁷ the estimates arrived at are questionable considering

³⁵ *Novartis AG v. Union of India and Others*, AIR 2013 SC 1311, ¶¶73-78. *See also*, Samira Guennif and Julien Chaisse, *Present Stakes around Patent Political Economy: Legal and Economic Lessons from the Pharmaceutical Patent Rights in India*, 2 ASIAN J. WTO & INT'L HEALTH L. & POLICY 91 (2007).

³⁶ Joseph DiMasi et al, *Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs*, 47 JOURNAL OF HEALTH ECONOMICS 33 (2016).

³⁷ Kavisha Jayasundara et al, *Estimating the Clinical Cost of Drug Development for Orphan versus Non-Orphan Drugs*, 14(12) ORPHANET JOURNAL OF RARE DISEASES 9 (2019). *See also*, M. Berdud et al, *Establishing a Reasonable Price for an Orphan Drug*, OFFICE OF HEALTH ECONOMICS (Jul., 2018), <https://www.ohe.org/publications/establishing-reasonable-price-orphan-drug>.

the variables involved in orphan and non-orphan drug development.³⁸ While the development of orphan drugs involves a huge investment of time, money and resources, it must be appreciated that a subset of these orphan drugs, ultra-orphan drugs, cause further disinclination in their development. Ultra-orphan drugs usually refer to those drugs which are aimed at treating severe/ultra-rare diseases which have a high unmet demand.³⁹ A recent study by Tufts University indicates that orphan drugs take 18% longer (translating into 15.1 years for ordinary orphan drugs and 17.2 years for ultra-orphan drugs) to get to the market from the grant of patent.⁴⁰ This results in lesser time for the inventor to recoup and enjoy the monopoly. Additionally, overall drug development and clinical trials for a small set of patients are extremely costly.⁴¹

Though orphan drugs involve fewer patients in their clinical trials, locating and gathering such patients proves to be a logistically costly expedition.⁴² In such cases, trials can span across various clinical trial centres. However, conducting such multi-centre clinical trials is

³⁸ Nigel Walker, *Where Do Orphan Drugs Go From Here*, PHARMA'S ALMANAC (May 24, 2019), <https://www.pharmasalmanac.com/articles/where-do-orphan-drugs-go-from-here>. See also, Michael Drummond & Adrian Towse, *Orphan Drugs Policies: A Suitable Case for Treatment*, 15(4) EUROPEAN J. OF HEALTH ECON. 337 (2014).

³⁹ Trevor Richter et al, *Characteristics of drugs for ultra-rare diseases versus drugs for other rare diseases in HTA submissions made to the CADTH CDR*, 13(15) ORPHANET JNL. OF RARE DISEASES 2 (2018). See also, *Scotland launches new ultra-orphan drug designation*, THE PHARMA LETTER <https://www.thepharmaletter.com/article/scotland-launches-new-ultra-orphan-drug-designation>.

⁴⁰ Suz Redfearn, *Tufts: Facing Many Challenges, Orphan Drugs Take 18% Longer to Develop*, WCG CENTERWATCH (May 14, 2018), <https://www.centerwatch.com/articles/12603-tufts-facing-many-challenges-orphan-drugs-take-18-longer-to-develop>.

⁴¹ Earl Gillespie et al, *Orphan Drug Development – What are the Real Costs?*, HEALTH ADVANCES BLOG (Apr. 10, 2019), <https://healthadvancesblog.com/2019/04/10/orphan-drug-development-what-are-the-real-costs/>.

⁴² Bert Spilker, *The Development of Orphan Drugs: An Industry Perspective* in ORPHAN DISEASES AND ORPHAN DRUGS 127-128 (1985). See also, Robert Griggs et al, *Clinical Research for Rare Disease: Opportunities, Challenges, and Solutions*, 96(1) MOL GENET. METAB. 7-8 (2009).

extremely complex, and also runs the risk of not being able to prove the efficacy of the drug.⁴³ To compound this problem, many investigational drugs, comprising both orphan drugs and otherwise, fail in the late-stage of clinical development.⁴⁴ A recent study notes that a substantial number of orphan drugs (27.8%) fail due to either abandonment or due to a lack of market authorization.⁴⁵ The reasons highlighted by the study include the lack of efficacy, safety, economic issues and strategic decisions.⁴⁶ Viewing this aspect in addition to the abovementioned contributing factors, it can be reasonably concluded that the development of orphan drugs presents substantial challenges to an inventor.

Though the authors agree that the aforementioned discussion, concerning cost of development, time involved and the success of clinical trials, is somewhat comparable to ordinary drugs, certain extrinsic factors justify the requirement of incentivising orphan drug development. The development of orphan drugs has been labelled as profitable in the U.S. due to the incentives offered and exemptions granted in respect of such designations.⁴⁷ However, pharmaceutical

⁴³ Ralf-Dieter Hilgers et al, *Design and analysis of clinical trials for small rare disease populations*, 1(3) JNL. OF RARE DISEASES RESEARCH & TREATMENT 54-55 (2016). See also, Dr. Lincoln Tsang, *Orphan Drug Development And the Urgent Need for a New Approach*, PHARMATIMES (Dec. 5, 2018), http://www.pharmatimes.com/web_exclusives/orphan_drug_development_and_the_urgent_need_for_a_new_approach_1271944.

⁴⁴ Thomas Hwang et al, *Failure of Investigational Drugs in Late-Stage Clinical Development and Publication of Trial Results*, 176(12) JAMA INTERN MED. (2016).

⁴⁵ Viviana Giannuzi et al, *Failures to further developing orphan medicinal products after designation granted in Europe: An analysis of marketing authorisation failures and abandoned drugs*, BMJ OPEN (2017), <https://bmjopen.bmj.com/content/bmjopen/7/9/e017358.full.pdf>, at ¶7.

⁴⁶ *Id.*, at ¶5.

⁴⁷ Koichi Mikami, *Orphans in the Market: The History of Orphan Drug Policy*, 32(3) SOCIAL HISTORY OF MEDICINE 628-629 (2017). See also, Zoe Mandese, *How The Orphan Drug Act Opened the Door for Rare Disease Research*, RARE GENOMICS INSTITUTE (Jan. 8, 2019), <https://www.raregenomics.org/blog/2019/1/8/how-the-orphan-drug-act-opened-the->

companies are reluctant to develop orphan drugs in India, considering the lack of data exclusivity and concessionary policies to support such development.⁴⁸ A follow-up concern being widely voiced by manufacturers across the globe relates to the small number of patients from whom recoupment cannot successfully occur.⁴⁹ This motivates the pharmaceutical companies to quote astronomical prices for their drugs, with an intent to efficiently recoup their time and resources.

In light of these factors, the grant of data exclusivity for a limited term offers the necessary fillip for the development of orphan drugs. Data exclusivity in itself assures manufacturers that the data created by them through the expending of substantial time and resources shall not be available for common exploitation by others for a limited period of time. To offer a better perspective on this solution in the Indian context, the authors shall attempt to establish the requirement for data exclusivity in the case of drugs treating rare diseases in India.

REQUIREMENT OF DATA EXCLUSIVITY FOR RARE DISEASES IN INDIA

Before stressing upon the requirement of a data exclusivity regime for drugs which treat rare diseases in India, it is crucial to understand the difference between the concepts of data exclusivity and market exclusivity, in order to appreciate the arguments stressed upon by the authors.

door-for-rare-disease-research; Diana Kwon, *How Orphan Drugs Became a Highly Profitable Industry*, THE SCIENTIST (Apr. 30, 2018), <https://www.the-scientist.com/features/how-orphan-drugs-became-a-highly-profitable-industry-64278>.

⁴⁸ Usha Sharma, *Rare Diseases: Awaiting Renewed Focus*, INDIAN EXPRESS (Jan. 16, 2020), <https://www.expresspharma.in/amp/cover-story/rare-diseases-awaiting-renewed-focus/>. See also, Chakrabarti, *supra* note 4, at ¶334; RAMESH GOVINDARAJ & GNANARAJ CHELLARAJ, THE INDIAN PHARMACEUTICAL SECTOR: ISSUES AND OPTIONS 21 (1st ed., 2002).

⁴⁹ ARTHUR COOK, FORECASTING FOR THE PHARMACEUTICAL INDUSTRY 131 (2nd ed., 2015). See also, Steven Simoens, *Pricing and Reimbursement of Orphan Drugs: The Need for More Transparency*, 6(42) ORPHANET J. OF RARE DIS. (2011).

I. Distinction between data exclusivity and market exclusivity

India, being a developing country, has its unique aspirations when compared to developed countries, and this has guided it to exclude data exclusivity provisions from its laws. However, the authors advocate that the inclusion of a specific data exclusivity provision for orphan drugs will facilitate production and access to these drugs. Before proceeding to the substantial discussion on this topic, it is crucial to note that the concepts of market exclusivity and data exclusivity are, more often than not, complementary in other jurisdictions. Though the authors do not support a case of market exclusivity, its interface with data exclusivity requires to be addressed for a comprehensive view of the subject.

Market exclusivity, through its operation, prevents a generic or a biosimilar from being introduced in the market during a particular period. This means that a generic may be approved during that period, but the same will not be allowed to be introduced in the market.⁵⁰ In that light, market exclusivity forms a strict barrier to entry for a fixed amount of time. The adoption of such a system may lead to a counterproductive result, whereby patients have no access to alternative medicines for the period of application of market exclusivity. Numerous jurisdictions offer manufacturers of drugs which treat rare diseases dual exclusivities viz., data exclusivity along with market exclusivity. The simultaneous application of these exclusivities further undermines access and affordability of drugs.

The orphan drugs regime adopted by the U.S. which offers simultaneous functioning of data and market exclusivity is a case in point. Offering dual exclusivities for drugs may very well lead to the

⁵⁰ OWAIS SHAIKH, ACCESS TO MEDICINE VERSUS TEST DATA EXCLUSIVITY 6 (1st ed., 2016).

creation of a monopoly market for them in the U.S. Take, for example, the specific case of Remicade, a designated orphan drug approved to treat Crohn disease. The price of this drug increased 63% in light of the additional 7-year market exclusivity granted to it.⁵¹ Viewed in this light, market exclusivity offers drug makers the power to arbitrarily drive up and fix the prices of drugs with an intention to maximize profits. This power is further bolstered by preventing the entry of any biosimilar or generic product during the market exclusivity period. It has been noted in certain cases that the orphan drug designation is applied only towards the end of the usual data exclusivity period.⁵² This grants such drugs an additional market exclusivity of 7 years, in addition to the market exclusivity offered to either a new chemical entity or a biologic. Such grant of market exclusivity to orphan drugs occasionally translates into abnormally long periods of exclusivity being granted to certain drugs.⁵³ Dual exclusivities are offered by the European Union and Japan for orphan drugs, however the structure and functioning of these exclusivities are distinct in their application from the U.S. The authors have aimed to emphasize on the deleterious

⁵¹ Caroline Hroncich, *Report Examines Price Increases on Most Widely Used Drugs in US*, PHARMTECH (Apr. 8, 2016), <http://www.pharmtech.com/report-examines-price-increases-most-widely-used-drugs-us-0>.

⁵² Angela Drew & William Stoltman, *Orphan Exclusivity For 'Same Drug': What Has Changed Since Fdara 2017/ Pdufa VI?*, CAMARGO (Aug. 8, 2018), <https://camargopharma.com/resources/blog/orphan-exclusivity-for-same-drug-what-has-changed-since-fdara-2017-pdufa-vi>. See also, Sarah Jane Tribble, *FDA Faulted For Lapses In Orphan Drug Program*, NPR (Nov. 30, 2018), <https://www.npr.org/sections/health-shots/2018/11/30/672287029/fda-faulted-for-lapses-in-orphan-drug-program>.

⁵³ Sarah Jane Tribble & Sydney Lupkin, *Drugmakers Manipulate Orphan Drug Rules To Create Prized Monopolies*, KAISER HEALTH NEWS (Jan. 17, 2017), <https://khn.org/news/drugmakers-manipulate-orphan-drug-rules-to-create-prized-monopolies/>. See also, Erik Sherman, *Big Pharma Companies Use Loophole on Old Drugs for New Profits*, FORTUNE (Feb. 19, 2019), <https://fortune.com/2019/02/19/orphan-drug-loopholes/>.

effects of adopting a dual exclusivity position, even though the same may not mirror the U.S. position.

II. Case for data exclusivity for drugs which treat rare diseases in India

Rare diseases substantially impact the lives of the Indian populace, and present an insurmountable challenge to India's health infrastructure and policies. As acknowledged by the previous Rare Disease Policy, the ones worst hit are children, who comprise 50% of those affected, with rare diseases being responsible for 35% of deaths before the age of 1 year.⁵⁴ In addition to causing a catastrophic financial drain, rare diseases have high mortality rates.⁵⁵ Around 95% of rare diseases run rampant with no approved therapy, and only about 1 in every 10 patients is able to get the correct treatment.⁵⁶ This is attributable in part to the reluctance of pharmaceutical companies to manufacture drugs which treat rare diseases. Such reluctance stems from the inability of these drugs to reap huge profits for the pharmaceutical companies in India,⁵⁷ considering their substantially marginal consumption and numerically fewer patients. Research undertaken for such drugs, and their clinical testing, imposes an excessive financial burden on the manufacturers.⁵⁸ This, coupled with the tardy rate of patent grant in India,⁵⁹ makes the chances of recoupment very bleak for any

⁵⁴ National Policy for Treatment of Rare Diseases, *supra* note 7, at ¶4.

⁵⁵ K.C. Deepika, *Rare diseases, incredibly costly to treat, affect up to 96 million Indians*, THE HINDU (Jun. 29, 2019), <https://www.thehindu.com/sci-tech/health/rare-diseases-incredibly-costly-to-treat-affect-up-to-96-million-indians/article28203122.ece>.

⁵⁶ Ministry of Health and Family Welfare, National Policy for Rare Diseases, 2020, https://main.mohfw.gov.in/sites/default/files/grantsection_0.pdf, ¶7.

⁵⁷ Harish Kumar et al, *Orphan Drugs: Indian Perspective*, 49(4) INDIAN J. OF PHARMACOLOGY (2017). *See also*, Natco Pharma Limited v. Bayer Corporation, Compulsory License Application No. 1 of 2011 for Patent No. 215758.

⁵⁸ Hilger, *supra* note 43.

⁵⁹ World Intellectual Property Organization, World Intellectual Property Indicators 2018, https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2018.pdf, ¶64.

pharmaceutical company. Therefore, the orphan drugs situation in India is plagued with inadequacy and uncertainty.

Amidst the subsisting problems in relation to orphan drugs, and the absence of a rare disease policy since 2018,⁶⁰ the Government recently introduced its 'renewed' draft policy on rare diseases in January, 2020. The draft policy is more or less a mirror image of the previous policy, and merely contains the list of diseases recognized as rare diseases in India,⁶¹ the financial incentives available for treatment of such diseases⁶² and the implementation strategy of the policy.⁶³ However, it still fails to provide a definition of rare diseases,⁶⁴ and limits its scope to only one-time assistance to patients.⁶⁵

Though the government has modified the application of the policy to serve 40% of the population who are eligible as per norms of 'Pradhan Mantri Jan Arogya Yojana',⁶⁶ in addition to people below poverty line, it may potentially leave out a significant percent of population that cannot fend for itself.⁶⁷ It is also clear that patients requiring constant care and assistance in the form of treatment and operations shall not be covered by the policy. These downsides are further exacerbated by the fact that India has no domestic manufacturer of drugs which treat

⁶⁰ Notification dated December 18, *supra* note 10.

⁶¹ National Policy for Rare Diseases, *supra* note 56, ¶¶12-14.

⁶² *Id.*, at ¶¶14-15.

⁶³ *Id.*, at ¶¶18-20.

⁶⁴ *Id.*, at ¶10-11.

⁶⁵ Bindu Shajan Perappadan, *National Policy for Rare Diseases- 2020 is 'just another piece of paper', say patient groups*, THE HINDU (Jan. 14, 2020), <https://www.thehindu.com/news/national/national-policy-for-rare-diseases-2020-is-just-another-piece-of-paper-say-patient-groups/article30568564.ece>.

⁶⁶ SHAIKH, *supra* note 50, at ¶14.

⁶⁷ ET Healthworld, 1 in 20 Indians Affected by a Rare Disease: ORDI, (Feb. 18, 2019), <https://health.economicstimes.indiatimes.com/news/industry/1-in-20-indians-affected-by-a-rare-disease-ordi/68047239>.

rare diseases.⁶⁸ This further skews the scales of accessibility against the population which is left out. However, the New Drugs and Clinical Trial Rules, 2019 ('2019 Rules') include certain concessions aimed at the development and production of orphan drugs in India.

The 2019 Rules defined an 'orphan drug' uniformly for the first time to mean a "drug intended to treat a condition which affects not more than five lakh persons in India".⁶⁹ These Rules further provide landmark concessions to orphan drugs, namely exemptions from local clinical trials in certain situations,⁷⁰ expedited review process after clinical development,⁷¹ and waiver of fees for an application of clinical trial.⁷² These concessions have been envisaged to increase access to patients within short timespans, while also decreasing marketing costs through waivers of fees and clinical trials.

Similar to Rule 122E of the Drugs and Cosmetic Rules, 1945, which provides for a drug exclusivity period of four years for 'new drugs',⁷³ the 2019 Rules also extend data exclusivity to 'new drugs' for an identical time period.⁷⁴ The Rules explicitly state that the Drugs and Cosmetics Rules, 1945 shall not apply to 'new drugs' in respect of which exclusivity is awarded.⁷⁵ This implies that only the 2019 Rules deal with 'new drugs', and in doing so impose numerous conditions for the mandatory furnishing of test data for manufacture or import of

⁶⁸ National Policy for Rare Diseases, *supra* note 56, at ¶8.

⁶⁹ New Drugs and Clinical Trial Rules, 2019, Mar. 19, 2019, Rule 2(x).

⁷⁰ *Id.*, Proviso to Rule 75(7) and Proviso to Rule 80(7).

⁷¹ *Id.*, Rule 1(2)(B)(iii), Second Schedule.

⁷² *Id.*, Note 1, Sixth Schedule.

⁷³ Prashant Reddy, *IPA Alleges that New Rule Change will Bring in a Data Exclusivity Regime – Here's Why I Think it Does no Such Thing*, SPICYIP (Nov. 4, 2016), <https://spicyip.com/2016/11/ipa-alleges-that-new-rule-change-will-bring-in-a-data-exclusivity-regime-heres-why-i-think-it-does-no-such-thing.html>.

⁷⁴ New Drugs and Clinical Trial Rules, *supra* note 69, Rule 2(w).

⁷⁵ *Id.*, Rule 97.

these new drugs.⁷⁶ However, the Rules note that local clinical trials ‘may’ be dispensed with in case of a ‘new drug’ which is also an orphan drug.⁷⁷ This presents an uncertainty in the provision, which still has to be examined in the practical context. It is noteworthy that there has been no application for waivers to serve as guidance for the interpretation of the rule till this point in time, and the Central Licensing Authority is vested with the sole power to make a decision in this regard. A closer look at the Rules also reveals that there is no requirement of clinical trials for ‘new drugs’ which have already been approved in India.⁷⁸ This thus enables reliance on test data for such drugs.

This is problematic for drug companies whose drugs have already been approved in India, as it leads to reliance on their test data. Such reliance enables generics/biosimilars to enter the market at lower costs by dispensing with the requirements of clinical trials.⁷⁹ This further enables generics to sell at cheaper costs, which prevents the innovator from recouping investment on their drug. This is a common factor known to disincentivize innovators from conducting future research into new drugs. In India’s case, the importance of generic competition cannot be understated. However, it is desirable that a balance be drawn between innovation incentives and generic competition to ensure

⁷⁶ *Id.*, Rule 75, 80 and Second Schedule.

⁷⁷ New Drugs and Clinical Trial Rules, *supra* note 70.

⁷⁸ New Drugs and Clinical Trial Rules, *supra* note 69, Rule 75(2), 80(2) and Table 2, Second Schedule.

⁷⁹ NANCY OBUCHOWSKI & G. SCOTT GAZELLE, HANDBOOK FOR CLINICAL TRIALS OF IMAGING AND IMAGE-GUIDED INTERVENTIONS 25 (1st ed., 2016). *See also*, David Stewart et al, *The Urgent Need for Clinical Research Reform to Permit Faster, Less Expensive Access to New Therapies for Lethal Diseases*, 21(20) CLIN. CANCER RES. (2015).

unhampered innovation for new drugs.⁸⁰ In light of the above discussion and the lack of robust means to encourage orphan drug production, it becomes imperative that the policy for orphan drugs must be deliberated upon. The time is ripe to re-emphasize that there is no orphan drug manufacturer in India, and Indian companies have had to seek orphan designations for their drugs in foreign jurisdictions.⁸¹ Specific data exclusivity for orphan drugs can offer a solution, and the authors shall proffer arguments in respect of the same.

(a) *Incentivising Pharmaceutical Companies to Recoup*

For a drug to be made available to the general public, it has to go through several stages of extensive clinical and pre-clinical trials. The entire process, from drug discovery to marketing is extremely costly and takes substantial time.⁸² The high rate of drug failures in clinical trials further adds to the risks involved in the development of new drugs.⁸³

⁸⁰ JOANNA BROUGH, INTELLECTUAL PROPERTY AND HEALTH TECHNOLOGIES: BALANCING INNOVATION AND THE PUBLIC'S HEALTH vi (1st ed., 2014); FRANK SLOAN & CHEE-RUEY HSIEH, HEALTH ECONOMICS 389 (1st ed., 2012).

⁸¹ Viswanath Pilla, *Itolizumab, Biocon's drug with Cuban link, in hunt for COVID-19 breakthrough*, MONEYCONTROL (Jun. 1, 2020), <https://www.moneycontrol.com/news/business/companies/itolizumab-biocons-drug-with-cuban-link-in-hunt-for-covid-19-breakthrough-5343361.html>. See also, GlobeNewswire, *Lupin Limited: Orphan Drug NaMuscla Receives European Commission Approval for the Treatment of Myotonia in Non-Dystrophic Myotonic Disorders* (Jan. 8, 2019), <https://www.globenewswire.com/news-release/2019/01/08/1681751/0/en/Lupin-Limited-Orphan-Drug-NaMuscla-Receives-European-Commission-Approval-for-the-Treatment-of-Myotonia-in-Non-Dystrophic-Myotonic-Disorders.html>.

⁸² *Encouragement of New Clinical Drug Development: The Role of Data Exclusivity*, INTERNATIONAL FEDERATION OF PHARMACEUTICAL MANUFACTURERS ASSOCIATION https://www.who.int/intellectualproperty/topics/ip/en/DataExclusivity_2000.pdf?ua=1, ¶¶6-7.

⁸³ Dolly Parasrampur et al, *Why Drugs Fail in Late Stages of Development: Case Study Analyses From the Last Decade and Recommendations*, 20(3) AMERICAN ASSOCIATION OF PHARMACEUTICAL SCIENTISTS (2018). See also, William Bains, *Failure Rates in Drug*

Therefore, an incentive must be visible on the horizon for a company to invest a significant amount of time and resources into developing a new drug. Once we see this in light of orphan drugs, the investment of time and resources skyrockets.⁸⁴ One way for companies to recover these costs is by earning profits on sale of these drugs. With orphan drugs that treat only rare diseases, the sales figures do not make-up for the input cost.⁸⁵ The drugs may further face generic competition in a market with already low demand, worsening an already bleak situation for the pharma company.

Data exclusivity can possibly help bridge this gap in India. It will further enable the usual generic manufactures to take up investments in the manufacturing of orphan drugs, considering that data exclusivity may serve as an assurance to prevent the appropriation of their exclusive data.

(b) Incentivising Research on Rare Diseases

Without data exclusivity, generic manufacturers can piggyback off the efforts of the originator company that heavily invested in terms of time, money and effort. There thus exists a glaring imbalance between the originator who put substantial work into the drug, and a newcomer who gets unfettered access to the data without conducting its own

Discovery and Development: Will we ever get any Better?, DRUG DISCOVERY WORLD (2004), <https://www.ddw-online.com/business/p148365-failure-rates-in-drug-discovery-and-development-will-we-ever-get-any-better.html>.

⁸⁴ *Supra* note 35-42.

⁸⁵ Dimasi, *supra* note 36, at ¶1. *See also*, Carolyn Asbury, *Collaborative Efforts on Behalf of Orphan Diseases* in ORPHAN DISEASES AND ORPHAN DRUGS 107 (1986).

clinical trials.⁸⁶ Such behaviour gives them an undue advantage, which may be argued to be 'unfair commercial use'.⁸⁷

Further, numerous studies suggest that data exclusivity spurs long term innovations and more research into conventional drugs.⁸⁸ With respect to orphan drugs, it has been found that orphan drug exclusivity is working as intended in the U.S., and spurs more research into rare diseases.⁸⁹ The success of the Orphan Drug Act is a testament to the same and has resulted in a massive increase in the development and marketing of orphan drugs in the U.S.⁹⁰ However, it should be noted that the U.S. also has market exclusivity, a measure that the authors do not specifically recommend in the Indian context due to its prohibitory effects.

However, data exclusivity provides an incentive for researchers to enter into the field of rare diseases, with the assurance that their research efforts will be safeguarded. The profits they earn can be funnelled back into R&D. In return, the general public benefits from

⁸⁶ IFPMA, *supra* note 82, at ¶7. *See also*, Tatum Anderson, *Regulators Wrestle with Data Exclusivity for Pharmaceuticals Worldwide*, IPWATCH (Jun. 18, 2007), <https://www.ip-watch.org/2007/06/18/regulators-wrestle-with-data-exclusivity-for-pharmaceuticals-worldwide/>.

⁸⁷ G. Lee Skillington & Eric Solovy, *The Protection of Test and Other Data Required by Article 39.3 of the TRIPS Agreement*, 24 NW. J. INT'L. & BUS. L. 29 (2003).

⁸⁸ Eric Lawrence Levi, *Using Data Exclusivity Grants to Incentivize Cumulative Innovation of Biologics' Manufacturing Processes*, 66(3) AMERICAN UNIV. L. REV. 970 (2017). *See also*, Dana Goldman et al, *The Benefits From Giving Makers Of Conventional 'Small Molecule' Drugs Longer Exclusivity Over Clinical Trial Data* 30(1) HEALTH AFFAIRS 4-5 (2011).

⁸⁹ Orphan Drugs in the United States: Exclusivity, Pricing and Treated Populations, IQVIA INSTITUTE FOR HUMAN DATA Science (2018), https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/orphan-drugs-in-the-united-states-exclusivity-pricing-and-treated-populations.pdf?_=1591714322819,¶¶7-8.

⁹⁰ H. Res. 242 introduced in the 116th Congress by G.K. Butterfield, <https://www.congress.gov/bill/116th-congress/house-resolution/242/text?format=text>. *See also*, Malorye Branca, *How the Orphan Drug Act changed the development landscape*, BIOPHARMA (Apr. 10, 2017), <https://www.biopharmadive.com/news/orphan-drug-act-development-rare-disease/440042/>.

the research on rare diseases which would otherwise have not been taken up enthusiastically.

(c) *India's status as the 'Pharmacy of the World'*

India, in spite of its domestic tussles for maintaining the health and well-being of its citizens has, through the years, attempted to establish itself as the 'Pharmacy of the World'.⁹¹ Though the debate surrounding its status is not completely settled (with major competition from China), India still holds a prominent position as a manufacturer and export of drugs. The grant of data exclusivity in the development of drugs which treat rare diseases will further strengthen India's status as the 'Pharmacy of the World'. Data exclusivity shall ensure that originators will be assured about their data, thereby providing them with the necessary fillip to undertake a research-based and cost-intensive task of developing drugs which treat rare diseases.

The grant of data exclusivity in respect of drugs which treat rare diseases, as explained above, can also lead to better affordability and access to such drugs. Thus, granting data exclusivity for these orphan drugs would reconcile the subtle conflict between India being regarded as the 'Pharmacy of the World' while having a major proportion of its population, especially in cases of rare diseases, deprived of access to drugs.

⁹¹ Pratik Avhad, *The Indian pharmaceutical industry: The 'pharmacy of the world'?*, DELOITTE (Mar. 20, 2020), <https://blogs.deloitte.co.uk/health/2020/03/the-indian-pharmaceutical-industry-the-pharmacy-of-the-world.html>. *See also*, Dinesh Sharma, *'Pharmacy of the world' is in peril*, BUSINESS LINE (Jan. 23, 2018), <https://www.thehindubusinessline.com/news/science/pharmacy-of-the-world-is-in-peril/article10048324.ece>.

(d) *Draws Investments in a Country ensuring better Access*

The presence of a data exclusivity regime is considered to be an ideal incentive for investments by pharmaceutical companies.⁹² Extending data exclusivity provisions to orphan drugs may invoke investments from companies, thereby giving the economy, and local production, a boost. The advantages of local production have been shown to trickle down to access-related issues, ensuring cheaper and timely access to medicines as compared to imported medicines.⁹³

(e) *Advantages of Independent Research by Pharma Companies*

Data exclusivity is a limited protection and does not proscribe another company from conducting its own trials, and accordingly generating data. Thus, exclusivity will enable developers with a taste for risk and investment to develop their own drugs for the rare diseases in question, thereby facilitating more research.⁹⁴ More research on rare diseases could lead to new breakthroughs and alternative drugs being developed, which will ultimately help the end consumer.

(f) *Specific Clinical Trials for Indians*

The landscape of clinical trials in India is troubling, to say the least. In the last decade, thousands of Indians have died in clinical trials, with very few families receiving compensation from the pharmaceutical

⁹² N.S. Gopalakrishnan & Benoy Kadavan, *Study on Test Data Protection in India* 28 (2005). See also, Lisa Diependaele et al, *Raising the Barriers to Access to Medicines in the Developing World – The Relentless Push for Data Exclusivity*, 17(1) DEV. W. BIOETHICS 16 (2017).

⁹³ *Local Production and Access to Medicines in Low and Middle-Income Countries*, WORLD HEALTH ORGANIZATION, https://www.who.int/phi/publications/Local_Production_Literature_Review.pdf, ¶¶16-20.

⁹⁴ CYNTHIA HO, ACCESS TO MEDICINE IN THE GLOBAL ECONOMY 264 (1st ed., 2011). See also, Sharma, *supra* note 48, at ¶9.

companies.⁹⁵ The 2019 Rules have done away with the need for clinical trials for new drugs approved in E.U., U.K., U.S., Japan and Australia, provided that the trials included Indian patients.⁹⁶ This strategy needs to be revisited as it disadvantages Indian consumers. *First*, it does away with the extra layer of security of mandatory clinical trials in India. *Second*, there have been multiple reports and studies about minorities being grossly underrepresented in clinical trials conducted in developed countries.⁹⁷ In many studies, Indians get lost under the labels of ‘Others’, or merely ‘Asians’.⁹⁸ There are racial and genetic differences in the way humans react to different drugs,⁹⁹ and the new Rules put Indians at a risk of getting access to drugs that have not been adequately tested on them.

For rare diseases, it becomes even more imperative that the clinical trial procedure is inclusive and full-proof. This culture will certainly be encouraged by the introduction of data exclusivity, which would require generics to conduct mandatory clinical trials. The clinical data generated in itself will be further protected, thereby ensuring that Indians get safe drugs, conducive to their genetic make-up.

⁹⁵ Samanth Subramanian, *Thousands of Indians die in unethical clinical trials*, N WORLD (Sep. 17, 2018), <https://www.thenational.ae/world/asia/thousands-of-indians-die-in-unethical-clinical-trials-1.770992>.

⁹⁶ Teena Thacker, *No clinical trials in India for new drugs approved in select developed markets*, LIVEMINT (Mar. 26, 2019), <https://www.livemint.com/industry/manufacturing/no-clinical-trials-in-india-for-new-drugs-approved-in-select-developed-markets-1553553711444.html>.

⁹⁷ Meghan McGarry & Susanna McColley, *Minorities Are Underrepresented in Clinical Trials of Pharmaceutical Agents for Cystic Fibrosis*, 13(10) ANN. OF THE AM. THORAC. SOC. (2016). See also, GERARD BODEKER & GEMMA BURFORD, *TRADITIONAL, COMPLEMENTARY AND ALTERNATIVE MEDICINE* 314 (2007).

⁹⁸ Megan Thielking, *Many clinical trials for new cancer drugs didn't include any data on race*, STAT (Aug. 19, 2019), <https://www.statnews.com/2019/08/19/clinical-trials-data-race/>.

⁹⁹ Dan M Roden et al, *Pharmacogenomics: The genetics of variable drug responses*, 123(15) NIH PUBLIC ACCESS (2019).

(g) *Additional Protection to Pharmaceutical Companies*

It is imperative to understand and appreciate the difference between patents and data exclusivity. Data exclusivity protects the originator's test data, whereas patents provide exclusivity over an invention. They operate in different fields and are independent of each other.¹⁰⁰

Data exclusivity can prove extremely important in cases of orphan drugs, as most pharmaceutical patents are applied for at the time of the basic research itself.¹⁰¹ After the grant of the patent, numerous rounds of pre-clinical and clinical trials follow. The time for developing a drug and carrying out further testing in the Indian context has been pinned at 10-15 years.¹⁰² It has been well documented that orphan drugs take longer to get to the marketing approval stage, when compared to ordinary drugs.¹⁰³ In this light, data exclusivity provides a strong layer of security, which patents cannot compete with, or emulate.

CONCLUSION

Data exclusivity in India for new drugs has already been granted for a four-year period,¹⁰⁴ but there is no additional period of exclusivity in respect of orphan drugs. As indicated in the previous section, strong reasons persist for the inclusion of data exclusivity, specifically in relation to orphan drugs. India has already enabled such exclusivity for pharmaceuticals and agro-chemicals,¹⁰⁵ so this will not be a radical

¹⁰⁰ Sharma, *supra* note 48, at ¶12.

¹⁰¹ Timothy Maloney et al, *Intellectual Property In Drug Discovery and Biotechnology*, BURGER'S MEDICINAL CHEMISTRY, DRUG DISCOVERY AND DEVELOPMENT 103 (2010). See also, Benjamin Roin, *Unpatentable Drugs and the Standards of Patentability*, 87 TEXAS L. REV. 529 (2009).

¹⁰² PROBIR ROY CHOWDHURY, *OUTSOURCING BIOPHARMA R&D TO INDIA* 29 (1st ed., 2011).

¹⁰³ Richter, *supra* note 39; Saurabh Agarwal et al, *Orphan Drugs: The Current Global and Indian Scenario*, 4 ASIAN J. OF PHARM. CLIN. RES. 49 (2016).

¹⁰⁴ New Drugs and Clinical Trial Rules, *supra* note 74.

¹⁰⁵ Prashant Reddy T., *The Data Exclusivity Debate in India: Time for a Rethink?*, 10 IND. J. OF L. & TECH. 21-22 (2014).

change in policy. If anything, it will only seek to increase production and subsequent access to orphan drugs in India. Data exclusivity merely provides the inventor with an opportunity to work in the market for a short term.¹⁰⁶ The adoption of data exclusivity, discussed in light of the aforementioned reasons, makes it an effective measure to foster development of orphan drugs in India, while balancing the rights of generics. Unlike market exclusivity, data exclusivity does not bar a generic/biosimilar product from entering the market. As noted above, the quest for 'efficacy and safety' by a generic drug maker may itself result in development of patentable matter, thereby bolstering innovation in India.

However, while implementing a concept like data exclusivity, India has to be wary of the dangers surrounding it. *First*, the grant of data exclusivity should not exceed the time period required for incentivising innovation.¹⁰⁷ It has been indicated that the use of various novel technologies in drug development has the potential to reduce costs, while simultaneously improving efficiency.¹⁰⁸ It is in this light that the term of data exclusivity should be appropriately balanced. *Second*, the pricing of drugs is the primary apprehension when data exclusivity steps in favour of a pharmaceutical company.¹⁰⁹ Through the Drugs (Price Control) Order, 2013, India declared an exemption of five years from price control in favour of orphan drugs, including those which

¹⁰⁶ HO, *Supra* note 94, at ¶259-260. *See also*, Katherine Strandburg, *Users, Patents and Innovation Policy* in THE OXFORD HANDBOOK OF INTELLECTUAL PROPERTY LAW 735 (2018).

¹⁰⁷ Henry Grabowski, *Follow-on Biologics: Data Exclusivity and the Balance between Innovation and Competition*, 7(6) NAT. REV. DRUG DISCOV. 487 (2008).

¹⁰⁸ Jonathan Kimball et al, *Reconsidering the Rationale for the Duration of Data Exclusivity*, 51 THE UNIV. OF THE PACIFIC L. REV. 531-536 (2020).

¹⁰⁹ HO, *Supra* note 94, at ¶244. *See also*, PV Grootendorst et al, *Patents and Other Incentives for Pharmaceutical Innovation* in ENCYCLOPEDIA OF HEALTH ECONOMICS 437 (2014).

have been developed abroad.¹¹⁰ However, the Indian patent regime, through its public-welfare oriented provisions is well-equipped to redress issues connected with accessibility through compulsory licensing.¹¹¹

Thus, data exclusivity has the potential to offer the Indian pharmaceutical industry the required boost, while not compromising on accessibility and affordability beyond existing standards.

Rare diseases in a country as populated as India are not a secondary concern. A spoonful of sugar makes the medicine go down; the Mary Poppins' refrain takes on a whole new light in the orphan drug scenario. Data exclusivity might just sweeten the deal for orphan drug development in India, opening the gates for a new era of research and development while securing improved access to patients.

¹¹⁰ Laxmi Yadav, *Patent experts welcome DoP's decision to deregulate prices of patented orphan and innovative drugs*, PHARMABIZ (Jan. 10, 2019), <http://www.pharmabiz.com/NewsDetails.aspx?aid=113316&sid=1#:~:text=Nair.,commercial%20marketing%20by%20the%20manufacturer>.

¹¹¹ TRIPS Agreement, *ib note 1*, Sec. 83(d), 84(1)(b) and 92(3). These sections of the Act envisage that excessive pricing in respect of patented inventions shall be avoided through the grant of compulsory licenses.

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