

Quaderni di AIDA

n. 19

Andrea Ottolia

**The Public Interest
and Intellectual Property Models**



G. Giappichelli Editore – Torino

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PREFACE

It is an honor and a privilege to write a Preface to this book. The author, Andrea Ottolia, studied at U.C. Berkeley as a JSD candidate, and I was fortunate enough to have extensive interactions with him at this time. I have been graced by the presence of students from many nations, and indeed all continents, in my time at Berkeley, but Ottolia and the other Italian students I have supervised hold a special place for me. And so it is with real joy that I agreed to write this Preface to this fine and stimulating volume.

I well remember some stimulating lunch-time conversations about the thesis of the book. The author and I would often discuss the importance of IP rights in the emerging world around us – the economic, social, and moral significance of rights over intellectual creations. But we would also comment on the large gap between the importance of these rights and the ways that the political and legal systems were grappling with them. In the US, Congress has increasingly been seen as either captive to powerful IP holders, or at the minimum, tied up in activity through the leverage of numerous “veto players” in the legislative context. The courts have done somewhat better, but they too seem not to have risen to the occasion as quickly or as thoroughly as we would have liked. The chief problem we identified with the courts was a sort of institutional timidity, part of a much larger trend in which concerns with legitimacy and democratic accountability have reduced the role of the US Supreme Court to a sort of glorified scrivener, so jealous of its reputation for rectitude that it ignores the larger historical/dynamic role assigned to it. At every turn, our conclusion was the same: IP

is *important*, maybe even crucial, to society today; but it often ends up not being treated as *fundamental* in important ways by the political and legal officers at the top of the US system.

Having now read the finished version of his book, I can assure you that Ottolia did not just let these thoughts drift away. He got to *work* on them. As a result, he has written an important and timely book about a crucial topic: the role of the public interest in the interpretation and application of intellectual property (IP) law. His main themes cut to the core of this crucial field of study, and call to mind the grand themes that have always been at the heart of the field: Progress. Innovation. The public interest. Balance. All big concepts, important words – and ones that too seldom find their way into the conversation about IP rights. Along with a tiny handful of US scholars (Netanel, Benkler, and to some extent Lessig), Ottolia wants to return our attention from the technical details of doctrines and technologies (which so often occupy us in this field) to the big, foundational ideas.

It is ironic, it seems to me, that the seminal case of *Eldred v. Ashcroft* has received in this book – by a European author – one of its deepest and most philosophically interesting readings. In Ottolia's hands, this case becomes not simply a highly important legal decision permitting the extension of copyrights well beyond their historically bounded temporal limits; it comes to represent a monumental milestone that caps a significant negative trend in US IP law, and indeed, in US legal history as a whole. For according to the author, the careful and defensive retreat to a highly deferential standard of review for IP legislation shown by the Supreme Court in *Eldred* represents a complete wrong turn, a misguided and potentially tragic move away from the Court's role as protector and defender of fundamental rights. The simple but powerful argument Ottolia makes is that IP is just such a right. (A right not in a simplistic, libertarian sense; but in a fully democratic, and I would say liberal, sense. An excellent contribution of the present book is in fact its nuanced and deep treatment of IP as a right in this full and dynamic sense.) The clear inference is that the Supreme Court must

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protect this right against incursion and erosion from Congress. And Ottolia's straightforward conclusion is that they failed to do so in *Eldred*.

This represents a tremendous lost opportunity. The heavy strain of "formalism" at work in US law today is shown here to have serious consequences for US IP law. The roots of this movement toward formalism are manifold; and as is his custom, the author does an outstanding job of both documenting the big picture development and – most importantly – explaining how and why it applies to IP law. (This ability to relate large-scale trends at work in the legal system to IP law, and to cite all the major thinkers and leading developments, is a special strength of the author, and thus of this volume.)

Of the many rationales for comparative law, one of the best is what may be learned by examining how different legal systems diverge and converge over the handling of the same set of issues. This book represents a very fine example of the comparative law method at work. Ottolia does a masterful job of laying out the basic contours of what might be called the "IP system" in Europe and the U.S. The careful explanation of the structure of the US IP system leads to one of his chief insights: that the failure of the legislative dimension of US IP law to maintain balance has placed added pressure on the courts, which must now play an even more central role in injecting considerations of the public interest into the fabric of US IP law. Likewise, his analysis of the European system strikes me as highly nuanced and quite persuasive. His presentation is especially strong on the topic of multilevel constitutionalism, and on how this structural feature of European law operates in the realm of IP law. In a more normative sense, Ottolia argues that European institutions must strive to build in a more active policy dimension, one that builds on and goes the legislative primacy at the heart of European IP policy. More nuanced tools for "micro-adjustments" are needed in Europe, he argues; and he shows why these arguments make sense and how they might help. I am not an expert on European law, so I cannot comment in detail on this part of the book,

except to say that it makes excellent sense and builds on the very firm analytical foundation under which IP as a right is defined and defended earlier in the book.

I well remember in my early conversations with Ottolia his sense of frustration that IP was becoming such an important area of law, but that the relevant governing institutions were not recognizing this, were not moving aggressively to keep the IP system in balance. We talked about the formal recognition of IP rights at the highest levels of various legal systems – the Constitutional law of IP (where Constitution is spelled with a capital “C”). And I remember that we talked about the need to go further, toward a recognition that IP law was basic or constitutive of the modern economy and society. What is needed, we thought, was some writing on the nature of IP as constitutional, with a lower case “c”. Because Ottolia pursued his ideas, did the hard work of researching, drafting, and editing, we now have just such a book. You are holding it in your hands right now.

Professor Robert P. Merges
UC Berkeley

May 2010

ACKNOWLEDGMENTS

The present work was started in Berkeley: it developed from the dissertation I wrote for my Doctorate in Law at Boalt Hall under the supervision of Professor Robert P. Merges. After my return to Europe the work evolved substantially, and now includes new sections dedicated to Europe and TRIPs.

I would first like to thank the Berkeley and Boalt Hall community, my LL.M and J.S.D. classes, for the great years of cultural diversity and intellectual exchange we spent together. I am also indebted to many people for their contributions to all that is positive in this work. I wish to thank Vittorio Afferni, who first supported my commitment to legal research in commercial law and intellectual property at the University of Genoa, Pamela Samuelson who supervised my early works in the US and first inspired my study of the interface between IPRs and the public interest, Robert P. Merges for the strong early support he gave to this project, for his fundamental suggestions and openness, Marco Ricolfi and Dan Wiesel for early readings of the initial drafts, Davide Sarti and the extraordinary AIDA group in Milan for further decisive suggestions on the advanced version. I finally and mostly wish to thank Luigi Carlo Ubertazzi who made this project possible: I thank him for his suggestions, strong support, and cultural openness.

CHAPTER I

INTRODUCTION

SUMMARY: 1. The public interest and intellectual property models. – 2. Functional description of the work. US and Europe: contingent and structural difficulties in dealing with IPR expansionism.

1. Contemporary intellectual property discourse is often read as an ongoing tension between the private interest in recouping investments on innovation and the public interest in accessing knowledge and fostering progress. This tension has been reinforced by what has often been described as a phase of intellectual property overprotection (1) or, more neutrally, of IPR expansionism (2).

(1) Several scholars have referred to this phenomenon from the standpoint of science and the progress of society in several fields of intellectual property: see A. KAPZCYNski, *The Access to Knowledge Mobilization and the New Politics of Intellectual Property*, 117 *Yale L. J.*, 804 (2008), referring to the emerging social movements criticizing intellectual property under the umbrella of “access to knowledge”; J. BOYLE, L. LESSIG, *Cultural Environmentalism @10*, 70 *Law and Contemporary Problems* 1 (2007); L. LESSIG, *Foreword*, 70 *L. & Contemp. Probs.*, 1 (2007); R.S. EISENBERG, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 *U. Chi. L. Rev.*, 1017 (1989), referring to the implication of patent expansionism over biotech innovation; M.A. LEMLEY, L. LESSIG, *The End of the End-to-End: Preserving the Architecture of the Internet in the Broadband Era*, 48 *UCLA L. Rev.*, 925 (2001), analyzing the effects of intellectual property control in reducing the open structure of the Internet TCP/IP infrastructure; R.M. HILTY, *Five Lessons About Copyright in the Information Society, Reaction of the Scientific Community to Over-Protection and What Policy Makers Should Learn*, 53 *J. Copyright Soc’y USA*, 103

The purpose of this work is to demonstrate that – while on the one hand the “universality” of the “law and economics” understanding of this tension constitutes a valuable analytical tool, and its “political” reading on the other hand is gaining widespread appeal (3) – both the legal analysis of the relevant competing interests involved, and any conclusions regarding possible solutions under positive law, should be firmly rooted in a close consideration of the given IP model and the specific nature of the intellectual property right. Furthermore, for the purpose of defining an intellectual property model, the consideration of the legal rules governing institutional relations and particularly the interpretative instruments of the courts in interpreting the law is as fundamental as the consideration of the apical norms defining the nature of IPRs. The pivotal distinction is not merely between utilitarian and natural law models, but between models allowing the courts a continuous fine-tuning of IPRs

(2006). In Europe several intellectual property scholars have referred to the concept of overprotection, see H. LADDIE, *Copyright: Over-strength, Over-regulated, Over-rated?*, 18 *EIPR*, 253 (1996); B. HUGENHOLTZ, *Copyright and Freedom of Expression in Europe*, in R.C. DREYFUSS, H. FIRST, D.L. ZIMMERMANN (eds.), *Expanding the Boundaries of Intellectual Property*, Oxford University Press, Oxford, (2001), arguing that “concern over the steady proliferation of intellectual property rights, or, conversely, the declining public domain is no longer limited to the United States”; C. GEIGER, *Constitutionalizing Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in Europe*, 37 *IIC*, 371 (2006); for a critical but more balanced approach see M. RICOLFI, *Is There an Antitrust Antidote Against IP Overprotection within TRIPS?*, 10 *Marq. Intell. Prop. L. Rev.*, 305 (2006), arguing that “[t]he very idea that we are in a phase of overprotection of IP is theoretically questionable and empirically disputable”, at 307.

(2) In Europe a more neutral reference to intellectual property “expansionism” rather than “overprotection” is predominant in L.C. UBERTAZZI, *Proprietà Intellettuale, Introduzione al Diritto Europeo della Proprietà Intellettuale*, *Contr. impr. eur.*, 1054, 1104 (2003), and in D. SARTI, *Antitrust e diritto d’autore*, *AIDA* 105 (1995), referring to the improvement of legal rules allowing the transfer of IPRs from authors and inventors to enterprises.

(3) On the effects of the “global” political reading of intellectual property see P. DRAHOS, *The Universality of Intellectual Property Rights: Origins and Development* (1998) (available at www.wipo.int), arguing that “[i]ntellectual property policy has become a highly politicized arena in which state and non-state actors will continue to contest not just the rules of intellectual property, but also the roles of markets and government”.

(balanced IP model), and models where public interest concerns may only regard the ex ante legislative regulation (rigid IP model).

Taking such specificities, this analysis tries to create an interpretative framework regarding the way courts may or have to consider the public interest either in judicial review or in substantive intellectual property interpretation. It will recognize the existence of divergent IP models, where such tension leads either to a “balance”, enabled by ongoing institutional competition between the legislature and judiciary (under the US utilitarian model), or to a property model where the evaluation of competing interests is internalized and evaluated by the legislature, and institutional competition only emerges in rare cases of conflict (under the European model). The object of such analysis needs further and preliminary specification.

Firstly, the public interest dealt with in this work is (i) “access to knowledge”, which is ontologically linked to the legal recognition of IPRs. It is the general interest in accessing knowledge protected by exclusive rights: e.g. access by users to protected intellectual creations for the enjoyment of knowledge, and access by new innovators to protected intellectual creations in order to develop new creations. Indeed, the protection of this first category of interests cannot be simply assumed to be “internalized” in the IPRs’ design. However, two further types of public interest are not considered in the present work as their exceptional interference with IPRs would require a different kind of analysis. These are (ii) other interests in accessing knowledge, which are not ontologically linked to IPRs: e.g. the use of protected products for specifically informational and political purposes, and the use of copyrighted products for evidence in litigation. This second group of interests remains outside the typical scope of IP protection: they are either expressly addressed by the legislature, or they are likely to be recognized by courts in cases of specific conflicts. (iii) A third group includes further specific public interests, which are detached from the intellectual property discourse and may exceptionally conflict with exclusive rights in ways that should be considered specifically

and separately: e.g. public health, education, human dignity, biodiversity and protection of the traditional knowledge of indigenous communities (4).

Secondly, since the purpose of this work is to assess the extent to which the public interest should be considered in intellectual property interpretation, it does not offer arguments on the merits of calculating social welfare (and market efficiency), which is a different area of research, complementary to, but independent from, the present analysis. For the same reason this work does not pose *de iure condendo* arguments (i.e. arguments as to how the law should be changed) in relation to the standards versus rules debate, as it is essentially concentrated on finding positive law arguments governing the existing tools of interpretation (5).

(4) These issues are indeed the object of robust discussion both in scholarly debate and in international bodies, see *Statement of the Committee on Economic, Social and Cultural Rights UN Doc. No. E/C.12/2001/15*, November 26, 2001 (“The Committee wishes to emphasize that any intellectual property regime that makes it more difficult for a State party to comply with its core obligations in relation to health, food and education in particular, or any other right set out in the Covenant, is inconsistent with the legally binding obligations of the State party”). It is significant that, until today, the relationship between human rights and IPRs, under the TRIPs Agreement, has been mostly raised with regards to public health. Furthermore, in some cases it is not easy to ascertain if a fundamental right in fact falls inside or outside the typical balance of the IP Clause. One obvious example is biodiversity, i.e. the preservation of germoplasm varieties over the centuries by indigenous people of developing countries which are endangered by Western companies’ exploitation and patenting. In addition to preservation, biodiversity also involves the issue of giving indigenous people a fair share. Biodiversity therefore predominantly raises “distributional” and “ethical” problems which, although highly relevant and potentially conflicting with IPRs, do not belong to the present discourse. However, from another perspective, these problems appear to be an archetypal IP issue: germoplasm preservation is equivalent to the preservation of the public domain on which future global innovation will depend. For the view that germoplasm protection merely concerns fairness and redistribution interests that are outside the usual scope of IP law; see the opinion delivered by Advocate General of the European Court of Justice Jacobs on June 14, 2001 in *Netherlands vs. European Parliament and Council of EU*: “the directive being concerned with patents does not seek to regulate matters outside the realm of industrial property”.

(5) Designing and interpreting IPRs for the purpose of embedding public interests indeed intertwines with the *de iure condendo* issue relating to the debate over

Thirdly and finally, although this work considers the US law, European law, international human rights laws and the TRIPs Agreement, a significant proportion is dedicated to the US legal system. Indeed the US system is the only one embedding a recognition of

standards v. rules. This refers to the alternative – in designing and interpreting legal norms – between flexible solutions and crystallized rules and consequent institutional relations. The application of the standard requires an ex post process of providing information, often undertaken by an institution that is different from the one that originally designed the standard. In this sense a system of standards rather than rules favors institutional competition between the standard setter (e.g. The Legislature) and the standard interpreter and information filler (the Judiciary). Such debate originally developed as a normative rebellion against analytical jurisprudence and its pretense to solve disputes by mere deduction of legal rules, and initially resulted in the legal realists' horizontal preference for the design and interpretation of legal provisions as standards rather than rules, preferring vagueness and leaving courts to engage in deep inquiry; on this subject see M.G. WHITE, *Social Thought in America: The Revolt against Formalism*, Beacon Press, Boston (1957); W. TWINING, *Karl Llewellyn and the Realist Movement*, Weidenfeld and Nicholson, London (1973). The harshest implication of this view resulted in the declaration of the end of formalism: see G. GILMORE, *The Death of Contract*, The Ohio State Univ. Press (1974); T.C. GREY, *The Disintegration of Property*, in J.R. PENNOCK, J.W. CHAPMAN (eds.), *Property: Nomos XII New York: New York U.P.* (1980), 69. More recently it developed a more neutral approach to the problem through economic analysis, concentrating on the efficiency-based tradeoff between standards and rules. For an analysis of the competing social costs of creating fine-grained ex ante rules compared to the costs involved in the necessary institutional/judicial efforts to interpret easy-to-legislate general rules, see L. KAPLOW, *Rules v. Standards: An Economic Analysis*, 42 *Duke L. J.*, 557 (1992). The standards v. rules debate can be used to describe the role of instrumental IPRs and judicial activism, and potentially provides a convenient descriptive scheme: (i) in terms of the design of legal rules, fundamental US IP provisions are constructed as standards rather than rules: e.g. Article I, Section 8, Clause 8 of the US Constitution and fair use doctrine; (ii) in terms of institutional relations the claim for active judicial interpretation recalls the institutional scheme that is fit for a standard-like legal rule, where judicial activism plays the fundamental role in refitting general provisions; (iii) in terms of remedies, the standards and rules alternative overlaps with the other alternative of liability rules and property rules. A system of standard rules is more suited for liability rules and court-awarded compensation rather than a strong property rule based on injunction. The regression of the US IP system toward a rigid lack of institutional competition and a diminishing of its utilitarian nature will be reflected in a reduced use of court-awarded compensation. However, it should be noted that the parallel between standards v. rules and liability rules (e.g. court-awarded compensation) v. property rules (e.g. injunction) is not always correct.

intellectual property rights in its Constitution and linking these directly to the public interest. Verifying the mechanisms by which this system deals with such a link seems fundamental to analyzing the interface between IPRs and public interests.

2. The first part of the work focuses on the peculiar relation between US IP utilitarianism and what I refer to as “institutional competition”. The US system, as an emblematic laboratory of intellectual property judicial fine-tuning, constitutionalizes IPRs in the service of the public interest in promoting progress. Such functionalization should not be seen as the effect of state intervention over individual rights, since IPRs are considered *ab origine* creations of positive law (6): their existence is justified (and their regulation is intended) exclusively to fulfill specific tasks. However, the Progress Clause in the US Constitution “envision[s] the creation of unanticipated inventions and writings. It provides no built-in limits” (7). In this sense, rather than a model of “mandated freedom”, it provides an IP balancing tool meant to guarantee an “evolutionary architecture” of knowledge regulation: it sets a final goal and functionalizes both private rights and limits to pursue that goal, maintaining this balanced architecture not merely to filter legislation, but also to interpret substantive intellectual property law.

While the structurally teleological nature of the US intellectual property system is potentially perfectly suited to balancing the forces driving intellectual property expansionism, its functioning requires substantial institutional competition between the legislature and judiciary. If the legislature’s choices are only *rational* and

(6) “Long before the enactment of the Copyright Act of 1909, 35 Stat. 1075, it was settled that the protection given to copyrights is wholly statutory”, see *Wheaton v. Peters*, 8 Pet. 591, 661-662 (1834).

(7) See R.P. MERGES, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patents System Reform*, 14 *Berkeley Tech. L. J.*, 577 (1999). Indeed, the IP Clause contains some literal and express limitations, such as the words “writings” and “limited times”. However, the main focus of the article is more on an embedded balance rather than on specific limitations.

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not *substantially*(8) verified by the Supreme Court’s judicial review(9) and if general clauses under substantive IP law cannot be *actively*(10) fine-tuned through general intellectual property interpretation, the constitutional recognition of the instrumental nature of IPRs inevitably loses its binding effect: what is in theory a utilitarian system may “regress” into something very similar to a property-based model, where the societal interest is only indirectly purposed either by the recognition of exclusive rights or by mere legislative *ex ante* limitations(11). This part will focus on establishing that the growing reduction of institutional competition under the US intellectual property model constitutes a departure from the very nature of this intellectual property model. It will be argued that the phenomenon should be considered as a *contingent* malfunction of certain institutional relations, both at the level of the Supreme Court’s judicial review of legislation enacted under the IP Clause power and the interpretation of lower courts, specifically the Court of Appeals for the Federal Circuit.

There are several arguments to support the claim for institutional competition between the Supreme Court and Congress as far as judicial review of intellectual property is concerned. Among other arguments that will be analyzed, this work will consider the line of Supreme Court precedents requiring a heightened standard of scrutiny where the legislation does not just involve economic regulation

(8) “Rationally” and “substantially” refer here to the different standards of judicial review which the US Supreme Court may use to verify the constitutionality of legislation enacted by Congress under its IP Clause power. The effects deriving from the use of different interpretative standards will be discussed in Chapter 3.

(9) In the context of the present work the expression “judicial review” is used in its US meaning of the power of a court to review the constitutionality of a statute or treaty, or to review an administrative regulation for consistency with either a statute, a treaty, or the Constitution.

(10) See Chapter V below for a discussion of the balance of interests in intellectual property interpretation.

(11) There are other kinds of institutional competition involving parties outside the fabric of the institutional layer supporting intellectual property. These are discussed in Chapter II.

but “fundamental values”(12). Within this jurisprudential framework this work aims to demonstrate that intellectual property legislation – due to the nature of the US IP model – in fact ontologically involves the fundamental interest of access to knowledge for the purpose of fostering progress. The fine-tuning mandated by the IP Clause (and to be undertaken both in judicial review cases and in the interpretation of substantive intellectual property rules that are to be read in the light of such constitutional norm) does not consist of a mere economic calculus but implies the continuous consideration of the fundamental right protected by the First Amendment: the fundamental value is the same but the tool to protect it where IPRs are concerned is the IP Clause. According to this reasoning, the deferential approach adopted by the Supreme Court in the *Eldred* case, and its implications for utilitarianism, are to be read as a departure from the model.

A similar analysis will be undertaken with regard to the interpretation of substantive intellectual property law provided by other courts. In particular, the Court of Appeals for the Federal Circuit’s formalistic interpretation of IP law leads to a further kind of institutional integration, and produces results that are inconsistent with the utilitarian model. The part dedicated to the US system will therefore propose a more complex structure to the category of intellectual property utilitarianism (that may be considered by different legal systems trying to import such model into national law, or mimic its mechanics), consisting of constitutional provisions functionalizing IPRs as well as positive law arguments allowing institutional competition and judicial activism (13).

(12) In this sense I agree with the analytic framework proposed in P. SCHWARTZ, W.M. TREANOR, *Eldred and Lochner: Copyright Term Extension and Intellectual Property as Constitutional Property*, 112 *Yale L. J.*, 2331 (2004), and in T.B. NACHBAR, *Judicial Review and the Quest to Keep Copyright Pure*, 2 *Journal on Telecom. & High Tech. Law*, 33 (2003). However, I come to quite opposite conclusions and try to demonstrate that this legislation does affect fundamental interests.

(13) In the present work the expression “judicial activism” is used neutrally to describe an objective situation where the courts strike down the actions of other bran-

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In the European intellectual context, the analysis aims to formulate, through a more complex system of multilevel constitutionalism⁽¹⁴⁾, an IP model centered on private interests, with societal interests as a mediated purpose. In European intellectual property the “value of progress” does not functionalize IPRs. The way to pursue societal benefit remains entirely a matter of legislative choice and judicial branches are excluded from the substantial balance typifying a utilitarian system. Judicial branches may not choose between private rights and limits as a matter of fine-tuning and convenience for the higher interest in progress, but may only incorporate public interest considerations when a potential conflict between private rights and fundamental interests emerges: e.g. a conflict between European law and human rights legislation, or the fundamental interests of Member States’ constitutions. Given the preeminence of the interests of IPR holders, fundamental rights are deemed to be “internalized” and “crystallized” by the ex ante architecture chosen by the legislature: competing interests may therefore prevail only when sufficiently specific and overwhelming. Under such a model, IP expansionism cannot easily be judged overprotective from an

ches of government or integrate legislative choices. The present work does not intend to ascertain the possible ideological reasons that may influence such a result, but rather the arguments emerging from substantive IP law and a constitutional reading that justify it. The expression was first used (without any positive or negative connotation) by Schlesinger, see A.M. SCHLESINGER, *The Supreme Court: 1947, Fortune* (1947), at 73. However, the expression has often been used with a negative meaning, as referring to an ideological attitude in courts: see C.R. SUNSTEIN, *Radicals in Robes: Why Extreme Right-Wing Courts are Wrong for America*, Basic Books (2005); C.M. OLDFATHER, *Defining Judicial Inactivism: Models of Adjudication and the Duty to Decide*, 94 *Geo. L. J.*, 121 (2005); R.A. POSNER, *The Supreme Court, 2004 Term-Foreword: A Political Court*, 119 *Harv. L. Rev.*, 31 (2005), preferring the term “aggressive judge”; E.A. YOUNG, *Judicial Activism and Conservative Politics*, 73 *U. Colo. L. Rev.*, 1139 (2002). For a detailed, conceptual and historical analysis of judicial activism see C. GREEN, *An Intellectual History of Judicial Activism*, 58 *Em. L. J.*, 1195 (2009).

(14) The expression is used with great descriptive and evocative effect in the work of Pernice Ingolf. See inter alia I. PERNICE, *The Treaty of Lisbon: Multilevel Constitutionalism in Action*, 15 *Colum. J. Eur. L.*, 349 (2009).

“internal” point of view. Because it is extremely difficult to detect utilitarian traces in the fabric of the European system, the solution to the negative effects of IP expansionism over the public interest must be investigated through other routes.

Finally, while supranational law in the form of human rights legislation and the TRIPs Agreement may appear to be an IPR – reinforcing framework, it does not provide a globally harmonized intellectual property model. Rather, it allows divergent IP models to be maintained within a sort of neofederalistic legal infrastructure. However, a further analysis will be dedicated to the structural or interpretative phenomena that reduce the neofederalistic nature of TRIPs.

CHAPTER II

UTILITARIANISM AND INSTITUTIONAL RELATIONS

SUMMARY: 3. Utilitarianism: definition and sliding boundaries. – 4. Utilitarianism and IPR expansionism: why institutional relations matter under in the US IP model. – 5. Distinguishing the “institutional relations issue” from the constitutional intellectual property debate.

3. US intellectual property is utilitarian (15). While the system is often said to be mainly devoted to “rely[ing] on marketplace norms”, (16) “utilitarian” could be considered a valuable way to define it in the sense that US intellectual property shares the instrumental nature that law and economics literature confers on the intellectual property right (IPR): this is not a species of real property but a legal protection afforded to solve the problems surrounding the “public good” nature (17) of knowledge (i.e. the typical but not the only pub-

(15) For theories on utilitarianism and other foundations of intellectual property rights see W. FISHER, *Theories of Intellectual Property*, in STEPHEN MUNZER (ed.), *New Essays in the Legal and Political Theory of Property*, 172 (2001), see also R.P. MERGES, *Justifying Intellectual Property*, Harvard University Press (2010).

(16) See P.E. GELLER, *Must Copyright be Forever Caught Between Marketplace and Authorship Norms?*, in BRAD SHERMAN, ALAIN STROWEL (eds.), *Of Authors and Origins: Essays on Copyright Law*, (1994), stating “Anglo-American copyright laws, in the usual course of affairs, rely on marketplace norms”, at 159.

(17) “Public good” is here used, as in economics, to refer to goods characterized by two fundamental elements: the fact that they are non-excludable in their bene-

lic good potentially applying to IP regulation (18)) and typically in-

fits (so that they cannot practically be withheld from one individual consumer without withholding them from all) and non-rivalrous in their consumption so that their consumption by one individual does not diminish their availability for others. For the public nature of knowledge see P. DAVID, *Koyaanisquatsi in Cyberspace: the Economics of an Out-of-Balance Regime of Private Property Rights in Data and Information*, in K. MASKUS, J.H. REICHMAN (eds.), *International Public Goods and Transfer of Technology Under a Globalized Intellectual Property Regime*, Cambridge University Press, Cambridge (2004). However, the public good aspect of knowledge is essentially imperfect: both “non-rivalrousness” and “non-excludability” depend on technology where knowledge is embedded and the possible existence of a secrecy regime, see J.E. STIGLITZ, *Knowledge as a Global Public Good*, in *Global Public Goods. International Cooperation in the 21st century*, Oxford University Press, New York (1999), where the author labels knowledge an “impure public good”. I would like to underline that this imperfection goes some way to explaining why intellectual property law developed so late in the history of law after hundreds of years of innovation; for a more skeptical view about the incentives created from intellectual property as compared to other legal tools, see Y. BENKLER, *The Wealth of Networks: How Social Production Transforms Markets and Freedom*, Yale University Press, (2006). However, several studies have shown that the reinforcement of IP rights (such as extending their duration) does not always produce an overall increase in intellectual property, see W.M. LANDES, R. POSNER, *Indefinitely Renewable Copyright*, 70 *U. Chi. L. Rev.*, 471, 475 (2003), stating that “copyrights and trademarks are subject to significant depreciation and have an expected or average life of only about fifteen years...”. Regarding the same calculation of the optimal length of copyright see R. POLLOCK, *Forever Minus a Day? Some Theory and Empirics of Optimal Copyright* (2007) (available at www.rufuspollock.org). For a consideration of alternative incentives other than property rights for performers and creators see S. STERK, *Rhetoric and Reality in Copyright Law*, 94 *Mich. L. Rev.*, 1197 (1996). Posner has often argued against retroactive IPR extension as “the increased incentive to create will be limited to a subset of the affected works (those not yet produced), while the increase in the cost of expression will apply to borrowing from all works, existing and not yet produced” see W.M. LANDES, R. POSNER, *An Economic Analysis of Copyright*, 18 *J. L. S.*, 325, 362 (1989). See more recently the *Brief Amici Curiae Eldred et al. v. Ashcroft*, in G.A. AKERLOF *et al.*, *The Copyright Term Extension Act of 1998: An Economic Analysis* (AEI-BROOKINGS JOINT CENTER FOR REGULATORY STUDIES, 2002).

(18) Two other public goods often interfere with IPRs: (i) public health constitutes a typical public good. Indeed, each citizen benefits from eradication of diseases and its value is not diminished when another individual benefits from it. A system providing incentives for the public good of knowledge based on IP rights may, to some extent, conflict with public health policies, because although it would provide incentives for the creation of new medicines, it may also limit access to patented medicines, see G. SHAFFER, *Recognizing Public Goods in WTO Dispute Settlement*;

volving authors and ‘inventors’ works (19). This function of incentivizing the production of further creations and inventions, (fostering

Who participates? Who decides? The Case of TRIPS and Pharmaceutical Patent Protection, 7 *J. of Int’l Econ. L.*, 459, 463 (2004); (ii) secondly, both at a national and an international level (European Union and the WTO), intellectual property rights do conflict with a free trade system which is indeed non-excludable and non-rivalrous; for the qualification of a system of rules of free trade as a public good see N. BIRD-SALL, R. LAWRENCE, *Deep Integration and Trade Agreements: Good for Developing Countries?*, in I. KAUL, I. GRUNBERG, M.A. STERN (eds.), *Global Public Goods, International Cooperation in the 21st Century*, United Nations Development Programme, Oxford University Press, New York (1999), at 128; see contra for the thesis that free trade is not a public good, J. CONYBEARE, *Public Goods, Prisoner’s Dilemma and the International Political Economy*, 28 *Int’l St. Quart.*, 5 (1984), arguing that free trade can be better described as a prisoners’ dilemma rather than a public good; see also J. GOWA, *Rational Hegemons, Excludable Goods, and Small Groups: an Epitaph for Hegemonic Stability Theory?*, 41 *World Politics*, 307 (1989). For an intermediate position qualifying that system as an “impure public good” because “it can be subject to some excludability, whether through restricting membership to the WTO or through use of unfair trade laws to exclude exports from targeted countries” see G. SHAFFER, *Recognizing Public Goods in WTO Dispute Settlement*, cit., at 462. Indeed, strong intellectual property rights do interfere with market forces and with the benefits of liberalized trade.

(19) Indeed as knowledge is non-excludable, the central question is why any private party should ever invest in their production, see R. CORNES, T. SANDLER, *The Theory of Externalities, Public Goods and Club Goods*, Cambridge University Press, Cambridge (1986); P. SAMUELSON, *Pure Theory of Public Expenditure and Taxation*, in J. MARGOLIS, H. GUITTON (eds.), *Public Economics*, Macmillan, London, (1969). Intellectual property systems respond to this problem with three layers of legal protection: (i) by granting exclusive intellectual property rights consisting of property rules, (ii) through liability rules, and (iii) through the discipline of competition law that bans certain forms of unfair competition without creating exclusive rights, see B. UBERTAZZI, *Immunità Statale dalla Giurisdizione e Proprietà Intellettuale*, in *Comunicazioni e studi*, 89 (2007). Some contend that such a model has valuable alternatives but is highly imperfect, as the remuneration of authors and inventors would occur only in the case of exploitation of the work, i.e. when this has already been created; in the creation phase they rely on alternative means of remuneration, see C. GEIGER, *Constitutionalizing Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in Europe*, 37 *IIC*, 371, 378 (2006). However, in law and economics literature there is no uniform consensus for the idea that creating exclusive rights in knowledge is the best way to deal with the problem of suboptimal production of innovation. For an analysis of the possible counterarguments see M. LEMLEY, *Property, Intellectual Property and Free Riding*, 83 *Texas L. Rev.*, 1031 (2005).

progress in the sense of maximizing the amount of innovation available to the greatest number of people), (i) is rooted in the positive law mandate provided by Article I, Section 8, Clause 8 of the US Constitution (the so-called “IP Clause” (20)) conferring on Congress the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”; (ii) is confirmed by the Supreme Court reading of the clause: in the words of Justice Steward in the seminal *Betamax* case (1984) “[t]he limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music and the other arts” (21). In *Betamax*, the Supreme Court noted that copyright law was founded on a limited grant of power whose “sole interest and primary object” are the general benefits that may be derived

(20) The expression “Intellectual Property Clause” is clearly a mere convention. Some authors have noted that the expression is somehow anachronistic, as intellectual property was not used by (or known to) the Framers, see on this point Y. BENKLER, *Constitutional Bounds of Database Protection: the Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 *Berkeley L. & Tech. J.*, 535 (2000), see also on this point E.C. WALTERSCHEID, *Inherent or Created Rights: Early Views on the Intellectual Property Clause*, 19 *Hamline L. Rev.*, 81 (1995). For an early reference to this expression in US doctrinal debate see R.W. KASTENMEIER, M.J. REMINGTON, *The Semiconductor Chip Protection Act of 1984: A Swamp or Firm Ground?*, 70 *Minn. L. Rev.*, 417, 441 (1985), referring to the IP Clause. An alternative convenient expression other than IP Clause would be “the patents and copyrights clause” as trademark law can be adopted under the Commerce Clause power that was the source of authority for the Lanham Act, see Trademark Act of 1946 15 USC § 1051 et seq. (1999), while trade secrets law cannot be adopted by Congress under the IP Clause but remains at state level. Alternative expressions are not convincing: some refer to the clause as the Copyright Clause, but this expression fails to cover patents that are included in such congressional power; another common expression is the “Progress Clause”, which although highly evocative refers to the function and not the object of the clause.

(21) *Sony Corp. v. Universal City Studios*, 464 U.S. 417, 43 1-3 (1984) (the “*Betamax* case”).

by the public from the release of products of the creative genius of authors, with the reward provided to the copyright owner being a “secondary consideration”. The Court emphasized that “the monopoly privileges that Congress may authorize under the IP Clause of the Constitution are neither unlimited nor primarily designed to provide a special private benefit” (22); (iii) is consistent with Jeffersonian thinking. Thomas Jefferson, as Secretary of State and one of the first to implement the patent system under the Patent Act of 1790 (23), clearly expressed in his writings an awareness of the public good nature of Knowledge and a reading of intellectual property rights as being directly instrumental to the good of society. He furthermore clearly states that such reading should be taken into consideration when interpreting the intellectual property system: “[s]ociety may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utility, but this may or may not be done, according to the will and convenience of the society, without claim or complaint from anybody” (24).

While the specific nature of such societal mandate will be considered in Chapter III, the described functionality of IPRs requires two further specifications that respectively distinguish the boundaries of this body of law from both conservative and libertarian readings.

(i) Property is not assumed as ontologically being the preferred tool to promote progress, unlike other IP models that conversely recognize such link as inevitable. Instead of being a one-size-fits-all justification for the creation of IPRs (and their continuous expansion), the function mandated by the IP Clause should rather be interpreted as a condition for the legitimate exercise of congressional power when creating new (or expanding existing) exclusive

(22) Id.

(23) See on this point inter alia, Y. BENKLER, *Constitutional Bounds of Database Protection*, cit.

(24) See VI Writings of Thomas Jefferson, at 180-181 (Washington ed.), cit. in *Graham v. John Deere, Co.*, 383 U.S. 1, 9 (1966).

rights in intellectual creations. This interpretation accounts for the clearly different legislative and interpretative outcomes of the US IP model compared to others. When the legislature creates new IPRs in knowledge or expands existing IPRs, it is required to show that a higher social benefit has been created. In terms of judicial interpretation, where a new technology gives the IPR holder further control over knowledge, the judiciary cannot simply assume a legitimate expansion of rights holder control: in *Betamax*, the Supreme Court found it important that such exclusive rights expansion should not automatically be assumed because technology permits it (25).

(ii) On the contrary, the IP Clause cannot be read as simply crystallizing the principle that the “societal interest in accessing knowledge” should prevail over the IPR holder’s private interests. The clause “envision[s] the creation of unanticipated inventions and writings. It provides no built-in limits” (26). Indeed, it contains a closed set of embedded literal limits to Congress’ power, which have been systematically recognized and used in Supreme Court case law to filter unconstitutional legislation and analyzed by several authors with different degrees of prescriptive effect (27). It also contains a general

(25) “The judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme” and “in a case like this, in which Congress has not plainly marked the course to be followed by the judiciary, this Court must be circumspect in construing the scope of rights created by a statute that never contemplated such a calculus of interests” (*Betamax* case, *cit.*, AT31).

(26) See R.P. MERGES, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patents System Reform*, 14 *Berkeley Tech. L. J.*, 577 (1999).

(27) The interpretation of the Intellectual Property Clause as mandating freedom is underlined by Benkler, who argues that the clause reflects a substantive concern that Congress should not create exclusive rights in information and knowledge unless these rights fall within the constraints imposed by the IP Clause, see Y. BENKLER, *Constitutional Bounds of Database Protection*, *cit.*; see also Y. BENKLER, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 *N.Y.U. Rev.*, 354 (1999). It should be noted that most commentators arguing strongly in favour of protecting the public domain of knowledge (so that the public domain becomes a mandatory feature rather than a default rule as in the “balanced” model referred to here) read the IP Clause as reinforced by the First Amendment.

functional limit intended to promote progress and innovation. The latter, rather than crystallizing the prescriptive content of the clause into a model of mandated freedom able to provide *ex ante* solutions addressing the hierarchy between private and societal interests, guarantees the evolutionary architecture of US intellectual property. Under this reading, freedom, rather than being “mandated” or always representing a “prevailing interest”, becomes a “default rule” over which islands of private rights (28) may emerge insofar as congressional power to create or expand them is shown to produce a heightened benefit for society. In *Graham* (1966), the Supreme Court held with regard to patents that Congress may extend exclusive rights only when this promotes “innovation, advancement, and ... add[s] to the sum of useful knowledge” (29). Therefore, provided that the progress purpose is fulfilled, the Intellectual Property Clause may justify extensions of property rights or even interpretations of the scope and limits of intellectual property rights coherent with the needs of a specific field of technology (30).

From the two specifications set out above, the system emerges as an ongoing “fine-tuning” between extending and limiting private rights in order to pursue progress and foster innovation. Such a balance must be chosen by the legislature. However, this choice is ultimately completed by the judiciary, which (i) can verify its coherence with the IP Clause (under Supreme Court judicial review), and (ii) applies substantive IP law consistently with this constitutional

(28) The iconic metaphor of intellectual property rights as “islands” in a sea of free competition has been used by Jerome Reichman. The image may be appropriate for describing the US policy-based approach, but it may be criticized by those who, particularly in the European system, see intellectual property rights as coextensive with competition and with one of its typical instruments, the property right. In view of this, the description of intellectual property rights as monopolies may be inappropriate.

(29) See in this sense *Graham v. John Deere Co.*, 383 US 1 (1966), at 6.

(30) See D.L. BURK, M.A. LEMLEY, *Policy Levers in Patent Law*, 79 *Va. L. Rev.*, 101 (2003).

mandate when open clauses (31) allow it.

4. Notwithstanding this balanced legal architecture, the US system has seen continuous expansion of IPRs over the last thirty years. This expansion (i) was precipitated in the late 1970s by the governmental idea that reinforcing intellectual property rights was an essential means to reinforce the internal market (32); (ii) found partial judicial confirmation in the widespread use of the expression “intellectual property” in cases, indicating the growing “ideology of property” in copyright and patent law (33); (iii) was confirmed in (still minoritarian) judicial decisions (34). However, it

(31) The open instruments that require and allow the judiciary in general to apply the constitutional balance in the interpretation of the law will be analyzed in Chapter V. These mainly consist of the fair use doctrine and equitable power.

(32) Landes and Posner have identified the Copyright Act of 1976 and the creation of the Court of Appeals for the Federal Circuit as precipitating the growth of intellectual property protection in the US, see W.M. LANDES, R. POSNER, *The Economic Structure of Intellectual Property Law*, 2003, cit., at 406; see also on this point S.K. SELL, *Private Power, Public Law: The Globalization of Intellectual Property Rights*, Cambridge University Press, Cambridge (2003).

(33) Mark Lemley has noted that the expansion of intellectual property rights has been accompanied by increased use of the expression “intellectual property” in federal case law (from 201 references in the decade 1943-1953 to 3,863 from 1993-2003). While this may be partially due to the increase in intellectual property litigation, it also indicates a shift from alternative, more ideologically neutral expressions such as copyright and patents, see M.A. LEMLEY, *Property, Intellectual Property, and Free Riding*, 83 *Texas L. Rev.*, 1031 (2005); see also T.W. BELL, *Author's Welfare: Copyright as a Statutory Mechanism for Redistributing Rights*, 69 *Brooklyn L. Rev.*, 229 (2003) on this shift in terminology. See contra for an early use of the property “rhetoric” even in the US debate M. ROSE, *Authors and Owners: The Invention of Copyright*, Harvard University Press, Cambridge, MA (1993); see also A. MOS-SOF, *Rethinking the Development of Patents: An Intellectual History, 1550-1800*, 52 *Hastings L.J.*, 1255 (2001).

(34) See *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, 483 U.S. 522 (1987), referring to the “organization and the expenditure of labor, skill and money” as the foundation to property: the case concerned USOC’s right to prohibit the use of the word Olympic in the promotion of athletic events; see also *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984) referring to a property rationale for trade secrets. However, it has been expressly argued that “[t]he primary purpose of copyright is not to reward the author, but is rather to secure the general

should be noted that the clearest references to a property model and a Lockean reading of IPRs were evident in trademark and trade secrets decisions. As a result, such statements do not per se address the fundamentals of the US IP system; the purpose of trademarks is not per se to promote progress but to solve the market failure consisting of the further expenses that consumers would have to sustain to recognize the products they are looking for. (iv) Furthermore, following this expansionism, (extremely heterogeneous) “proprietary” views of intellectual property were introduced into the scholarly debate (35).

benefits derived by the public from the labors of authors”, *N.Y. Times Co. v. Tasini*, 121 S.Ct. 2381, 2401 (2001).

(35) However, referring to the frequently termed “proprietary approach” as a general category is quite misleading as the theoretical premises of these authors often diverge, and thus the arguments supporting their conclusions. I propose to analyze this broad and heterogeneous group of legal thinkers in three macro-groups in the light of the arguments supporting their proprietary conclusions.

(i) One extremely minoritarian vision considers intellectual property as a species of the broader genus of property and argues a natural right justification, see J.V. DELONG, *Defending Intellectual Property*, in A. THIERER, C.W. CREWS Jr. (eds.), *Copy Fights: the Future of Intellectual Property in the Information Age*, Cato Institute (2002); see also A. MOSSOFF, *Rethinking the Development of Patents: An Intellectual History, 1550-1800*, cit., merging his view with an originalist argument that in the early years, US intellectual property would have been classified within the broader category of property (but on this specific originalist argument I would recall contra, M.A. LEMLEY, *Property, Intellectual Property and Free Riding*, cit. 83 Tex. L. Rev. 1031 (2005), at 1031, arguing that “this argument puts [Mossoff] at odds with most historical learning of the subject, and with what at least some contemporaries said they were doing”; see also F.H. EASTERBROOK, *Intellectual Property is Still Property*, 13 *Harv. J. L. & Pub. Pol’y*, 108 (1990) arguing that “[p]atents give a right to exclude, just as the law of trespass does with real property. Intellectual property is intangible, but the right to exclude is no different in principle from General Motors’ right to exclude Ford from using its assembly line” (...) “[e]xcept in the rarest case, we should treat intellectual property and physical property identically”, at 109; A.C. YEN, *Restoring the Natural Law: Copyright as Labor and Possession*, 51 *Ohio St. L. J.*, 517 (1990) and J. HUGHES, *The Philosophy of Intellectual Property*, 77 *Geo. L. J.*, 287, 297 (1988), recognizing real and intellectual property as sharing a common source in the Lockean idea of the labor of the creator.

(ii) A second position is adopted by Richard Epstein and other thinkers who could be described as conservative: this approach, often described as merely proprie-

Rising private rights expansionism has never superseded the majoritarian vision of a utilitarian model established at the policy layer provided in the constitutional framework. This “new economic orthodoxy” (36) of IPRs has been highly criticized

tarian (see P.S. MENELL, *The Property Rights Movement Embrace of Intellectual Property: True Love or Doomed Relationship?*, 34 *Ecology L. Q. J.*, 713 (2007)), is better articulated, as it puts intellectual property in the broader scheme of property, but affords to both a utilitarian justification. However, notwithstanding this broad utilitarian premise, Epstein’s solutions often lead to a vision of IPRs in which the private interest prevails; government regulations that may be equivalent to regulatory takings are therefore considered as limitations on IPRs, see R.A. EPSTEIN, *The Utilitarian Foundations of Natural Law*, 12 *Harv. J. L. & Pub. Pol’y*, 713, at 733-734 (1989); R.A. EPSTEIN, *Intellectual Property: Old Boundaries and New Frontiers*, 76 *Ind. L. J.*, 803 (2001), criticizing the Blackstonian conception of tangible property as “injudicious overgeneralization”; R.A. EPSTEIN, *A Clear View of the Cathedral: The Dominance of Property Rules*, 106 *Yale L. J.*, 2091 (1997); see R.A. EPSTEIN, *Liberty versus Property? Cracks in the Foundations of Copyright Law*, 42 *San Diego L. Rev.*, 1 (2005), R.A. EPSTEIN, *The Disintegration of Intellectual Property*, available at <http://ssrn.com/abstract=1236273> (visited on March 2010), arguing that “a unified set of principles apply to both physical and intangible property” and that both types of property “share a common aspiration”.

(iii) A third broad group (in contrast to the thinkers referred to above) does not recognize a common layer between intellectual property and tangible property. While moving within a utilitarian and instrumental scheme, this group supports the recognition of strong private rights in information and knowledge based on the argument (often derived from economic analysis) that this would optimize productivity, see E. KITCH, *The Nature and Function of the Patent System*, 20 *J.L. & Econ.*, 265 (1977); E. KITCH, *Patents: Monopolies or Property Rights?* 8 *Res. L. & Econ.*, 31 (1986), advocating granting to the developer of a pioneering invention an expansive set of entitlements; W.J. GORDON, *An Inquiry Into the Merits of Copyright: The Challenges of Consistency, Consent, and Encouragement Theory*, 41 *Stan. L. Rev.*, 1343 (1989); I. TROTTER HARDY, *Property (and Copyright) in Cyberspace*, *U. Chi. L.F.*, 217 (1996); S.F. KIEFF, *Property Rights and Property Rules for Commercializing Inventions*, 85 *Minn. L. Rev.*, 697 (2001); R.P. WAGNER, *Information Wants to be Free: Intellectual Property and the Mythologies of Control*, 103 *Colum. L. Rev.*, 995 (2003); S.F. KIEFF, *On Coordinating Transactions in Information: A Response to Smith’s Delineating Entitlements in Information*, 117 *Yale L. J. Pocket*, 101 (2007).

(36) The expression is used in J.E. COHEN, *Lochner in Cyberspace: The New Economic Orthodoxy of “Rights Management”*, 97 *Mich. L. Rev.*, 462 (1998). The author, while discussing digital rights management systems legislation, criticizes the growing ideology of the convergence between “economic imperatives and natural rights”, i.e. the idea that the recognition of a strong intellectual property right corresponds to the natural order and to the way market works.

within scholarly debate and described as a departure from positive law (37), from the optimal law and economics interpretation of intellectual property market functioning (38), and from the

(37) The process has been forcefully criticized by a substantial number of intellectual property scholars: see R.C. DREYFUSS, *We Are Symbols and Inhabit Symbols, So Should We Be Paying Rents? Deconstructing the Lanham Act and Rights of Publicity*, 20 *Colum. J. L. & Arts*, 123 (1996), referring to the privatization of signs and symbols; S. GHOSH, *Deprivatizing Copyright*, 54 *Case W. Res. L. Rev.*, 387, 389 (2004), arguing that since the Statute of Anne (1709) copyright has developed as a devolution of the sovereign's role in cultural production leading to an expansion of private rights in creations; M.A. LEMLEY, *Romantic Authorship and the Rhetoric of Property*, 75 *Tex. L. Rev.*, 893, 895-903 (1997); K.L. PORT, *The Illegitimacy of Trademark Incontestability*, 26 *Ind. L. Rev.*, 519 (1993); R.P. MERGES, *Property Rights Theory and the Commons: The Case of Scientific Research*, 13 *Soc. Phil. & Pol'y*, 145 (1996); N.W. NETANEL, *Copyright and a Democratic Civil Society*, 106 *Yale L.J.*, 283 (1996), underlining the connection to the preeminence of the Chicago School of economic analysis; P. SAMUELSON, *Information as Property: Do Ruckelshaus and Carpenter Signal a Changing Direction in Intellectual Property Law?*, 38 *Cath. U. L. Rev.*, 365 (1989) signaling an early shift towards property rhetoric in the courts' interpretation of intellectual property; D. HUNTER, *Cyberspace as a Place and the Tragedy of the Digital Anticommons*, 91 *Calif. L. Rev.*, 439 (2003); M.A. LEMLEY, *Place and Cyberspace*, 91 *Calif. L. Rev.*, 521 (2003), both discussing the implications of analogizing intellectual property to real property on the Internet; J.E. COHEN, *Overcoming Property: Does Copyright Trump Privacy?*, *U. Ill. J. L. & Tech. Pol'y*, 375, 379 (2002), describing the tendency of intellectual property owners to consider their rights as absolute.

(38) See M.A. LEMLEY, *Property, Intellectual Property, and Free Riding*, 83 *Tex. L. Rev.*, 1031 (2005) where the author contends that the growing concern for free riding and the consequent shift of the US model towards a property-like protection are due not to the incorporation of a particular common law property rule (or, I would add, to a particular willingness to absorb divergent foreign intellectual property traditions) but rather to a particular view of property rights. Traditionally, the economic justification for the expansion of private ownership has been provided as a solution to the so-called "tragedy of the commons", i.e. the inefficient use of joint or public ownership of a piece of land as nonowners tend to overuse it: see G. HARDIN, *The Tragedy of the Commons*, 162 *Science* 1243 (1968); C. ROSE, *Property and Persuasion*, 106, 1994. The goal of creating and strengthening property is to allow the property owner to internalize societal costs and benefits, as free riding may cause the property owner to invest insufficiently. The risks inherent in free riding are absent in intellectual property: economists have demonstrated that intellectual property only has positive externalities, see F. LEVEQUE, Y. MENIERE, *The Economics of Patents and Copyright: A Primer*, 223 (2004); there is little reason why we should provide

rules of scientific development (39).

Nevertheless, in more recent years new phenomena have posed a greater challenge to the utilitarian model. These are not related to a single legislative solution but, more profoundly, affect the system's ability to preserve its functional architecture by reducing what appears to be the fundamental engine of the utilitarian IP model, i.e. the institutional competition between the judiciary and legislature. The *Eldred* case (40) is an emblematic example. In this case, the Supreme Court was asked to verify the constitutional legitimacy of the so-called Sonny Bono Copyright Term Extension Act (CTEA), which extended copyright duration from fifty to seventy years after the author's death (41). From 1790 to 1976, US copyright law, notwithstanding subsequent federal law reforms intended to extend copyright terms (42) had maintained a stable regu-

for internalization of positive externalities; the tragedy of the commons implies depletion due to overuse of finite natural resources, but information is non-rivalrous. The analytical framework is certainly open to counterarguments. Here I simply acknowledge that the argument is primarily focused on the static efficiency of knowledge or the effect of free riding once the knowledge has been created, and less on the incentives for new creations.

(39) See R.S. EISENBERG, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 *U. Chi. L. Rev.*, 1017 (1989).

(40) *Eldred v. Ashcroft*, 537 U.S. 186 (2003); see Symposium, *Eldred v. Ashcroft: Intellectual Property, Congressional Power, and the Constitution*, 37 *Loy. L. A. L. Rev.*, 1 (2002); M.A. HAMILTON, *Copyright at the Supreme Court*, 47 *J. Cop. Soc'y*, 317 (2000); J. RUBENFELD, *The Freedom of Imagination: Copyright's Constitutionality*, 112 *Yale L. J.*, 1 (2002); E. CHERMERINSKY, *Balancing Copyright Protections and Free Speech: Why the Copyright Extension Act is Unconstitutional*, 36 *Loy. L. A. L. Rev.*, 83 (2002); D.S. KARJALA, *Judicial Review of Copyright Term Extension Legislation*, 36 *Loy. L. A. L. Rev.*, 199 (2002).

(41) Sonny Bono Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (1998). The main effect of the CTEA was to extend the duration of copyright by twenty years for works that had not entered the public domain before the end of 1997. For an analysis of the impact of copyright extension see J. DAVIDS, *Eldred v. Ashcroft: A Critical Analysis of the Supreme Court Decision*, 13 *DePaul-LCA J. Art & Ent. L. & Pol'y*, 173, 174 (2003).

(42) The first US Copyright Act, adopted in 1790, provided an initial term of protection of 14 years from publication and registration. If the author was alive at the end

latory structure consisting of a system based on an initial term of protection, calculated from the date of publication, followed by a renewal term that could be granted once the initial term had expired. Each reform provided a longer term for works copyrighted both before and after the new law was effective, provided the terms had not expired (43). In 1976, the Copyright Act (44) altered this structure, introducing a unitary copyright term commencing on the creation of the work and lasting for the life (45) of the author plus 50 years. The new law only applied to works created after January 1, 1976 (46). In 1998, the Sonny Bono Copyright Extension Act (CTEA) (47) extended the term of both unexpired and future copyrights by 20 years (48). Although a broad range of issues were raised, the main argument in *Eldred* was the inconsistency of the CTEA

of the initial term, she could renew it for a further 14 years, extending the total duration to 28 years, see §1, 1 Stat. 124 (1790). Such protection was available for works published both before and after the law was passed. The duration was subsequently extended by Congress twice. In 1831 the initial term was doubled from 14 to 28 years, retaining the 14-year renewal, and thus allowing for a possible duration of 42 years, see § 1, 4 Stat. 436 (1831). In 1909 Congress extended the renewal term from 14 to 28 years, bringing the possible total term to 56 years, see § 23, 35 Stat. 1080-1081 (1909).

(43) See §16, 4 Stat. 436, 439 (1831); §24, 35 Stat. 1080-1081 (1909).

(44) The Copyright Act came into force on January 1, 1978. The law was passed primarily in order to fulfill Berne Convention rules.

(45) Works made for hire or anonymous works enjoyed a single term lasting for 75 years from the date of publication, as this was considered the rough duration of protection that was foreseeable under the new term (life plus 50 years), see H.R. Rep. No. 94-1476 (94th Cong.) (1976), at 138.

(46) Works copyrighted before 1978 remained protected under the traditional two-term mechanism. However, their renewal term was extended from 28 to 47 years leading to a total term of 75 years.

(47) The law was named in honor of Congressman Sonny Bono, a musician and actor who strongly supported the reform and died during the bill's consideration, see R.A. REESE, *Copyright Term Extension and the Scope of Congressional Copyright Power – Eldred v. Aschcroft*, 7 J. World Intell. Prop., 5 (2004).

(48) The law covers works created after January 1, 1978 and also works created before that date but not copyrighted or in the public domain at that date. Works copyrighted before January 1, 1978 continued to fall under the traditional rules, but, due to a further extension of the renewal term by 67 years, for a total duration of 95 years.

term extension with the IP Clause of the Constitution. This inconsistency did not merely involve a breach of the literal limit (“limited times”) but, above all, a breach of the functional limit requiring Congress to create or extend IP law insofar as a further public benefit could be shown.

Eldred lost on the grounds of institutional relations (49): indeed, while generally accepting the utilitarian justification of US IP, the Supreme Court adopted a merely “rational standard of scrutiny” consisting in a purely formal (50) analysis of the legislation’s rationality (51). This standard impeded any consideration of whether the constitutional condition of the IP Clause had been substantially fulfilled. The Court acknowledged “the principle stated by petitioners that the preambular language [in the Intellectual Property Clause, conferring upon Congress the power ‘[t]o promote the Progress of Science’] identifies the sole end to which Congress

(49) The trial court upheld the CTEA as constitutional, and the Court of Appeals for the District of Columbia Circuit affirmed that decision. The Supreme Court granted review on two questions: whether Congress had exceeded the scope of Congress’ power under Article 1, Section 8, Clause 8 of the US Constitution, and whether such legislation violated the First Amendment. The Court took a two-step approach to analyzing the extent of Congress’ power under the Intellectual Property Clause: firstly, it considered the existence of a Congressional power to extend the duration of intellectual property rights under that clause, and to assess the meaning of limited times. Secondly, it verified whether the exercise of that power was consistent with the clause. See *Eldred v. Reno*, 239 F. 3d 372 (2001); *Eldred v. Reno*, 74 F. Supp. 2d 1 (D.D.C. 1999).

(50) For an analysis of the right standard of scrutiny to be chosen under the IP Clause of the US Constitution, see Chapters III and IV. The Court found that Congress had the authority to extend existing copyrights even with a limited times restriction, since extending an already limited time does not alter its status as limited, see *Eldred*, 537 U.S. at 199. The meaning of the originality requirement was also considered. Relying on the Court’s decision in *Feist* and its constitutionalization of the originality requirement, the petitioners argued that the extension of copyright violated this condition, as “once published a work is no longer original”, *id.* at 210. However, the argument was rejected on the grounds that the originality requirement in *Feist* has no bearing on the limited times prescription, *id.* at 211.

(51) The Court found that the CTEA was rational (*id.* at 204-208) “however debatable or arguably unwise ... [it] may be”, *id.* at 208.

may legislate (...) and that the meaning of limited times must be determined in light of that specified end” (52). However, the real prescriptive impact of this principle lay in the argument that “it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause’s objectives” (53). In this context, despite the fact that the wide-ranging reasons that Congress put forward on the extension of the copyright term were clearly inconsistent with the societal purpose required by the Constitution (54), the CTEA could

(52) Quoting Brief for Petitioners at 19. *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (No. 01-618).

(53) *Id.*, at 212. In the *Eldred* case the Court cited *Betamax*, where it was argued that “as the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product”, see *Eldred*, *id.* These are the exact words as extracted from the *Betamax* case, but such recognition of the role as vesting in Congress does not imply that, by having such a power, Congress should be independent from any constitutional control: it only means that Congress is the institution competent to decide whether to create or expand those rights. In the *Betamax* case, the Court did not say that the judiciary should be reluctant to intervene in controlling such a power when used to extend those rights but, rather, it should be reluctant “to expand the protections afforded by the copyright without explicit legislative guidance”. It is one thing to say that Congress has the power to create new intellectual property law; it is another thing to say that the Court could not control that power by assessing the merits of the chosen solution.

(54) The sets of reasons behind copyright extension were only partially based on utilitarian considerations, and in any case focused more on strengthening the individual incentive for creators rather than considering the societal impact. The initial reason was the need for harmonization with the European Union whose Council Directive 93/98/EEC had required member states to extend their copyright terms for the life of the author plus seventy years, see REP. NO. 104-315, AT 7-9 (1996). The remaining reasons were centered on individual authors’ interests. The measure was designed to ensure the protection of the creator and at least one generation of heirs in light of parents having children later in life and given that “both the Berne Convention and the EU Directive have accepted the standard that copyright should protect the author and two succeeding generations”, *id.* at 10-11. It was furthermore meant to enable authors and corporate copyright owners to take advantage of “technological developments [that] (...) have extended the commercial life of copyrighted works”, *id.* at 11-13. And finally, upon the express consideration that copyrights are often owned by corporations rather than authors, “extended protection for existing works will provide added income with which to subsidize the creation of new works. This is

not be substantially considered on the merits of its societal implications (55).

The adoption of the rational standard of scrutiny, and the resulting deference shown by the Supreme Court toward Congress, substantially impairs the utilitarian model of US intellectual property. While literal constitutional limits remain available in order to filter legislation, the lack of institutional competition neutralizes the main interpretative tool of the IP Clause, and opens the door to the regression of the system toward a quasi-proprietary model (56). Indeed, where the judiciary is not able to reconsider the specific choices set forth by the legislature, the system of policy constraints is relegated to a mere “internal justification” rather than a verifiable condition, and the legislature may decide to fulfill it or not without any consequence. In fact, the working of the intellectual property

particularly important in the case of corporate copyright owners such as motion picture studios and publishers, who rely on the income from enduring works to finance the production of marginal works and those involving greater risks”; see similar issue in Europe discussed in N. KLASS, J. DREXL, R.M. HILTY, A. KUR, A. PEUKERT, *Statement of the Max Planck Institute for Intellectual Property, Competition and Tax Law Concerning the Commission’s Plans to Prolong the Protection Period for Performing Artists and Sound Recordings*, IIC 586 (2008). For a complete analysis of the rationales in support of the CTEA see C.N. GIFFORD, *The Sonny Bono Copyright Term Extension Act*, 30 *U. Mem. L. Rev.*, 363, 386 (2000).

(55) The Court dismissed the second plaintiff’s argument that the CTEA may violate the First Amendment. Such argument, in the absence of any substantial reliance on Article I, Section 8, Clause 8, could have been a means for the public interest to be included in the consideration of the impact of copyright extension. But the arguments met the typical counterargument that copyright law has “built-in First Amendment accommodations” such as the idea/expression dichotomy (17 U.S.C. § 102(b), 2004) and the fair use defense (17 U.S.C. §107, 2004), see Eldred, 537 U.S. at 219-220. This latter argument seems consistent with positive law and originalist arguments. However, once combined with a mere rational test of intellectual property, the IP Clause locks in the US utilitarian model to the discretionary choices of the legislature.

(56) The case has been followed by two other attempts to challenge the constitutionality of the CTEA: *Golan v. Ashcroft* and *Kahle v. Ashcroft*; see M.D. STRATTON, *Will Lessig Succeed in Challenging the CTEA, Post-Eldred?*, 53 *J. Cop’y Soc.*, 481 (2006).

utilitarian machinery is greatly affected by the judiciary's role in relation to the legislature. The study of relations between these institutions mandated by positive law has substantial significance in the evaluation of the ability of a utilitarian system to pursue its mandated societal task (57). This line of reasoning implies that the

(57) Other kinds of institutional competition may affect the way intellectual property law is able to pursue progress and the public interest. Although these are not dealt with in the present work, it is worth summarizing them as follows: (i) a kind of institutional competition arises with regard to whether the courts should be deferential when considering factual findings made by the US Patent and Trademark Office (PTO) in the context of denying a patent application. This problem differs from the institutional relations considered in this work and must be addressed by different legal arguments regarding the separation of powers between the Executive Branch and the Judicial Branch. In *Dickinson v. Zurko* 527 U.S. 150 (1999) the Supreme Court reversed the Federal Circuit and – by applying the principle that the Administrative Procedure Act prescribes when an appellate court may set aside an administrative factual finding – held that a court may reverse US PTO findings only when a “clear error” was proved. It also adopted a more deferential standard by which such reversal is possible, i.e. only when the findings are “arbitrary, capricious, an abuse of discretion”. (ii) Another fundamental kind of institutional competition may arise between state legislation and federal government and goes to the heart of the American constitutional structure, i.e. federalism. However, in the field of intellectual property this kind of institutional competition is absent due to the fact that intellectual property legislation is mostly federal. For a limited application of this point see para. 8.

Private institutions may also “compete” with public institutions’ shaping of intellectual property law, solving some of the problems arising from the system itself. I would group these interactions into two categories depending on the type of interest that they pursue. (i) The first group consists of those directly aimed at addressing societal interests in accessing existing knowledge and protecting the public domain. It must be emphasized that these initiatives “compete” with and “complete” intellectual property regulation in legal systems where preserving a high level of access is an essential part of the intellectual property system (as in the US). However, they seem (and are often regarded as) more “exotic” in terms of the traditional purposes of intellectual property in systems where the societal interest is mostly pursued through the protection of property rights (as in Europe). These systems are often based on contractual models predicated on the existence of copyright and patent rights. I would classify these as A) free and open source software (FLOSS) projects designed to maintain the openness of source code in software and improve reliability and security due to the fact that the software is examined and tested by hundreds if not thousands of developers in a wide variety of contexts, see Y. BENKLER, *The Wealth of Networks*, cit., at 46, see also G. VETTER, *The Collaborative Integrity of Open Source Software*, *Utah L. Rev.*, 563, 586 (2004), stating that “source code makes the inner

foundational discourses, which often characterize the IP debate as between natural rights theory and utilitarian theory, may reduce their significance: if the assessment of the internal limits of IP substan-

workings of computer programs directly observable. [Other] techniques are rarely as effective as access to the source code when one wants to leverage the work of another programmer"; B) creative commons licenses, meant to preserve, with varying degrees of contractual control, free use of copyrighted material; C) experiences of open genomics consisting of contractual frameworks allowing free access to proprietary biotech innovations involving basic knowledge, see D.L. BURK, S. BOETTIGER, *Open Source Patenting*, 1 *J. INT'L. Biotech. L.*, 221, 222 (2004); D) other practices undertaken by some patent holders consisting in publishing their assets for the purpose of creating a free patent ecosystem where basic knowledge is involved e.g. in the case of expressed sequence tags (EST), see R.P. MERGES, *A New Dynamism in the Public Domain*, 71 *Univ. of Chi. Law Rev.*, 183 (2004) describing initiatives developed by Merck Pharmaceuticals, see also Dickson, "Gene Map" Plan Highlights Dispute over Public vs. Private Interest, in *Nature*, 365 (1994). (ii) A second group includes initiatives that are not directly aimed at preserving the public domain or favoring access to a certain innovation market, but rather reducing transaction costs deriving from IPR thickets and overlapping property rights in the same or complementary technologies. Robert Merges has underlined that the entitlement theory ought to incorporate a further understanding of the importance of contracting after entitlements are granted, thus demonstrating that while strong patent protection generally leads to demonstrably positive results, the existence of high transaction costs may be balanced by the spontaneous formation of private institutions devoted to reducing such costs: see R.P. MERGES, *Of Property Rules, Coase and Intellectual Property*, 94 *Colum. L. Rev.*, 2655 (1994), see also R.P. MERGES, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 *Cal. L. Rev.*, 1293, 1297 (1996). This same line of analysis, emphasizing technological ubiquity and interdependencies, has produced a rich vein of scholarly interest around intellectual property pooling and cross-licensing: for an analysis of the advantages see C. SHAPIRO, *Setting Compatibility Standards: Cooperation or Collusion?*, in R. DREYFUSS (eds.), *Expanding the Boundaries of Intellectual Property, Innovation Policy for the Knowledge Society*, 81, 93 (2001). These institutional arrangements shift the incentives from exclusivity to group access and somehow modify the primary incentive rationale of the intellectual property system. See on this point H. ULLRICH, *Expansionist Intellectual Property Protection and Reductionist Competition Rules: A TRIPS Perspective*, 7 *J. Int'l Ec. L.*, 401 (2004) arguing that in these cases "the balance between stimulating innovation and promoting the dissemination of technology may tilt toward the former once the pools and cross-licensing are tolerated as innovation-enabling arrangements, not as a systems of technology propagation"; for a similar consideration in the context of cooperative research, see R. NARULA, J. HAGEDOORN, *Innovating Through Strategic Alliances: Moving Towards International Partnership*

tially depends on institutional competition, one should pay particular attention to the way the relevant institutional relations work. As a result, the interpretation of IP systems, mostly based on their theoretical “premises”, should shift from the interpretation of substantive law to a consideration of the “models of institutional relations”.

5. The Eldred example makes clear that the functioning of a utilitarian intellectual property model does not merely depend on the systematic coherence of substantial IP norms towards a constitutional mandate to pursue the public interest, but rather on the interaction between substantive legal rules and the institutional layer governing institutional relations and affecting the Supreme Court’s judicial review and lower courts’ interpretation of substantive intellectual property rules. I would consider this approach – meant to incorporate the rules governing institutional relations in the assessment of a certain intellectual property system – a “constitutional” approach to intellectual property, referring to “Constitution” not in

and *Contractual Agreements*, 19 *Technovation*, 283 (1999); R. HILLMAN, J. RACHLINSKY, *Standard-Form Contracting in the Electronic Age*, 77 *N.Y. U. L. Rev.*, 429 (2002); D.L. BURK, B. McDONNELL, *The Goldilocks Hypothesis: Balancing Intellectual Property Rights at the Boundary of the Firm*, *U. Ill. L. Rev.*, 275 (2007). For a different view of the wide use of liability rules as a means of solving transaction costs rather than strong property rights and the resulting private institutions, see J.H. REICHMAN, *Legal Hybrids Between the Patent and the Copyright Paradigms*, 94 *Colum. L. Rev.*, 2432 (1994); J.H. REICHMAN, *The Law and Economics of Intellectual Property Rights: Of Green Tulips and Legal Kudzu: Repackaging Rights in Subpatentable Innovation*, 53 *Vand. L. Rev.*, 1743 (2000). It is worth noting that these substantially opposite legal and economic solutions (using either property rules or liability rules of the foundational legal entitlements framework of Guido Calabresi and A. Douglas Melamed) mainly entail two different sets of legal issues from the point of view of positive law: the creation of efficient institutional environments may lead, under certain circumstances, to serious antitrust concerns relating to the risks of market foreclosure due to access limitations (see inter alia T. BEARD, D. KASERMAN, *Patent Thickets, Cross-Licensing, and Antitrust*, 37 *Ant. Bull.*, 345 (2002); J. BARTON, *Antitrust Treatment of Oligopolies with Mutually Blocking Patent Portfolios*, 69 *Ant. L. J.*, 851 (2001); the different solutions based on active use of liability rules may on the contrary be closely considered in the light of the possible contrast with the minima provided for by the TRIPs Agreement.

the sense of a written document, but in the original Montesquieu sense of an “equilibrium among powers” (58). In this sense, the constitutional dimension of intellectual property consists in the study of the institutional layer as a fundamental tool for assessing how utilitarianism is able to fulfill its societal mandate both by fostering progress and solving the negative implications of private rights expansionism by allowing the courts to undertake an ex post fine-tuning of IPRs (59).

Several scholarly contributions have explored in depth how the constitutional dimension of intellectual property may be used to solve some of the problems emerging from IPR overprotection. This emerging constitutional phase of intellectual property discourse (60) has generally been informed by two main interpretative approaches.

(i) The first approach consists in analyzing how constitutional norms guaranteeing fundamental principles conflict with intellectual property rights and new legislation (61). This approach reviews the constitutionality of a specific IP law with reference to the First Amendment to the US Constitution protecting free speech. This ap-

(58) Institutional relations are so profoundly connected to the meaning of Constitution that the Declaration of the Rights of the Man and of the Citizen, approved by the National Assembly of France on August 26, 1789, states “a society in which the observance of the law is not assured, nor the separation of powers defined, has no constitution at all.”.

(59) In Europe there may be a further kind of constitutional approach consisting in the legal debate concerning the creation of a special constitutional IP norm.

(60) For the concept of the “constitutionalization” of intellectual property law see P. SAMUELSON, *The Constitutional Law of Intellectual Property After Eldred v. Ashcroft*, 50 *J. Cop. Off. Soc’y*, 547 (2003); M.A. LEMLEY, *The Constitutionalization of Technology Law*, 15 *B.J.L.T.*, 529 (2000). Some scholars predict that the decision will reduce the constitutional discourse on intellectual property, see J. HUGHES, *Of World Music and Sovereign States*, 335 *Chi. Loy. L. Rev.*, 155 (2003).

(61) Here I refer to the interaction of fundamental rights with intellectual property. The First Amendment has been widely used in other innovation cases, which although not directly relating to intellectual property, carry profound implications for innovation, as in the case of Internet regulation.

proach has been proposed by several scholars (62) and in several IP cases. In the US, this constitutional “conflict approach” attempts to combine the First Amendment with the Intellectual Property Clause. The trouble with this approach is that while the First Amendment clause shares a common theoretical background with the Intellectual Property Clause (63) it seems to have a more limited role as far as IPRs are concerned, not in the sense that free speech is already “internalized” (i.e. “already satisfied”) by the *ex ante design* of the IP right, but rather in the sense that the fundamental interest of access to knowledge should be continuously part of the *ex post balanced interpretation allowed* by the Intellectual Property Clause, and not just in cases where the property right conflicts with the First Amendment.

(ii) A second approach emerges in the form of an attempt to “constitutionalize” a certain reading of intellectual property law as contained in the Intellectual Property Clause. The role of a Constitution – as a written document containing a set of rules designed to shield legal innovations from certain outcomes – is undoubtedly “to withdraw certain subjects from the vicissitudes of political controversy, to place them beyond the reach of majorities and officials and to establish them as legal principles to be applied by the courts” (64).

(62) The use of the First Amendment as another layer of constitutional consideration is clearly stated by Y. BENKLER, *Constitutional Bounds of Database Protection*, cit. There is extensive literature on the relationship between the First Amendment and copyright: see inter alia N. NETANEL, *Locating Copyright Within the First Amendment Skein*, 54 *Stan. L. Rev.*, 1 (2001); N. NETANEL, *Copyright's Paradox: Property in Expression/Freedom of Expression*, Oxford University Press, New York (2005). There is limited literature on the use of the First Amendment for patents, as there is no direct relationship. The problem will be discussed in para. 10.

(63) “[The IP Clause and the First Amendment] seek to assure that no one will capture the legislative process to privatize the most precious of all public domains – our knowledge of the world that surrounds us. For that public domain is germane to our ability to decide for ourselves and talk to each other about how we ought to live our lives as individuals and as members of the community”, see Y. BENKLER, *Constitutional Bounds of Database Protection*, cit.

(64) Using Justice Jackson’s words in *West Virginia Board of Education v. Barnette* (319 U.S. 624 (1943), n. 591, here expressly referring to the Bill of Rights.

The Constitution provides a *pactum societatis*, where the foundations of social cohabitation are laid. Linked to this is the *pactum subjectionis* through which citizens are obliged to obey the decisions of the legitimate government. In this case, the purpose of the interpretation is to demonstrate that a certain intellectual property principle is implicitly contained in the IP Clause and therefore is of a constitutional nature. This second approach has been followed by the Supreme Court's "constitutional reading" (i.e. recognizing a constitutional value) of certain intellectual property principles that while not literally contained in the IP Clause are held to be implied in it. This was the case with the originality requirement following the so-called Trade-Mark Cases (1879) (65), where the Court held that Congress does not have power under the IP Clause to protect trademarks because they lack originality, which is a constitutional condition of protection under that clause (66); a similar reading was used in *Feist* (1991) (67), where the Supreme Court held that "[o]riginality is a constitutionally mandated prerequisite for copyright protection" (68). Due to the reading of originality as a constitutionally mandated condition of copyright protection, some authors have recognized the unconstitutionality of Bill H.R. 354 providing exclusive rights in databases (69). This was also the case with the fair use doctrine: in *Campbell* (1994) (70), the Court stated that the In-

(65) *Steffens v. United States*, 100 U.S. 82 (1879).

(66) *Id.*, 100 US at 94.

(67) *Feist Publications, Inc., v. Rural Telephone Service Co.*, 499 US 340 (1991).

(68) *Id.*, at 351, quoting L.R. PATTERSON, C. JOYCE, *Monopolizing The Law: The Scope of Copyright Protection for Law Reports and Statutory Compilations*, 36 *UCLA L. Rev.*, 719, 763 (1989).

(69) See Y. BENKLER, *Constitutional Bounds of Database Protection*, *cit.*; M. POLLACK, *The Right to Know? Delimiting Database Protection at the Juncture of the Commerce Clause, the Intellectual Property Clause and the First Amendment*, 17 *Cardozo Arts & Ent. L. J.*, 47 (1999); see also J.H. REICHMAN, P. SAMUELSON, *Intellectual Property Rights In Data?*, 50 *Vand. L. Rev.*, 51 (1997); W. PATRY, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 *Geo. Wash. L. Rev.*, 359 (1999).

(70) *Campbell v. Acuff-Rose Music, Inc.*, 510 US 569, 575 (1994).

tellectual Property Clause mandates some form of fair use: “[f]rom the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose [t]o promote the Progress of Science and Useful Arts”. The second approach has also been followed by ascribing a constitutional mandate to domain protection and open access (71). This is borne out by the argument that “free information” is central to democracy and autonomy and that this principle is implied in the term “progress” (72).

While I share most of the analytical and normative arguments put forward by these two approaches (73), the present analysis points in

(71) See also M. POLLACK, *The Right to Know?*, cit.; see contra M.A. HAMILTON, *A Response to Professor Benkler*, 15 *Berkeley Tech. L. J.*, 605 (2000). Stephen McJohn has argued that “Eldred (...) firmly grants fair use constitutional status, by making it the basis for the constitutionality of copyright law in general”, see S.M. MCJOHN, *Eldred’s Aftermath: Tradition, the Copyright Clause, and the Constitutionalization of Fair Use*, 10 *Mich. Telecomm. Tech. L. Rev.*, 95 (2003).

(72) The argument is put forward by Benkler in *Constitutional Bounds of Database Protection*, cit.

(73) The distinction between these different meanings of constitutionalizing intellectual property has a specific significance in terms of interpretative solutions. Indeed, diverse arguments and weaknesses are highlighted within the ambit of the different meanings and hence should be considered separately.

(i) Eldred’s petitioners relied on Feist as a precedent supporting Supreme Court activism in this field of law. However, creative or active judicial interpretation was not the key issue that needed to be accepted in Eldred: the essential point seemed to consist of the third meaning regarding the institutional role of the Supreme Court.

(ii) Furthermore, it occasionally happens that weaknesses characterizing the Feist type of interpretative approach are simply transferred as a critique to the kind of judicial review discussed in the present analysis. However, while the constitutionalization of the second type certainly contributes in the “crystallizing” of a certain principle in that the Supreme Court renders a certain intellectual property principle unchangeable by Congress (“[i]t was not enough to say that Congress did not extend protection to facts; Congress could not extend protection to fact”. See T.B. NACHBAR, *Judicial Review and the Quest to Keep Copyright Pure*, 2 *Journal on Telecom. & High Tech. Law*, 33 (2003)). This is not the case where the Supreme Court is simply asked to reconsider the solution adopted by Congress in a specific piece of legislation. The difference in quality between these two interpretative phenomena is sometimes overlooked by those that (in referring to both phenomena) criticize the inability of the Supreme Court to be a copyright policy-maker. The constitutionaliza-

a different direction (i.e. a “third approach”): the intention is not to ascertain the possible (constitutional) shields against IPR expansionism, but rather to verify whether it is possible from the constitutional layer to derive rules governing institutional relations and judicial interpretation in relation to intellectual property. In the following analysis, the Benkler statement that “*free information as protected by the First Amendment is central to democracy and autonomy and that this principle is implied in the term Progress*” will not be used as an argument to support the existence of an implied “ex ante limitation” embedded and crystallized in the IP Clause, but rather to allow an ex post fine-tuning of such a limit through the application of a heightened standard of scrutiny in the judicial review of IP legislation (74).

tion of the originality requirement in Feist makes it impossible for Congress to make changes. Some commentators have underlined that such definitive decisions should not be left to courts, see T.B. NACHBAR, *Judicial Review*, cit. at 62: “the durability of constitutional adjudication makes it particularly ill suited to deciding what promotes progress given the rapidly changing economics of intellectual property.” However, institutional competition does not always have the effect of according constitutional status to an intellectual property principle but mostly involves – where a heightened standard applies – assessing the balance of interests in a specific piece of legislation. The two situations should therefore be clearly distinguished.

In addition, these different strategies of constitutionalization can also be said to intertwine. The present work will be concentrating solely on the third type, by looking predominantly at the defined issue of the relationship between the Supreme Court and Congress. However, from inferences about the nature of intellectual property legislation – an essential result of which will be choosing the appropriate standard of review – derive substantial implications from the first type of reference to the Constitution, i.e. the role of human rights principles as a filter to intellectual property legislation.

(74) This was the case in the debate between Yochai Benkler and Marci Hamilton on proposed database legislation; Benkler supported a reading of the IP Clause as creating a rule on a general right of access to information and a principle against the enclosure of certain aspects of the public domain. A major part of the debate concentrated on the prescriptive content of the clause and the possible existence of a constitutionalized equilibrium in the clause between IPR ownership and the right of access to knowledge. Nevertheless, it seems to me that the actual impact of such a constitutional rule depends on the kind of relationship that the Supreme Court establishes with Congress. The degree of institutional competition becomes an essential condition for the actual progression of the discussion.

CHAPTER III

STANDARDS OF JUDICIAL REVIEW AND U.S. INTELLECTUAL PROPERTY

SUMMARY: 6. Standards of judicial review and Supreme Court intellectual property cases. – 7. Standards of judicial review and the Carolene principle. – 7.1. Early Supreme Court jurisprudence. – 7.2. From the *Lochner* era to the Carolene principle. – 7.3. Defining Carolene “fundamental values”. – 7.4. Defining Carolene “economic regulation”. – 7.5. A different reading of the Carolene principle. – 8. Standards of judicial review and (weak) alternative arguments. – 8.1. Judicial activism and the malfunctioning of the democratic process. – 8.2. Judicial activism and Commerce Clause jurisprudence. – 8.3. Conservative thinking and the “neutrality” of the public domain argument.

6. Under the American legal system, there are three standards of scrutiny in Supreme Court judicial review jurisprudence: rational, intermediate, and heightened. (i) The rational standard does not involve an inquiry on the merits: when applied to the IP Clause the Court would find it sufficient to merely ascertain that any kind of advantage for societal progress is provided by the intellectual property legislation under consideration. Insofar as such an advantage is found, it is not the Court’s duty to investigate the merits of such a balance. (ii) Under the heightened standard of scrutiny, the Court considers the merits of the legislative choice: it evaluates the specific advantages and disadvantages of a given legislative solution and its essential ability to pursue the constitutionally mandated function. (iii) Intermediate scrutiny is not equidistant from the two, since “[t]he gap between rational basis and intermediate scrutiny

represents a deep chasm, while that between intermediate scrutiny and strict scrutiny presents only a manageable gulf” (75).

However, such distinctions and the circumstances in which each standard applies are not defined by legislation but established by Supreme Court jurisprudence. The choice of standard must therefore be made with reference to Supreme Court precedents. In the 150 years preceding *Eldred*, the Supreme Court discussed the constitutionality of legislation under the Intellectual property Clause in only seven cases (76). From this line of IP cases, there is no clear precedent supporting a merely rational standard under the Intellectual Property Clause.

In the so called Trade-Mark Cases (1879) (77), the Court analyzed the meaning of the IP Clause for the first time. The case related to federal legislation providing trademark protection that, according to the Court’s interpretation, Congress had passed pursuant to its IP Clause authority. The Court held that trademarks did not qualify as “writings” of “authors” as provided by Article I, Section 8, Clause 8: the constitutional meaning of writings had to be read as “fruits of intellectual labor”, whereas trademarks may also consist of preexisting signs and marks not created by the trademark owner (78). The Court invalidated Congress’ power to enact federal trademark law under the IP Clause.

In *Burrow-Giles* (1884) (79), the Court considered the power

(75) See R.A. EPSTEIN, *The “Necessary” History of Property and Liberty*, 6 *Chap. L. Rev.*, 1, 4 (2003).

(76) Although other Supreme Court cases involved intellectual property, they did not involve judicial review under the IP Clause or IP Clause: see *Wheaton v. Peters*, 33 U.S. 591 (1834), where the Court did not interpret the meaning of the IP Clause; see also *McClurg v. Kingsland*, 1 How. 202 (1843), where the Court considered the issue of retroactivity in intellectual property legislation; *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), which did not involve the unconstitutionality of specific legislation, although it provided an essential precedent on the judiciary’s role in interpreting intellectual property law when new technology arises.

(77) *Trade-Mark Cases*, *Steffens v. United States*, 100 U.S. 82 (1879).

(78) *Ibid.* at 94.

(79) *Burrow-Giles Litho. Co. v. Sarony*, 111 U.S. 53 (1884).

of Congress to afford copyright protection to photographs under the IP Clause. The Court rejected the challenge based on the interpretation of the terms “writings” and “authors” in the clause. The constitutional inquiry did not result in any consideration of whether its functional requirement had been fulfilled. The Court stated that – even if the ordinary production of photographs does not constitute an original intellectual conception of the author – such conception might indeed take the form of a photograph as the term “writing” had to include all forms of “writings, printing, engraving, etching, by which the ideas in the mind of the author are given visible expression” (80).

In *Higgins* (1891) (81), the Court considered the availability of copyright protection for a label consisting of the words “water-proof drawing ink”. Copyright protection was ruled out based on the preliminary and decisive argument that the plaintiff had not complied with the strict notice formalities required at that time. Nevertheless, notwithstanding this decisive argument, the Court put forward for the first time, albeit as an obiter dictum, an interpretation of copyright protection consistent with the preamble to the IP Clause. It stated that protecting a mere label would have had “no possible influence upon science or the useful arts” (...) and that it could not be “held by any reasonable argument that the protection of mere labels is within the purpose of the clause” (82). The decision was the first specific recognition that the preamble to the IP Clause had the same binding value as the rest of the provision.

In *Bleistein* (1903) (83), the Court was for the second time engaged in the interpretation of the preamble to the IP Clause. It held that recognizing copyright protection on posters advertising a circus was legitimate and consistent with the preamble to the IP Clause regarding the scope of Congress’ power, as “[t]he Constitu-

(80) *Ibid.* at 58.

(81) *Higgins v. Keuffel*, 140 U.S. (1891).

(82) *Ibid.* at 431.

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

tion does not limit the useful to that which satisfies immediate bodily needs” (84). In doing so it overturned the decision of the lower court, which had considered the protection of creations merely devoted to advertising, “not promotive of the useful arts, within the meaning of the constitutional provision” (85).

In *Kalem* (1911) (86), the Court established that the reading of the Copyright Act provision on the exclusive right to dramatize a literary work as including the right to make a motion picture from it was correct, and that such reading of the Act did not exceed Congress’ power under the IP Clause. However, although the Court referred to the clause, the primary focus of the case was the copyright idea/expression dichotomy (87).

In *Goldstein* (1973) (88), the Court interpreted sound recordings as possibly falling within the concept of writings under the IP Clause, since “writings” “may be interpreted to include any physical rendering of the fruits of creative intellectual or aesthetic labor” (89).

In *Feist* (1991) (90), the Court considered copyright protection of a standard telephone directory unconstitutional because it lacked originality. This was held to be an essential constitutional condition of copyright protection under the IP Clause in addition to a minimal degree of creativity (91).

(84) *Ibid.* at 249.

(85) *Courier Lithographing Co. v. Donaldson Lithographing Co.*, 104 F. 993, 996 (1900).

(86) *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911).

(87) The reason why such reading was considered illegitimate by the plaintiff was that it would have amounted to a protection of ideas rather than expression: an argument then dismissed by the Court. The case concentrated on a substantive law issue – the idea/expression dichotomy and its application in literary works – rather than on Congress’ intellectual property power.

(88) *Goldstein v. California*, 412 U.S. 546 (1973).

(89) *Ibid.* 561.

(90) *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991).

(91) *Ibid.* 345.

Several commentators have argued that – with the exception of *Feist* – since Supreme Court cases concerning the interpretation of the IP Clause show a history of deference toward Congress (92), the *Eldred* decision was predictable and largely in line with precedents. I would agree with the descriptive part of the analysis provided “deference” is accorded its minimal meaning in the sense that, in the majority of Supreme Court IP Clause cases, Congress was held to be validly exercising its constitutional power when enacting new IP legislation. However, I would not subscribe to the conclusions inferred from it, and intend instead to put forward arguments that point entirely to the opposite conclusion: *Eldred* was inconsistent with Supreme Court IP jurisprudence, and represents a “viral” occurrence of judicial deference toward Congress in the field of intellectual property law. Firstly, four out of six cases (93) specifically analyzing the IP Clause (94) focused on the exegesis of specific wording of the text: no argument was put forward as to the judiciary’s ability to reconsider the balance struck by Congress and no reference was made to the functional part of the IP Clause. It is not therefore possible to infer from those precedents any deference of the kind adopted in *Eldred*. Secondly, of all the intellectual property cases just two decisions – *Higgins* and *Bleistein* – specifically referred to the functional part of the IP Clause and considered the fairness of the balance embedded in intellectual property legislation under the constitutional mandate of the promotion of progress. However, these precedents do not support the view that the Supreme Court shows deference to Congress in intellectual property cases. Some may contend that *Higgins* was not decided on the IP

(92) See M.A. HAMILTON, *Copyright at the Supreme Court: A Jurisprudence of Deference*, 47 *J. Copr. Soc’y*, 317, 336 (2000).

(93) These are the Trademark cases, *Burrow*, *Goldstein* and *Feist*.

(94) As it has been said, the seventh, *Kalem*, only dealt with it indirectly, see R.A. REESE, *Copyright Term Extension and the Scope of Congressional Power – Eldred v. Ashcroft*, 7 *J. World Intell. Prop.*, 11 (2004).

Clause, but on the preliminary issue that the plaintiff had not complied with a strict notice requirement, although the Court decided to discuss the merits of the legislation, albeit obiter, while in *Bleistein*, the preambular goal of promoting progress was interpreted “as broadly as the Court had interpreted the words ‘writings’ and ‘authors’” (95). But a closer look at both *Higgins* and *Bleistein* (it is worth noting: the only two precedents on the functional limitation of the Progress Clause) leads to entirely the opposite conclusion. Indeed, in both cases the preamble, delineating the functional limit of the IP Clause, was considered as having the same binding effect as the rest of the clause; furthermore, in *Higgins*, notwithstanding that a preliminary and decisive argument was available for the decision, the Court decided to discuss the legislation “on the merits” without claiming that it was outside its ambit to “second guess” Congress’ choices, as it would have done in *Eldred*. (iii) Finally, in *Bleistein* it was held that a certain work was adequate to promote the useful arts, therefore reasoning on the merits of the Clause’s functional limit. The fact that the final outcome was in favor of the IP holder is irrelevant to the present analysis.

There is only one counterargument that supporters of the *Eldred* decision could use to distinguish the case from the precedents previously referred to: one could indeed contend that both *Higgins* and *Bleistein* are “distinguishable” from *Eldred* in that they involved an interpretation of the IP Clause rather than a review of the constitutionality of IP legislation.

7. An argument that would support the adoption of a heightened standard of review may be inferred from Justice Breyer’s dissenting opinion in *Eldred*: “it is only necessary to recognize that this statute [CTEA] involves not pure economic regulation, but regulation of expression, and what may count as rational where economic regulation is at issue is not necessarily rational where we

(95) See R.A. REESE, *Copyright Term Extension and the scope of Congressional Power*, cit., at 11.

focus on expression” (96) “I would look harder than does the majority at the statute’s rationality (...) vigilance is all the more necessary in a new century that will see intellectual property rights and the forms of expression that underlie them play an ever more important role in the nation’s economy and the lives of its citizens” (97). Such a proposition does not contain a clear statement for the purpose of defining the right standard of judicial review in intellectual property cases, as Justice Breyer literally talks of a rational standard that would be more stringent as applied to expression. However, linking a heightened standard of review to the nature of the law at stake is not an anomalous idea (98). Rather, it is based on an argument that is rooted in Supreme Court jurisprudence according to which a heightened standard is to be applied where not merely economic legislation but fundamental values are involved. The positive law foundation of such tradition and its applicability to intellectual property law must be fully analyzed for the purpose of this work.

7.1. A consolidated reading of early Supreme Court cases demonstrates that in the early stage of its life, prior to 1905, the Supreme Court always adopted a deferential attitude toward Congress, so that it intervened only where Congress had made such a clear mistake as to be held invalid under a mere rational standard of scrutiny. This position was affirmed by James Bradley Thayer’s seminal 1893 article *The Origin and Scope of the American Doctrine of Constitutional Law* (99), regarded as the “first systematic

(96) *Id.* at 244. Breyer expressly states that for this reason, “there is no need in this case to characterize [the] review as a search for ‘congruence and proportionality’ or as some other variation of what this Court has called intermediate scrutiny”, *id.* at 244-245.

(97) *Id.* at 244-245.

(98) “Congress’ exercise of its Copyright Clause authority must be rational, but Justice Breyer’s stringent version of rationality is unknown to our literal property jurisprudence”, *id.* 205, n. 10.

(99) J.B. THAYER, *The Origin and Scope of the American Doctrine of Constitutional Law*, 7 *Harv. L. Rev.*, 129 (1893).

defense of what has come to be known as rationality review” (100). In this early phase of Supreme Court jurisprudence, there is no specific precedent relating to the Progress Clause. However, it is worth noting that Jane Ginsburg’s opinion on *Eldred* – supporting arguments in favor of the Court’s deference toward federal legislation issued under the Progress Clause – referred to this phase and found a precedent involving patents that some commentators have defined as a typical “originalist” argument in favor of Court deference. In *Kingsland* (1843) (101), the Supreme Court found no constitutional barrier to the legislative expansion of existing patents. The patentee had allowed his employer to use the invention before obtaining the patent and such behavior would have rendered the patent invalid. The patent became valid only due to an exemption created for such allowances two years later by retroactive legislation. The Supreme Court explained that “the powers of Congress to legislate upon the subject of patents is plenary by the terms of the Constitution, and as there are no restraints on its exercise, there can be no limitation of their right to modify them at their pleasure, so that they do not take away the rights of property in existing patents” (102),

The case seems to be ill suited to support an originalist argument in favor of Supreme Court deference toward Congress. It should be read merely as a precedent stating that retroactive legislation extending or reinforcing intellectual property rights is not invalid under a rational standard of judicial review, and that the Framers thought retroactive extensions to be consistent with the IP Clause. As the case did not review legislation according to the pur-

(100) L.W. LEVY, *Introduction: One Hundred Years of Judicial Review: The Thayer Centennial Symposium*, 88 *Nw. U. L. Rev.*, 1 (1993). On the influence played by this article on subsequent constitutional scholarly debate and particularly in the works of Learned Hand, Oliver Wendell Holmes, and Felix Frankfurter, see E. PURCELL, *Learned Hand: The Jurisprudential Trajectory of an Old Progressive*, 43 *Buffalo L. Rev.*, 873, 1995.

(101) *McClurg v. Kingsland*, 1 How. 202 (1843).

(102) *Id.*

pose of the IP Clause, it provides a good argument in favor of the CTEA's unconstitutionality as retroactive legislation, but does not constitute a good precedent as to the standard of scrutiny to be applied when reviewing intellectual property legislation.

This first phase of Supreme Court deference is greatly influenced by the fact that US institutional mechanics were still to be consolidated, and respect for Congress' legislative role was still bound up with respect for federal state unity. This position is confirmed by the reading of constitutional law scholars, who have stressed that judicial review was considered to be a sort of revolutionary process, the application of which should be limited to extreme cases (103).

7.2. A phase of institutional competition between the Supreme Court and Congress marked the beginning of the so-called "Lochner era" following the *Lochner* case (1905) (104). It should be noted that this phase of Court activism (105) started much earlier than 1905 with Court decisions concerning the strong regulation of railroads in the post-Civil War period, scrutinized under the Due Process Clause (106). In *Lochner*, the Supreme Court entered an "era" of institu-

(103) The point has been clarified by S. SNOWISS, *Judicial Review and the Law of the Constitution*, Yale Univ. Press, New Haven-London (1990), where the author underlines that even in the *Marbury* case judicial review was limited to "the concededly unconstitutional act"; this conclusion is shared by G.S. WOOD, *The Origins of Judicial Review Revisited or How the Marshall Court Made More Out of Less*, 56 *Wash & Lee L. Rev.*, 787 (1999).

(104) *Lochner v. New York* 198 US 45, 1905.

(105) The term is used here in a neutral sense, and refers to the judiciary's willingness to actively intervene in the process of creating or integrating the law (e.g. in relation to judicial review I use it to refer to the adoption of a heightened standard of review), i.e. the opposite of judicial restraint. Nevertheless, it is worth noting that the term often carries a negative connotation. For the meaning of the term see G.A. CALDEIRA, D.J. MCCRONE, *Of Time and Judicial Activism: A Study of the US Supreme Court, 1800-1973*, in S.C. HALPERN, C.M. LAMB (eds.), *Supreme Court Activism and Restraint*, Lexington Books, Lexington, Mass. (1982); K. KMIEC, *The Origins and Current Meaning of Judicial Activism*, 92 *Cal. L. Rev.*, 1441 (2004); Symposium: *Conservative Judicial Activism*, *Colo. L. Rev.*, 73 (2002).

(106) On the early jurisprudence preceding *Lochner* see S.A. SIEGEL, *Understand-*

tional competition with Congress, where legislation was regarded as regulating the economy. A New York statute establishing maximum hours for bakers was held to be in breach of the right to contract, an interest of which the citizen cannot be deprived without due process of law. The judicial activism of the *Lochner* era was thrown into crisis with the advent of the New Deal, when the need for legislative intervention in the economy rendered it necessary to give greater leeway to Congress. The Supreme Court's ongoing application of a heightened standard of review of congressional choices finally led President Roosevelt to present a Bill proposing changes to the Supreme Court. The subsequent capitulation to the Roosevelt Administration marked the end of the *Lochner* era and the beginning of a new phase of judicial restraint. In *West Coast Hotel Co. v. Parrish* (1937) (107), the Court firmly adopted a deferential standard of review towards Congress. The following year, the principle stated in *Parrish* was better explained by the seminal *Carolene* case (108), where a federal statute barring "the shipment in interstate commerce of skimmed milk compounded with any fat or oil other than milk fat" (109) was upheld. Instead of applying a heightened standard of review and striking down the law on the grounds that it interfered with marketplace freedom – as would have happened under the *Lochner* principles – the Court adopted a deferential standard of review. Since it found a rational basis for such regulation, it held the legislation valid without verifying whether the underlying policy was

ing the Lochner Era: Lessons from the Controversy Over Railroad and Utility Rate Regulation, 70 *VA. L. Rev.*, 187, 188-89 (1984). The leading case of this type is *Reagan v. Farmers' Loan & Trust Co.* 154 U.S. 362 (1894) involving railroad rate regulation.

(107) *West Hotel Co. v. Parrish* 300 U.S. 379 (1937).

(108) *United States v. Carolene Products* 304 U.S. 144 (1938).

(109) The law was supported by organizations from the dairy industry to defend themselves from the strong competition caused by the low prices of filled milk products. For this view see G.P. MILLER, *The True Story of Carolene Products*, *Sup. Ct. Rev.*, 397 (1987). See also P.M. SCHWARTZ and W.M. TREANOR, Copyright Term Extension and Intellectual Property as Constitutional Property, 112 *Yale L.J.* 2331, 2407 (2004).

“desirable or workable”. But aside from this fine-tuning of Parrish, Carolene’s position in Supreme Court history is mostly attributable to footnote 4 of Justice Stone’s opinion, which describes cases in which the heightened standard should be applied. These involve three types of federal law: (i) legislation involving fundamental rights and interests (“[t]here may be narrower scope of operation of the presumption of constitutionality when legislation appears on its face to be within a specific prohibition of the Constitution, such as those of the first ten Amendments, which are deemed equally specific when held to be embraced within the Fourteenth” (110)); (ii) legislation attempting to restrict the electorate in exercising political rights (“[i]t is unnecessary to consider now whether legislation which restricts those political processes which can ordinarily be expected to bring about repeal of undesirable legislation, is to be subjected to more exacting judicial scrutiny under the general prohibitions of the Fourteenth Amendment than are most other types of legislation” (111)); (iii) legislation involving and discriminating against minorities (“[w]hether prejudice against discrete and insular minorities may be a special condition, which tends seriously to curtail the operation of those political processes ordinarily to be relied upon to protect minorities, and which may call for a correspondingly more searching judicial inquiry” (112)).

The traditional reading is that Carolene removed economic rights from what the Court considered to be so fundamental as to still deserve a heightened standard of scrutiny, and opened the way for a two-tier system where individual rights deserve higher protection than economic liberties (113). So the post-Lochner era established

(110) 304 U.S. 144, 152-153 n. 4 (1938).

(111) *Id.*

(112) *Id.*

(113) The principle remains generally true for economic legislation even if neo-conservative scholars criticize such outcome and call for a new Lochner era. See R. EPSTEIN, *Takings: Private Property and the Power of Eminent Domain*, Harvard University Press, Cambridge, Mass. (1985); B.H. SIEGAN, *Economic Liberties and the Constitution*, University Chicago Press, Chicago (1980). Interestingly, however,

a clear pattern whereby the Supreme Court should adopt a deferential standard only for areas of law that affect fundamental interests. Judicial activism in civil liberties was fostered during the subsequent period of the Warren Court (114). Unlike *Lochner* activism, which was mostly concerned with the primacy of democracy over rights claims, the Warren Court recognized that fundamental values should prevail over democratic outcomes. This phase was strongly criticized by supporters of judicial neutrality (115). However, the

the statute upheld in *Carolene* was struck down in 1972 by a Federal District Court. See *Milnot Co. v. Richardson*, 350 F. Supp. 221, 224 n. 1 (S.D. III 1972). The District Court found the law arbitrary and capricious and in violation of substantive due process, arguing that the market conditions that had led to upholding the statute had changed. The Milnot Company had previously operated under the name of Carolene Products Company.

(114) “To many people, the idea of judicial deference to the elected branches lost much of its theoretical appeal in the 1950s and 1960s, when the Supreme Court, under the leadership of Chief Justice Earl Warren, was invalidating school segregation (*Brown v. Bd. of Educ.*), protecting freedom of speech (*Brandenburg v. Ohio*), striking down poll taxes (*Harper v. Bd. of Elections*), requiring a rule of one person, one vote (*Reynolds v. Sims*), and protecting accused criminals against police abuse (*Miranda v. Arizona*)”, see C. SUNSTEIN, *Breyer’s Judicial Pragmatism*, University of Chicago Law School (2005), available at www.ssrn.com.

(115) This tension involves the more general tension between the legal realists’ claim that the law is just another name for politics and the anti-realists’ use of judicial neutralism as a way of restoring the law’s objectivity and the need for the judiciary not to act as a naked power organ. For the neutrality principle in Supreme Court interpretation see the seminal H. WECHSLER, *Toward Neutral Principles of Constitutional Law*, 73 *Harv. L. Rev.*, 1 (1959), underlining that since the Supreme Court must act differently from a naked power organ in judicial review, it should not adopt ad hoc decisions but rather apply neutral principles to cases: by this he criticized some of the Supreme Court’s progressive decisions, particularly those of the Warren Court (1953-1969); see for an early critique L.H. POLLACK, *Racial Discrimination and Judicial Integrity: A Reply to Professor Wechsler*, 108 *U. Pa. L. Rev.*, 1 (1959) for further specification on Wechsler neutralism. For specifications of the Wechsler neutrality framework see M. SHAPIRO, *The Supreme Court and Constitutional Adjudication: Of Politics and Neutral Principles*, 31 *Geo. Wash. L. Rev.*, 587 (1963), see also R.H. BORK, *Neutral Principles and Some First Amendment Problems*, 47 *Ind. L. J.*, 1 (1971). Another strong critique of Warren Court activism is contained in the seminal A.M. BICKEL, *The Supreme Court and the Idea of Progress*, Yale University Press, New Haven, CT (1978).

tension between judicial neutrality and activism remains an ontological divide in doctrinal thinking whose more general implications – other than for intellectual property law – remain outside the scope of this work.

7.3. The Supreme Court has not provided a full definition of what a “fundamental right” (or “fundamental value”) is for the purpose of choosing the appropriate standard of judicial review. It is essential to note that this expression under *Carolene* jurisprudence is not used to refer to mere legislation affecting human rights in general or to what is generally described as fundamental rights. It refers to legislation affecting rights recognized and protected by the US Bill of Rights. These are specifically meant to protect certain individual freedoms from federal government power and are structured as negative rights. Therefore, instead of being natural rights accorded to any human being, they constitute areas where the federal state cannot intervene (116), and where citizens are shielded from the invasion of federal regulation. This justifies greater institutional competition undertaken by the Supreme Court through a heightened standard of scrutiny during judicial review (117).

Once defined as a broad category, further doubts arise about the precise list of these rights. It is possible to draw the following observations: (i) on a literal reading of footnote four in *Carolene*,

(116) For the distinction between human rights and the specific function of the Bill of Rights as mainly meant to limit government see I. PERNICE, *The Treaty of Lisbon: Multilevel Constitutionalism in Action*, 15 *Col. J. Eur. L.*, 349 (2009).

(117) E.g. the First Amendment guaranteeing freedom of speech is not built on the concept of a natural right to free expression but rather on the need for the federal state not to influence or select citizens’ speech. The IP Clause is built on the same philosophy of freedom: “[the IP clause and First Amendment] seek to assure that no one will capture the legislative process to privatize the most precious of all public domains – our knowledge of the world that surrounds us. For that public domain is germane to our ability to decide for ourselves and talk to each other about how we ought to live our lives as individuals and as members of the community”, see Y. BENKLER, *Constitutional Bounds of Database Protection: The Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 *Berkeley L. & Tech. J.* 535 (2000).

these are all the individual rights guaranteed in the first ten amendments of the Bill of Rights: “[t]here may be narrower scope for operation of the presumption of constitutionality when legislation appears on its face to be within a specific prohibition of the Constitution, such as those of the first ten amendments” (118). (ii) A different and more limited definition of fundamental values as including only the most fundamental provisions of the Bill of Rights was confirmed in *Duncan* (1968) (119): here the Supreme Court referred to them as “those fundamental principles of liberty and justice which lie at the base of all our civil and political institutions”. (iii) A third definition – particularly supported by constitutional law scholars – considers fundamental rights as “preferred rights”: Laurence Tribe considers that these rights “touch more deeply and permanently on human personality and came to be regarded as the constituents of freedom” (120), and cover freedom of speech, freedom of religion, the right to vote, the right to marry, and the right to privacy.

7.4. Further consideration should be given to the Carolene principle as to the meaning of “economic regulation”. Congress may certainly enact legislation affecting economic liberties and regulat-

(118) See *United States v. Carolene Products*, 304 U.S. 144, 153 n. 4 (1938), (Harlan Fiske Stone, J.).

(119) See *Duncan v. Louisiana* 391 U.S. 145, 148-149 (1968).

(120) See L.H. TRIBE, *American Constitutional Law*, 2nd ed., Foundation Press, New York (1988) at 770, referring to such category; see also H.J. ABRAHAM, *Fundamental Rights*, in L.W. LEVY *et al.* (eds.), *Encyclopedia of the American Constitution*, 2nd ed., Macmillan Reference, New York (2000) at 1176-1177. This view is shared with those arguing that fundamental rights are not only the enumerated constitutional rights but would include a broader category of “implied fundamental rights”: for this view see B.A. ACKERMAN, *Beyond Carolene Products*, 98 *Harv. L. Rev.*, 713, 743 (1985); C.L. EISGRUBER, *Constitutional Self-Government*, Harvard University Press, Cambridge, Mass. (2001), at 115-120. See also Dworkin’s “moral reading” of the constitution in R. DWORKIN, *Freedom’s Law: The Moral Reading of the American Constitution*, Harvard University Press, Cambridge, Mass. (1996) at 7-12. However, this implied view of fundamental rights is not explicitly linked to the debate on the standard of scrutiny.

ing property and freedom of contract. Although property and contract are included in the Bill of Rights and property is a “fundamental right” economic liberties remain outside the group of rights that are meant to deserve a heightened standard of scrutiny under the Carolene principle. Therefore – even though the outcome is strongly criticized by conservative legal thinkers – Congress’ regulation of property and contracts does not “per se” deserve a heightened standard of review. Obviously, fundamental rights can be affected by legislation regulating property or contracts. Therefore the concept of “fundamental interests legislation” is essentially neutral as regards property and economic regulation. For this reason it is misleading to define fundamental rights negatively as being not merely economic legislation (or legislation merely regulating property).

The problem in discussing the IP Clause is not whether all constitutional clauses referring to property should be treated the same (121), but rather whether it ontologically involves a consideration of the kind of fundamental interests that deserve special protection in the form of a more active judicial role.

7.5. According to a more restrictive reading of the Carolene principle, the judicial standard of review must be heightened only when minorities are put in danger and excluded from the political process. The malfunctioning of the representative system is a common argument used to support judicial activism (this will be discussed below) but is here considered in terms of its application to a reductionist reading of Carolene jurisprudence. Under this reading,

(121) This approach involving a homogeneous reading of the property clauses of the Constitution, including the IP Clause, is suggested by P.M. SCHWARTZ, W.M. TREANOR, *Eldred and Lochner: Copyright Term Extension and Intellectual Property as Constitutional Property*, cit., at 2410. The authors rely on scholars supporting a systematic reading of the Constitution and are against an isolated reading of its provisions. On this latter view see C.L. BLACK jr., *Structure and Relationship in Constitutional Law*, Louisiana University Press, Baton Rouge (1969); L.H. TRIBE, *American Constitutional Law*, 3rd ed., Foundation Press, New York, 38-41 (2000); V.C. JACKSON, *Holistic Interpretation: Fitzpatrick v. Bitzer and Our Bifurcated Constitution*, 53 *Stan. L. Rev.*, 1259 (2001).

judicial activism is justified when majoritarian democracy does not work: only when there is a crack in the representative machinery are some scholars willing to accept the countermajoritarian difficulties caused by judicial activism. This was the position first put forward in the seminal work of John Hart Ely, which, relying mainly on Carolene, considers judicial review as a reinforcing tool of the democratic process (122). It is worth noting that Ely's process theory, focusing on the protection of minorities as requiring a heightened standard, is not opposed "per se" to self-interested legislation; it tends to protect minorities that are not allowed "to join with others in pursuing self-interested deal-making" (123).

Furthermore, and on the same track, Jesse Choper has argued that judicial review is needed when the majoritarian mechanism does not fully protect the constitutional interests at stake. On the one hand, this provides a complete validation for judicial review in the area of civil liberties. On the other hand, as federalism and the separation of powers are sufficiently guaranteed by the structure of the consti-

(122) J.H. ELY, *Democracy and Distrust: A Theory of Judicial Review*, Harvard University Press, Cambridge, Mass. (1980). The author argues that contemporary constitutional theory is dominated by a false dichotomy. Based on what he calls "clause-bound interpretivism", "judges deciding constitutional issues should confine themselves to enforcing norms that are stated or clearly implicit in the written Constitution". Noninterpretivists contend that "courts should go beyond that set of references and enforce norms that cannot be discovered within the four corners of the document". Ely suggests a third theory: a "participation-oriented, representation-reinforcing approach to judicial review". Here "the Court should enforce the specific provisions of the Constitution". See M. BALL, *Judicial Protection of Powerless Minorities*, 59 *Iowa L. Rev.*, 1059, 1060 (1974); for an analysis of the concept of insular minorities proposed by footnote 4, see R. COVER, *The Origins of Judicial Activism in the Protection of Minorities*, 91 *Yale L. J.*, 1287 (1982). More recent works on the subject have frequently involved a response to Hart Ely's *Democracy and Distrust*. Geoffrey P. Miller reads Carolene as a typical interest group theory case and stresses that it "freed the forces of interest group politics from the stumbling block of the federal courts" so justifying the "unrivaled primacy of interest groups in American politics of the last half-century", G.P. MILLER, *The True Story of Carolene Products*, cit., at 399.

(123) See P.M. SCHWARTZ, W.M. TREANOR, *Copyright Term Extension*, cit., at 2407.

tution, and do not clearly threaten individual liberties, they are inappropriate for judicial review, and the Court should not decide constitutional questions concerning these particular areas (124).

Although the reading of the Carolene principle described above is extremely influential in the constitutional debate, it should not be considered per se sufficient to support a mere rational scrutiny in the judicial review of intellectual property legislation for the sole reason that this body of law does not imply any democratic malfunctioning (125): (i) the process-based reading (or “representation-reinforcing approach”) is not sufficient to reduce the literal implications of Carolene, which clearly opened the way to the adoption of a heightened standard of scrutiny even where the elective mechanics

(124) Choper starts on the basis that the actual allocation of power between the national government and the states is entirely determined by Congress. However, he argues that state interests are sufficiently represented in the national political process and that “[t]he courts are simply incapable of setting principled limits on what Congress may do pursuant to its commerce, spending, and taxing powers, or pursuant to the grants of power made by the Civil War amendments”; see J.H. CHOPER, *Judicial Review and the National Political Process: A Functional Reconsideration of the Role of the Supreme Court*, University of Chicago Press, Chicago (1980), at 40-43. The argument is criticized by some authors: see L.B. KADEN, *Politics, Money, and State Sovereignty: The Judicial Role*, 79 *Colum. L. Rev.*, 847, 875 (1979), where doubts are raised as to the ability of the political process to safeguard federalism. The other argument used by Choper concerns the efficient use of institutional resources that are better suited to protecting civil liberties rather than spreading into areas already guaranteed by the constitutional mechanics. However, Choper underlines that the Court should address specific individual liberties claims involved in separation of powers and federalism cases, see J.H. CHOPER, *Judicial Review*, cit., at 197-98, 326-30.

(125) See T.B. NACHBAR, *Judicial Review and the Quest to Keep Copyright Pure*, 2 *Journal on Telecom. & High Tech. Law*, (2003), where the author argues that a rent seeking strategy is not itself a public choice problem able to determine a breakdown of the political process and thus deserving heightened judicial review: “the Framers were concerned about the possibility of legislative capture by economic interests, to be sure, but their solution was not aggressive judicial review. Instead the Constitution’s solution is to gather a large group of geographically dispersed individuals with divergent interests under a republican government”. Other scholars see a public choice problem in copyright and patent law reinforcement, see M. POLLACK, *Purveyance and Power, or Over-Priced Free Lunch: the Intellectual Property Clause as an Ally of the Takings Clause in the Public’s Control of the Government*, 30 *Sw. U. L. Rev.*, 1 (2000).

of under-represented minorities are not under discussion. It is not insignificant that only four years after *Carolene*, in *Skinner v. Oklahoma* (126), the Court scrutinized and struck down a state law requiring the sterilization of certain habitual criminals. The Court found that it impaired a “fundamental interest” in procreation, and did not refer to any imbalance in the political process or damage to a discrete minority. Therefore, notwithstanding the relevance of the theory and its pivotal role in the reading of *Carolene* jurisprudence, it does not prevent reliance on *Carolene* as a case on fundamental values. (ii) Indeed, the two interpretative prongs may even converge, at least as far as free speech is concerned – in fact, blocking speech is one way to “obstruct political representation or accountability” (127).

8. Several further approaches may be used to consider the proper structure of institutional relations between the legislature and judiciary as far as intellectual property law is concerned. Previous paragraphs have focused on case law analysis and the doctrinal IP debate, Supreme Court IP judicial review precedents (cf. para. 6), and “*Carolene* jurisprudence” (cf. para. 7). A further group of arguments (often studied by political scientists as well) will also be considered below for a more limited purpose: as they are frequently recalled in IP case law and doctrinal debate, it is necessary to ascertain their binding authority and implications for the US IP system. However, the following analysis will not consider a third group of arguments, common to economics and political science, which address issues that fall outside the object of this work, although they add fundamental elements to the discussion of the relationship between the legislature and judiciary: e.g. (i) whether and the extent

(126) *Skinner v. Oklahoma*, 316 U.S. 535 (1942); the Supreme Court held that compulsory sterilization could not be imposed as a punishment for a crime.

(127) See L. TRIBE, *The Puzzling Persistence of Process-Based Constitutional Theories*, 89 *Yale L. J.*, 1063 (1980); see also, L. SAGER, *Rights Skepticism and Process-Based Responses*, 56 *N.Y.U. L. Rev.*, 417 (1981); D. ORTIZ, *Pursuing a Perfect Politics: The Allure and Failure of Process Theory*, 77 *Virg. L. Rev.*, 77 (1991).

to which the judiciary (and especially the Supreme Court in judicial review cases) is influenced by strategic considerations (128), the political environment (129), or by certain organizational elements; (ii) which institution is best suited to taking certain decisions; (iii) which institution is better equipped to make decisions on certain matters.

8.1. The so-called “countermajoritarian difficulty” (130) holds that it is essentially wrong to allow decisions taken by democratically legitimized institutions to be “second guessed” by non-democratically legitimized institutions (131), and recognizes an ontological tension between judicial review and democracy. A common response to this argument is that countermajoritarianism is not per se a problem, as Court activism is not at odds with democracy but reinforces it, solving the malfunctions of the representative system.

The works of Maxwell Stearns and, more recently, Daniel Far-

(128) Some scholars contend that strategic considerations exist and influence courts in their decision-making, see J. FEREJOHN, B. WEINGAST, *A Positive Theory of Statutory Interpretation*, 12 *Int. 'l Rev. L. & Econ.*, 263 (1992). Others deny that strategic consideration may influence courts at all: see in this sense J. SEGAL, *Separation-of-Powers Games in the Positive Theory of Congress and Courts*, 91 *Am. Pol. Sci Rev.*, 28 (1997), at 28; A.S. SWEET, T. BRUNNELL, *Constructing a Supranational Constitution: Dispute Resolution and Governance in the European Community*, *Am. Pol. Sc. Rev.* (1998).

(129) See G. VANBERG, *Legislative-Judicial Relations: A Game-Theoretic Approach to Constitutional Review*, 45 *Am. J. Pol. Sc.*, 346 (2001), arguing that the extent to which courts are affected by strategic considerations largely depends on the political environment, in particular whether sufficient public support exists for the court generally, or whether voters are able to monitor legislative responses to judicial rulings reliably.

(130) The expression was first used by A.M. BICKEL, *The Least Dangerous Branch: The Supreme Court at the Bar of Politics*, Bobbs-Merrill Company, Indianapolis (1962).

(131) See S. SHERRY, *Too Clever by Half: The Problem with Novelty in Constitutional Law*, 95 *Nw. L. Rev.*, 921 (2001), arguing that “one might say that reconciling judicial review and democratic institutions is the goal of almost every major constitutional scholar writing today”.

ber and Philip Frickey (132) have specifically addressed the idea of democracy compensating judicial activism. They have analyzed the ontological inability of the legislature to take public interest decisions, due to the mechanics of rent seeking and lobbyism. Some minorities have a bigger incentive and greater organizational capability than some majorities to influence legislative decisions because certain groups and their representatives are ill-equipped to know and deal with those interests, or because the groups do not have adequate access to the representative institution (133). Furthermore, political players take decisions that are merely conducive to their reelection, and in the crush of interest group politics, the public interest is often ignored. The ontological need to solve such a “malfunction” of the representative system, justifies an expansion in the lawmaking power of the judiciary that would “limit the opportunities for strategic behavior on the part of legislators, moderate the influence of interest groups, and reduce the possibility of arbitrary outcomes” (134). Such an expansion could be pursued either by the adoption of a more heightened constitutional scrutiny (135), or by a

(132) D.A. FARBER, P.P. FRICKEY, *Law and Public Choice: A Critical Introduction*, Chicago University Press, Chicago (1991) at 131.

(133) The same phenomenon can be recognized at the international level: e.g. it seems to me that the biodiversity issue emerges from the asymmetry between the worldwide implications of innovation rules and the territorial dimension of political representation.

(134) D.A. FARBER, P.P. FRICKEY, *Law and Public Choice*, cit.

(135) For the use of a heightened constitutional standard of scrutiny as the main antidote against interest groups see E. CHEMERINSKY, *The Supreme Court, 1988 Term – Foreword: The Vanishing Constitution*, 103 *Harv. L. Rev.*, 43, 73 (1989), arguing that “the Court has internalized and institutionalized the majoritarian paradigm, the idea that judicial review – in particular judicial value imposition – is in tension with American democracy”. On the same point see also R.A. EPSTEIN, *Toward a Revitalization of the Contract Clause*, 51 *U. CHI. L. Rev.*, 703, 705 (1984); J.L. MASHAW, *Constitutional Deregulation: Notes Toward a Public*, 54 *TUL. L. Rev.*, 849, 874 (1980); M. SHAPIRO, *Freedom of Speech: The Supreme Court and Judicial Review*, Englewood Cliffs, NJ: Prentice Hall (1966), at 17, 31; C.R. SUNSTEIN, *Interest Groups in American Public Law*, 38 *Stan. L. Rev.*, 29 (1985), C.R. SUNSTEIN, *Naked Preferences and the Constitution*, 84 *Colum. L. Rev.*, 1689 (1984).

restrictive interpretation of statutory provisions favoring interest groups (136). This conclusion is not necessarily based on the idea that the judiciary is ontologically better equipped than the legislature to avoid pressure from interest groups, but rather that intrusive judicial review increases the transaction costs borne by interest groups, and thus reduces the promulgation of legislation in their favor (137).

While some scholars have argued that intellectual property ought to be immune from this problem (138), it seems that this body of law does indeed fit into the intellectual property analytical framework, at least in the sense that certain expansive intellectual property law reforms, such as the CTEA, often strongly favor the minority of IP holders rather than the majority group of public consumers of the creative material (139).

General critiques of this theory hold that (i) it is not proved that interest groups are both an unavoidable or even negative component in modern institutional mechanics of law production (140); (ii) the theory is based on a general assumption that is very difficult to prove: that political players always act mainly with a view to maintaining and reinforcing their political positions, and their decisions are merely informed by what is conducive to that purpose; (iii) higher transaction costs may also give interest groups a greater incentive to influence institutions, as they may make the resulting

(136) For the view that suggests restrictive statutory interpretation see J.R. MACCEY, *Promoting Public-Regarding Legislation Through Statutory Interpretation*, 86 *Colum. L. Rev.*, 223, 228 (1986); W.N. ESKRIDGE Jr., *Politics Without Romance: Implications of Public Choice Theory for Statutory Interpretation*, 74 *Va. L. Rev.*, 275, 279 (1998); M.J. KLARMAN, *The Puzzling Resistance to Political Process Theory*, 77 *Va. L. Rev.*, 747, 776 (1991).

(137) See for this justification and a critique of it E.R. ELHAUGE, *Does Interest Group Theory Justify More Intrusive Judicial Review?*, 101 *Yale L. J.*, 31, 48 (1991).

(138) See Nachbar arguing that “copyright does not present any special form of public choice problem”, *cit.* at 54.

(139) See 537 U.S., Breyer, J., dissenting at 7 stressing that the CTEA constituted a transfer of wealth to holders of existing copyrights.

(140) See E.R. ELHAUGE, *Does Interest Group Theory Justify More Intrusive Judicial Review?*, *cit.*, at 87.

legislation harder to reverse; (iv) as judicial review becomes more intrusive, interest groups may decide to shift their influence over courts; (v) furthermore, higher transaction costs will increase the relative advantage of small interest groups (141).

In terms of the binding nature of these arguments in Supreme Court jurisprudence, the Court's activism in judicial review cases has expressly related to solving malfunctions of the representative institution with regard to the interests of under-represented minorities rather than the unorganized or "incentive-lacking" majorities: e.g. discrete groups such as women and children (142), or endangered minorities as stated in *Carolene* (143). But the possible malfunctions of the democratic mechanism in relation to intellectual property only affect unorganized majorities where societal interests relate to the majority of copyrighted and patented products, or users, consumers, and new developers. Therefore, although this body of law clearly fits into the theoretical framework, it does not belong to the kind of democratic malfunctioning addressed in Supreme Court precedents.

8.2. A further argument in favor of a heightened standard of scrutiny of intellectual property legislation is rooted in the principle of limited powers or, more broadly speaking, of avoiding an accumulation of excessive power in one branch of the federal state: both the doctrine of the separation of powers and federalism share this principle (144).

(141) These two last arguments are analyzed in E.R. ELHAUGE, *Does Interest Group Theory Justify More Intrusive Judicial Review?*, cit. id.

(142) However these cases may have been influenced by conservative ideologies that regard those categories as being unable to protect themselves: see on the point *Coley*, cit., at 1341-1342; see also L.H. TRIBE, *American Constitutional Law*, (2000), cit. at 1349; J.H. ELY, *Democracy and Distrust: A Theory of Judicial Review*, Cambridge, Mass.: Harvard University Press (1980) at 103.

(143) *United States v. Carolene Products* 304 U.S. 144 (1938).

(144) The connection between separation of powers and interest group theory has been interestingly underlined by Macey, arguing that the doctrine increases trans-

The principle is certainly at the core of the structure of the modern state in that it serves the main purpose of constitutional law, i.e. preserving guarantees to citizens through architectural mechanisms. It has been substantially applied in the US system, resulting in institutional rivalry rather than a formal separation of powers, as in European systems, where it has become more of a formal separation of functions (145). While the principle apparently belongs to a theoretical debate, and in any case to a discussion of public law, its binding authority and possible relevance for intellectual property is a separate and specific issue, and therefore in need of analysis. The principle and its implications for the standards of judicial review emerged in federalism cases and has subsequently been relied on in the intellectual property debate.

In *Lopez* (1991) (146), the Court shifted from a deferential standard towards a heightened standard in reviewing legislation adopted under the Commerce Clause power provided in Article I, Section 8. The Court had to evaluate the validity of an Act making it a crime to possess a gun within a certain number of feet of any school. The Court held that the possession of a gun near a school was not inherently a commercial activity notwithstanding its indirect effect on commercial activity. In its reasoning the Supreme Court stated that the balance of power between states and federal government should be closely examined for the very same principle governing the separation of powers: “[j]ust as the separation and independence of the coordinate branches of the Federal Government serves to prevent the accumulation of excessive power in any one branch, a healthy balance of power between the States and the Federal Government will reduce the risk of tyranny and abuse from ei-

action costs that interest group capture, see J.R. MACEY, *Transaction Costs and the Normative Elements of the Public Choice Model: An Application to Constitutional Theory*, 74 *VA. L. Rev.*, 471, 494 (1988).

(145) For a comparative analysis of the role of the judiciary under the two models and the development of Montesquieuan thought in the two traditions see G. REBUFFA, *La Funzione Giudiziaria*, Giappichelli, Torino, (1993).

(146) *United States v. Lopez*, 514 U.S. 549 (1995).

ther front” (147). In *Morrison* (2000) (148), the Supreme Court invalidated a federal statute intruding into areas beyond Congress’ Commerce Clause power: it held that the Violence Against Women Act – which allowed victims of gender-motivated violence to bring federal civil suits for damages – only had an indirect effect on interstate commerce, and was outside of the scope of the Commerce power.

Lopez was the first case in 50 years to limit congressional power under the Commerce Clause. *Lopez* and *Morrison* represent an important turnaround in the Supreme Court’s line of reasoning even though this same line of precedents was recently overturned in *Gonzales* (2005) (149). Indeed, none of these cases belongs to the category of cases that footnote 4 regarded as deserving an active role from the judiciary. Although several commentators have already tried to trace the real reason for this interpretative change (150), the reason at the core of the decision is the pivotal importance of federal balance within the constitutional structure. Requiring judicial activism for the maintenance of relative power among the various competitors in the legal system could be regarded as a separate and fourth case of a Carolene heightened standard (151): the principle could therefore be regarded as a reinterpretation or fine-tuning of footnote four. According to this principle, the active role of the judiciary and institutional competition would be required where the

(147) See *United States v. Lopez*, cit., citing *Gregory v. Aschcroft*, 501 U.S. 452, 458 (1991). See also *United States v. Morrison*, 529 U.S. 598 (2000).

(148) *Morrison v. United States*, 529 U.S. 598 (2000).

(149) *Gonzales v. Raich* 545 U.S. 1 (2005). Some commentators argue that it is too soon to say whether this case signals a return to the pre-*Lopez* rational standard; see P.A. DILLER, *When Congress Passes an Intentionally Unconstitutional Law: The Military Commission Act of 2006*, 61 *S.M.U. L. Rev.*, 281 (2008); compare J. TOOBIN, *The Nine: Inside the Secret World of the Supreme Court*, New York: Anchor Books (2007).

(150) See K.E. WHITTINGTON, *Taking What They Give Us: Explaining the Court’s Federalism Offensive*, 51 *Duke L. J.*, 477 (2001).

(151) This is suggested by Nachbar: “the Rehnquist Court’s emphasis on maintaining the constitutional balance of power in the American system accounts for a fourth area of heightened judicial scrutiny”, T.B. NACHBAR, *Judicial Review*, cit., at 45.

legislation at issue is perceived as an essential part of how legal system mechanics directly or indirectly influence individual freedom: (i) essential to individuals protected in their fundamental rights as set out in the Bill of Rights, (ii) essential to groups that receive protection provided they qualify as discriminated minorities, (iii) essential to the legal system itself where the basic order of federal competences is at risk. In this sense, the scheme of institutional competition created by *Carolene*, and ameliorated by federalism cases, constitutes a sort of “architectural rule” based on the intrinsic imperfection of a centralized model of decision-making (152) fully rooted in positive law and jurisprudence.

Several interpreters have relied on this line of cases to justify a heightened standard of review of intellectual property law: (i) it was used by Judge Sentelle in his dissenting opinion in *Eldred* in the D.C. Circuit: “[I]t would seem to me apparent that [Lopez’s] concept of ‘outer limits’ to enumerated powers applies not only to the Commerce Clause but to all the enumerated powers, including the Copyright Clause, which we consider today” (153); (ii) the petitioners in *Eldred* relied on this line of cases, arguing that “the principle of enumerated powers supported the values of federalism. But there could be no principled reason why federalist limits should be judicially enforced while copyright’s limits should not” (154). In-

(152) The negative implications flowing from the uncertainties of institutional competition justify its use only in limited cases of fundamental importance. In terms of the intrinsic deficits of single institutions, Steven Calabresi considers Congress in relation to States and argues that its members tend to be more electorally dependent on national parties than on single states, and are also interested in enlarging the federal layer in order to enlarge the platform from which they can distribute favors, see S.G. CALABRESI, *A Government of Limited and Enumerated Powers: In Defense of United States v. Lopez*, 94 Mich. L. Rev., 752, 795 (1995). Nachbar, on the other hand, argues that the Supreme Court “with its limited ability to make or implement policy and its consequently greater degree of impartiality is the best judge of the proper boundaries between the Constitution’s various governmental entities”.

(153) See *Eldred v. Reno*, 239 F.3d 372, 381 (D.C., Cir. 2001), rev’d sub nom, *Eldred v. Aschcroft*, 123 S. Ct. 769 (2003) (Sentelle, J., dissenting).

(154) *Eldred* Petitioners’ Brief, at 13.

deed, in *Lopez*, a general principle of limits on power was envisaged; (iii) several scholars have referred to this approach (155): “the principle carries from one enumerated power to another. The animating point in the context of the Commercial Clause was that the interpretation offered by the government would allow the government unending power to regulate commerce (...). The same point is true in the context of the Copyright Clause. Here too, the government interpretation would allow the government unending power to regulate copyrights” (156).

Lopez is undoubtedly a strong precedent for a heightened standard of scrutiny in Supreme Court judicial review cases, relying on the higher principle of power containment (from which both separation of powers and federalism develop). However, even if the Commerce Clause cases do represent progress toward a more fine-tuned adoption of the Court’s standard of scrutiny, it is quite difficult to agree with those who see in this cluster of cases valid precedents for intellectual property judicial review, primarily for two reasons.

(i) The first problem consists in the fact that there are different interpretative issues at stake in relation to the two constitutional clauses. Nobody contends that “[t]he powers of the legislature are defined and limited” (157), but the way these limits work is very different. Commercial Clause interpretation is literal in nature while Progress Clause interpretation is both literal and teleological. The difference is based on a literal argument: the power conferred on Congress by the Commerce Clause is limited by the fact that the legislation must affect interstate commerce. The Court may choose to remain at a rational level and uphold legislation that from Congress’ perspective seems to affect interstate commerce, or may choo-

(155) See D.T. COENEN, P.J. HEALD, *Ends/Means Analysis in Copyright Law: Eldred v. Aschcroft in One Act*, 36 *Loy. L.A. L. Rev.*, 99, 110 (2002), suggesting that the Court should have applied a heightened standard of review for the CTEA as in *Lopez*.

(156) L. LESSIG, *Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity*, The Penguin Press (2004) at 219; see also Brief for Petitioners, *Eldred v. Aschcroft*, 123 S. Ct. 769 (2003).

(157) *Marbury v. Madison*, 5 US 137, 176 (1803).

se – as in *Lopez* and *Morrison* – to verify whether or not such legislation leads to that result: in any case this is a matter of literal interpretation depending on how the expression “interstate commerce” is interpreted. The IP Clause is rather different: while containing specific limitations – either expressed as the word “writings” or implied – it is the only clause in Article I that “describes both the objective which Congress may seek and the means to achieve it” (158). The objective is progress itself (159), while the means are indeed “securing for limited Times to Authors ...the exclusive right to their ...writings” (160). If this difference is true, the rise of a line of precedents calling for a more substantial interpretation of the literal wording of another constitutional clause cannot per se be used as an argument to support a heightened standard of scrutiny to assess whether a functional limit has been fulfilled.

(ii) A second argument against referring to this line of precedents concerns the type of judicial review involved. It is quite clear that the Commerce Clause cases relate to the federal structure of the United States. The reason why Commerce Clause legislation deserves a heightened standard of review is because it is at the very core of the balance between the federal government and individual states. This was clearly explained in the concurring opinion delivered by Justice Kennedy: “the federal balance is too essential a part of our constitutional structure and plays too vital a role in securing freedom for us to admit inability to intervene when one or the other level of government has tipped the scales too far” (161). This element distinguishes *Lopez* and *Morrison* from IP Clause cases. The IP Clause does not raise similar federalist arguments as it does not

(158) *Goldstein v. California*, 412 U.S. 546, 555 (1973).

(159) Described as the “primary objective” in *Feist*, 499 U.S., cit., at 349.

(160) See *supra* for the difference between the nature of literal limits and functional limits.

(161) *Lopez*, 514 U.S. at 578. See also L. LESSIG, *Translating Federalism: United States v. Lopez* Sup. CT. Rev. 125 (1995).

impose a choice as Commerce Clause cases do (162).

Although federalism cases do not represent valid precedents to support a heightened standard of Supreme Court scrutiny, their contribution to the legal discussion regarding contemporary intellectual property should not be underestimated. The lessons of federalism – a sort of laboratory of legal solutions – provide a convenient descriptive framework for a fundamental question in contemporary intellectual property: “who takes the decision?” The discussion surrounding a Jeffersonian approach – preferring decentralization and a “bottom-up structure” model of decision-making – as opposed to a Hamiltonian view, supporting a strong central government able to guide the nation and responsible for the harmonization and certainty of the law (163) – captures key features of existing tensions in contemporary intellectual property: (i) at national level these correspond to the alternative of institutional competition, which is in fact a system of distributed decision-making necessary to guarantee flexibility and consistent with utilitarianism (164), and

(162) “[C]opyright does not go to the essence of the constitutional framework in the same way federalism does” because the alteration of legal rights of private parties “is not the sort of constitutional self-dealing that requires vigilance by the Court under any theory of judicial review concerned with the balance of governmental powers”, see T.B. NACHBAR, *Judicial Review*, cit., at 46. For the opposite view that intellectual property raises institutional problems that are very similar to federal cases, Richard Epstein has argued that “[o]ne could respond that the Commerce Clause deals with federalism while the Copyright and Patent clauses do not. But that point is false to the extent that the federal power to grant copyrights and patents necessarily limits the power of the states to impose their own intellectual property regimes”, see R.A. EPSTEIN, *The Necessary History of Property and Liberty*, cit.

(163) The models have been recently explored by David Post in the different context of cyberspace regulation, see D. POST, *In Search of Jefferson’s Moose, Notes on the State of Cyberspace*, Oxford University Press, New York (2009); see also J. ZITTRAIN, *Be Careful What You Ask For*, Cato Institute (2003), available at www.ssrn.com.

(164) See M. HAMILTON, *Copyright and the Supreme Court*, cit. arguing that the US is a system of representation and therefore not based on a self-rule mechanism. Some scholars have contended that the fundamental mandate for democracy and autonomy implied by the US system, justifies an active judicial role, see Y. BENKLER, *Constitutional Bounds of Database Protection*, cit. arguing that “markets in information affect democracy and autonomy in ways that suggest an important role for

judicial deference and harmonization that both favor foreseeability and legal certainty (165) and are coherent with a model where conflicting interests are internalized in the property right and crystallized in ex ante legislative solutions; (ii) at supranational level these parallel the alternative between a neofederalistic approach (favoring bottom-up solutions) and harmonized intellectual property solutions.

8.3. Support in favor of the adoption of a heightened standard of review in intellectual property cases can be found in what could be referred to as conservative legal thinking. While supporters of this view often concentrate on supporting conclusions that are strongly divergent from pro-societal readings of intellectual property law, they have been fiercely critical towards the CTEA copyright extension. Considering this line of reasoning helps to clarify how strong support for public domain protection is not per se an adequate basis for a utilitarian and pro-societal reading of IPRs but is, on the contrary, also compatible with a model of strong IPR protection.

Conservative legal thinking is rooted in pre-New Deal Supreme Court judicial activism, in what Julie Cohen has defined the “outmoded, over-narrow way of thinking about state and federal economic regulation” of the *Lochner* era (166), and has been coherently

courts, whereas other markets affect welfare in ways that do not similarly call for close judicial scrutiny, at least not under the Federal Constitution”.

(165) See *infra* when discussing the Court of Appeals for the Federal Circuit’s attitude towards not playing an active role in substantive intellectual property interpretation in line with its original purpose of guaranteeing certainty.

(166) See J.E. COHEN, *Lochner in Cyberspace: The New Economic Orthodoxy of Rights Management*, 97 *Mich. L. Rev.*, 462, 510 (1998). Combating social constructivism as a reason for a heightened standard of review has been used in the *Lochner* and pre-*Lochner* era where judges drew on natural law to shield property and contract from legislative regulation. In *Lochner*, in particular, the Court was the shield against what was deemed to be the invasion of employer-employee freedom of contract. Supreme Court activism managed to feature in the legislative discourse, at least until the emergence of the New Deal state regulation “forced” it to change its interpretation (the so-called “switch in time that saved nine”), see *Spann v. Dallas*, 111 Tex. 350, 235 S.W. 513 (1921). They also relied on economic theories advocating social Darwinism, see H. SPENCER, *Social Statics* London: John Chapman (1851); see R. HOFSTADTER, *Social*

set forth by Richard Epstein in the terms extension debate (167). At the center of this reasoning, governmental regulation is seen as a form of social determinism leading to social costs, and an active role for the judiciary suggested as a possible solution. Unlike public choice theory (that does not question the foundations of the majoritarian system and representative democracy, but analyzes solutions meant to solve some of the representative model's deficiencies), this approach doubts that majoritarian legitimation constitutes valid grounds for any legislative reform. In the US context, supporters of an active role for the Supreme Court against regulation by Congress posit a direct relationship between property and freedom: they view regulation affecting economic liberties (such as property and freedom of contract) as a restriction of liberty (168).

Darwinism in American Thought 1860-1915, University of Pennsylvania Press, Philadelphia (1945). They also heavily relied on conservative legal thinking: see R. POUND, *Liberty of Contract*, 18 *Yale L. J.*, 454 (1909); T.M. COOLEY, *A Treatise on the Constitutional Limitations Which Rest Upon the Legislative Power of the States of the American Union*, 8th ed., Boston: Little, Brown and Co. (1927); see on this point L.H. TRIBE, *American Constitutional Law*, (2000), cit.

(167) See R.A. EPSTEIN, *Takings: Private*, cit. (1985), at 9-18 where the author analyzes how the Takings Clause of the Fifth Amendment may pose a defense of individuals' private property against governmental regulation.

(168) A similar claim for judicial activism for the sake of limiting governmental regulation has also characterized the conservative/liberal thinking of Austrian school thinkers such as Hayek and von Mises and the Italian legal thinker Bruno Leoni. Leoni, in particular, views judicially produced law as resembling market competition with its decentralized guarantee against centralized decisions. He also feels that this represents a preference for the spontaneous evolution of law by contracts and judicial interpretation over legislative regulation. See B. LEONI, *Freedom and the Law*, New York, Nostrand (1961), stating "the mythology of our time is not religious, but rather political; the fundamental myths seem to be on the one hand, popular representation, and on the other hand politicians' idea of knowing the truth". Hayek describes the distinction between spontaneous order and a purposive organization by using the words cosmos and taxis. The first is determined by a spontaneous web of relations where individuals pursue their goals framed by procedural rules. The second is a willed enterprise pursuing collective goals, such as the establishment of a welfare state in order to pursue an "imaginary" social justice. See HAYEK, *Law Legislation and Liberty*, vol. II, *The Mirage of Social Justice*, Routledge and Kegan Paul, London (1976) at 74. However, when this conceptual framework is used to draw conclu-

While this reasoning sees most (but not all) regulation as invading property rights and a form of governmental ‘taking’ (169), a symmetric invasion by government into private rights is seen when the legislature, by strengthening property rights in information, makes a deterministic move in favor of certain parties against others, invading portions of the public domain. The “proprietyization” of the public domain is described by the public trust doctrine, which, unlike the eminent domain principle, refers to the situation where public property is transferred for private use (170). In Epstein’s view, the

sions about intellectual property there are clear divergences among conservative thinkers, e.g. Hayek raised several doubts about the equation between tangible and intangible resources, see F.A. VON HAYEK, *The Fatal Conceit: The Errors of Socialism*, London, Routledge (1988) at 6, arguing that “[t]he difference between [patents and copyrights] and other kinds of property rights is this: while ownership of material goods guides the use of scarce means to their most important uses, in the case of immaterial goods such as literary productions and technological inventions the ability to produce them is also limited, yet once they have come into existence, they can be indefinitely multiplied and can be made scarce only by law in order to create an inducement to produce such ideas. Yet it is not obvious that such forced scarcity is the most effective way to stimulate the human creative process” (emphasis added).

(169) This line of scholarly interpretation concentrates on the implications of the concept of “regulatory takings”. The so-called Takings Clause (Const. Amend. V) states that “nor shall private property be taken for public use, without just compensation”; case law applied the Takings Clause to the “regulation” of property following Justice Holmes’ opinion in *Pennsylvania Coal Co. v. Mahon* 260 U.S. 393, 1922, see R.A. EPSTEIN, *Takings*, cit. at 9-18; see also E. CLAEYS, 88 *Corn. L. Rev.*, 1549 (2003), suggesting how the notion of regulatory takings was earlier developed in US case law and pointing out the appeal of the pre-Pennsylvania case law line of interpretation according to which property regulation could never trigger takings protection, unless the owner’s land was physically invaded.

(170) Public trust theory is the cluster of rules that limit legislature’s power to dispose of public property by converting it to private property. It is a judicially developed doctrine, see *Illinois Central Railroad v. Illinois* (146 U.S. 387 [1892]). Epstein has underlined its nature not so much as an absolute defense of a public domain, but rather in terms of the public’s need to be fairly compensated when government gives public property away: the doctrine “should operate as a kind of reverse eminent domain clause – nor shall public property be given to private users without just compensation. That doctrine would mandate privatization of public land or facilities by competitive bid, instead of public giveaway”, see R.A. EPSTEIN, *The Public Trust Doctrine*, 7 *Cato J.*, 2 (1987).

public domain should not be privatized by the state without fair compensation for society. However, when he refers to previously proprietized information, his model is strongly reminiscent of protection afforded to tangibles. Without entering into the merits of the “property” approach, I would make two arguments relating to IPRs.

(i) Conservative support for Eldred does not provide workable solutions regarding the judicial role in achieving intellectual property balance. Indeed, conservative thinking criticizes the Supreme Court’s deference toward legislature in that it “celebrates” the power of Congress to do anything it pleases and corresponds to a “massive giveaway of public domain resources for private use” (171). Under this reading, the quest for institutional competition is not related to the need to fulfill the functional constitutional mandate, but rather to the necessity of allowing the judiciary to solve the negative implications that legislative intervention in individual rights may have: in this sense protection of the public domain from regulation without compensation is symmetric to the protection of property rights. Outside the contours of an ex ante designed public domain, this vision affords a strong property-like protection to IPRs (172) by strict exclusivity (173), protection against governmental takings, enforce-

(171) R.A. EPSTEIN, *Eldred v. Aschcroft: Intellectual Property, Congressional Power, and the Constitution: The Dubious Constitutionality of the Copyright Term Extension*, 36 *Loy. L.A. Rev.*, 123, 157 (2002): “let the Supreme Court analyze this problem under intermediate scrutiny and it will surely come up with some right answer”; see also R.A. EPSTEIN, *Congress’s Copyright Giveaway*, *Wall St. J.*, Dec. 21 (1998) at 19: “the works covered under the new law were produced with the incentives available under the existing law (...). Removing these works from the public domain works a huge uncompensated wealth transfer from ordinary citizens to Disney, Time Warner and other holders, corporate or individuals, of preexisting copyrighted material”.

(172) See P.S. MENELL, *The Property Rights Movement Embrace of Intellectual Property: True Love or Doomed Relationship?*, 34 *Ecology L. Q.* 713 (2007); see R.A. EPSTEIN, *A Response to Peter Menell: The Property Rights Movement and Intellectual Property*, 30 *Regulation* 58 (2007); Lemley has noted that “[Epstein’s] reasoning begins with the baseline assumption – adopted implicitly from the real property model – that someone ought to own an invention”, see M.A. LEMLEY, *Property, Intellectual Property, and Free Riding*, 83 *Tex. L. Rev.*, (2005).

(173) When applied to cyberlaw issues, Epstein argued for the extension of tres-

ment via injunctive relief (as an alternative to damages), and by analogizing patent protection to real property (174).

(ii) The unexpected support for the Eldred position among conservative thinkers facilitates consideration of a key point in the design of “IP model ideologies”: even a strong public domain discourse, when detached from a utilitarian model of IP rights (defined at this point of the analysis by the existence both of apical norms functionalizing IPRs to the public interest and norms allowing institutional competition and ex post fine-tuning by the judiciary), does not per se equate to the protection of the public interest, but merely reproduces the strong opposition between property rights and the public domain that we find with real property. Indeed, to the extent that the design of the public domain remains an ex ante decision by the legislature, this does not imply that the nature of the remaining exclusive rights is utilitarian and susceptible to fine-tuning by another institution (e.g. the judiciary). It is possible to ensure strong protection of public access to Central Park, but still have strong property rights protecting the buildings around it. Conversely, in the utilitarian IP model, we don’t just protect the public use of the park but also allow the property rights over the buildings to be fine-tuned in line with the public interest any time new technologies or new interests so require.

This leads to a further implication: the difficulty of using the public domain principle “globally” as a valid interpretative tool. In the US system, the intellectual property policy layer is built on a fundamental value of access to knowledge and is therefore enriched by the concept of the public domain. However, I would be quite

pass liability to authorized access to websites and computer servers, see R.A. EPSTEIN, *Cybertrespass*, 70 *U. Chi. L. Rev.*, 73 (2003).

(174) Richard Epstein, Scott Kieff and Paul Wagner argue that the patent owner deserves much the same protection as real estate, and (drawing an analogy between patent protection and trespass), that injunctive relief (as an alternative to damages) should be presumed in cases of patent infringement, see F.S. KIEFF, R.A. EPSTEIN, R.P. WAGNER, *Various Law & Economics Professors as Amicus Curiae*, see *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, (2006).

pessimistic about the possibility of incorporating a pro-societal reading of IPRs through the theoretical tool of the public domain, where apical norms do not functionalize exclusive rights to the public interest (175).

(175) This is the kind of model that will be recognized in Europe, see Chapter VI.

CHAPTER IV

THE INTERESTS PROTECTED UNDER THE INTELLECTUAL PROPERTY CLAUSE

SUMMARY: 9. Looking for the appropriate constitutional basis: IP Clause instead of Commerce Clause. – 10. Looking for the nature of intellectual property legislation. – 10.1. The IP Clause structure. – 10.2. The original understanding of the IP Clause. – 10.3. Copyright and First Amendment cases. – 10.4. Patent cases. – 11. Whether the international human rights framework may influence the nature of US intellectual property.

9. The “nature” of US intellectual property legislation, for the purpose of applying the Carolene principle, is obviously to be inferred from an analysis of the specific wording of the constitutional norms governing intellectual property legislation. Firstly, it is necessary to verify whether the IP Clause is in fact the only proper constitutional basis, or whether the Commerce Clause (176) constitutes a valid alternative basis from which to enact intellectual property legislation. Indeed, the Commerce Clause gives Congress the power “[t]o regulate Commerce with foreign Nations, and among several States” (177), and the allocation of monopolies on information implicates interstate commerce. The adoption of this alternative basis would have substantial implications for the purpose of establishing the nature of this legislation, since the Commerce Clause does not carry the same limitations as the Intellectual Property Clause.

(176) U.S. Const. Art. I. § 8, cl. 3.

(177) *Id.*

The possibility of using alternative constitutional bases, despite the existence of an express IP Clause, follows from a principle stated in *Heart of Atlanta Motel* (1964) (178). The fact that legislation reaches beyond the limits of one grant of legislative power has no bearing on whether it can be sustained under another power (179): “each of the powers of Congress is alternative to all of the other powers, and what cannot be done under one of them may very well be doable under another” (180). The principle should then be carefully applied to the context of intellectual property legislation.

In the *Trade-Mark Cases* (1879) (181), the Supreme Court ruled that the IP Clause does not give Congress the power to regulate trademarks. Furthermore, on a restrictive reading of the Commerce Clause, it held that the requirement of interstate commerce was not met: “[t]here is no requirement that [a person receiving trademark protection] shall be engaged in the kind of commerce which Congress is authorized to regulate” (182). Later on the Commerce Clause became the power under which Congress enacted the Lanham Act governing trademarks (183): indeed, modern trademark law was entirely built under the Commerce Clause power (184). Trademark cases could be taken as embodying a general principle that where intellectual property legislation does not satisfy IP Clause requirements, (e.g. when it would violate certain embedded literal or functional limits), it could be enacted under the Commerce Clause power.

The latter interpretation, however, does not seem to be correct.

(178) See *Heart of Atlanta Motel Inc. v. United States*, 379 US 250 (1964).

(179) *Id.*

(180) The point was then clarified in *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999).

(181) See *The Trademark Cases*, 100 U.S. 82 (1879).

(182) *Id.* at 97.

(183) The Lanham Act (title 15 § 22 U.S.C.) was named after representative Fritz G. Lanham of Texas and was passed on July 5, 1946.

(184) See e.g. *Jellibeans, Inc. v. Skating Clubs of Ga., Inc.* 716 F.2d 833, 838 (11th Cir. 1983).

In *Gibbons* (1982) (185), the Supreme Court held that Congress could not invoke the Commerce Clause power in order to enact bankruptcy legislation and violate the Bankruptcy Clause's uniformity requirement. The reasoning was that neither Congress nor the Supreme Court could adopt a construction of any power enumerated in Article I that would nullify the limits on other Article I powers, or render other Article I powers superfluous (186).

As *Gibbons* does not draw a clear line between the IP Clause and the Commerce Clause, a grey area remains where both the Commerce Clause and IP Clauses overlap and may be used as alternative constitutional bases (187). The principle that the Commerce Clause could constitute an alternative basis to IP legislation was stated in *Oman* (1986) (188): a now expired provision (189) designed to protect the domestic book publishing and printing industries by restricting the importation of copyrighted, nondramatic lite-

(185) *Railway Labor Executives Ass'n v. Gibbons*, 455 U.S. 457 (1982).

(186) The same reasoning was supported by the law professors' Amici Brief in the *Reimerdes/Corley* case: "the Commerce Clause does not empower Congress to abrogate limits on the Intellectual Property Power", in the Law Professors' Amici Brief in "MPAA v. 2600" case, Brief Amicus Curiae in Support of Defendants – Appellants, Supporting Reversal; *Universal v. Reimerdes* (Jan. 26, 2001) (available at www.eff.org); in this same line of thought see also Y. BENKLER, *Constitutional Bounds of Database Protection: The Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 *Berkeley L. & Tech. J.*, 535, 548 (2000); J.E. COHEN, *Copyright and the Jurisprudence of Self-Help*, 13 *Berkeley Tech. L. J.*, 1089, 1131 (1998); W. PATRY, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 *Geo. Wash. L. Rev.*, 359 (1999).

(187) E.g. The Semiconductor Chip Protection Act, 17 U.S.C. §§ 900-914 (1988) enacted under both the Intellectual Property and Commercial Clauses, see *Senate Explanatory Memorandum*, 130 *Cong. Rec.* S12, 916 (daily ed. Oct. 3, 1984), reprinted in D. LADD *et al.*, *Protection for Semiconductor Chip Masks in the United States*, 59, 65-66 (1988). See also the *Plant Variety Protection Act*, 7 U.S.C. §§ 2321-2583 (1988), which makes clear the double constitutional foundation at section 131. See also *H.R. Rep.* No. 1605, 91st Cong., 2nd Sess. 12 (1970).

(188) *Authors League of America, Inc. v. Oman*, 790 F. 2d 220 (2d Cir. 1986).

(189) 17 U.S.C. § 601.

rary works published abroad was alleged to be unconstitutional, because it was essentially protectionist and did not serve the purpose of promoting progress as required by the IP Clause. The Second Circuit upheld its constitutionality by arguing that “the Copyright Clause is not the only constitutional source of congressional power that could justify (190); [...] [i]n our view, denial of copyright protection to certain foreign-manufactured works is clearly justified as an exercise of the legislature’s power to regulate commerce with foreign nations” (191). The statement created huge ambiguity but was not decisive.

Moghadam (192) (1999) provides some clarification of the interaction between the two provisions. Here the Court of Appeals for the Eleventh Circuit considered the constitutionality of the anti-bootlegging statute (193) under Article I, Section 8 of the US Constitution. The Court held that the statute could not be properly enacted under the Intellectual Property Clause as this referred to “writings” and not to “live performances”. However, due to the substantial impact of the bootlegging statute on interstate commerce, this could be properly enacted under the Commerce Clause. The Court stated the fundamental principle that this was possible because the conflict with the IP Clause was merely “technical”: it merely considered the (implied) “fixation” requirement that was not an “essential limitation in the IP clause” (194). This case, by introducing for the first time the distinction between substantial and technical requirements in the scheme of the IP Clause (195), shows that when the legislation at stake is intellectual property legislation (in the sense of having the characteristics expressed in the IP Clau-

(190) Id. §601.

(191) See 790 F.2d at 224.

(192) *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999).

(193) 18 U.S.C. § 2318 A.

(194) *United States v. Moghadam*, at 1281.

(195) For a critique to that decision and to the nature of fixation limitation see Y. BENKLER, *Constitutional Bounds of Database Protection*, cit.

se), it is possible to use the Commerce Clause as an alternative base, provided the substantial limits of the Intellectual Property Clause are met. From these considerations, it is possible to draw a fundamental distinction for the purpose of the present analysis: the Commerce Clause cannot be used as a constitutional base for federal legislation whose nature is incompatible with the IP Clause in terms of substantial (either literal or functional) limits. On the contrary, such legislation can be based on the Commerce Clause instead of the IP Clause provided the legislation fulfills the substantial requirements contained in the IP Clause.

While US intellectual property law appears, therefore, to be an inhomogeneous set of rights, the system can be seen as having a coherent constitutional foundation. Specific categories of intellectual property in fact have specific constitutional bases and autonomous policies. Trademark laws are enacted under the Commerce Clause and therefore outside the constitutional framework of the Intellectual Property Clause. Trade secrecy law and the Right of Publicity remain under the jurisdiction of individual states. Copyright law, patent law and other forms of legislation affording exclusive rights over information should always be considered under the IP Clause and its substantial (both literal and functional) limits. In this field of law, Congress may use the alternative base of the Commerce Clause only if it adheres to those substantial limitations.

10. When assessing the limits of legislative power under specific constitutional norms and evaluating the nature of specific congressional powers, the Court uses a three-stage interpretative process (196). The same methodology can be applied to analyzing the

(196) This three-step process was clarified in *Printz v. United States*, 521 U.S. 898, 900 (1997). On this point see P.J. HEALD, S. SHERRY, *Implied Limits on the Legislative Power*, *Univ. of Ill. L. Rev.*, 1119 (2000), where the authors analyze this three-step approach and use it to rebuild the existence of implied limitations on Congress' power under the IP Clause. Rather differently, my analysis uses this process to ascertain the nature of the interest protected in the legislation enacted under that power.

nature of legislation enacted under the IP Clause. The three-stage test consists in analyzing (i) the structure of the constitutional clause (cf. para. 10.1), (ii) the historical understanding of the constitutional provision (cf. para. 10.2), and (iii) the Court's precedents (cf. para. 10.3).

10.1. The first step – assessing the structure of the IP Clause – encompasses three aspects: (i) the recognition of exclusive rights, (ii) the existence of a literal limitation to the exclusive right, and (iii) the functional condition of fostering progress.

(i) The fact that legislation enacted under the IP Clause takes the form of an exclusive right is not per se an indicator of mere economic legislation under the definition provided in the *Carolene* case (197). Indeed, “economic legislation” is essentially a misleading definition meant to refer to legislation not interfering with any fundamental value. However, such interference may exist even in the case of property regulation: the statements that liberty is in opposition to property, or that property is a guarantee of liberty (198), have a merely metalegal character and are not binding for judicial interpretation. For these reasons, it is not possible to state whether or not intellectual property legislation involves fundamental interests until the interests ontologically involved in such legislation are uncovered. Since there is no ontological correlation between the

(197) As stated above, the *Carolene* principle referring to fundamental rights is neutral regarding the existence of property regulation. The same could be said when the heightened standard of scrutiny – according to *Carolene* – compensates for a breakdown in the democratic process. Legislation can affect minorities regardless of the existence of property regulation.

(198) Richard Epstein refers to the “ostensible parity, between liberty and property in the constellation of constitutionality, and by implication, political values” in relation to the constitutional clauses (such as due process of law), covering situations in which individuals are deprived of life, liberty, or property without just compensation (e.g. *Chicago, Burlington & Quincy R.R. Co. v. Chicago*, 166 U.S. 226, 1897) and mirroring the Takings Clause which provides that “private property [shall not] be taken for public use, without just compensation”, see R.A. EPSTEIN, *Liberty vs. Property? Cracks in the Foundations of Copyright Law*, 42 *San Diego L. Rev.*, (2005).

use of the legal tool of an “exclusive right in intellectual creations” and the mere economic nature of the interest involved, that correlation has to be specifically proved, particularly in a legal system where the power to enact property rights in knowledge has a specific constitutional basis, and is not assumed to be merely mirroring property. For a symmetrical reason, no ontological implication derives from the mere fact that a property right in creations and inventions in some way “affects” some fundamental right. If we consider the most likely candidate within the Bill of Rights, the First Amendment, it is obvious that this fundamental right is virtually always affected by a property right (199), but this does not place property law regulation among the laws involving fundamental values under *Carolene* jurisprudence (200). It is not sufficient to ascertain whether the fundamental right may eventually be affected in some way when Congress enacts IP law, but whether – according to the clause – the fundamental right must be an ontological part of Congress’ reasoning when legislating pursuant to its IP power (201). If Congress is required to consider both economic and fundamental interests at the same time, then the impact of this law

(199) See M.B. NIMMER, *Does Copyright Abridge the First Amendment Guarantees of Free Speech and the Press?*, 17 *UCLA L. Rev.*, 1180, 1193 (1970) arguing that the main difference between recognizing exclusive rights in tangible and in creative works is the First Amendment: “[t]here is no countervailing speech interest which must be balanced against perpetual ownership of tangible real and personal property. There is such a speech interest with respect to literary property, or copyright”.

(200) See *Turner Broad. Sys., Inc. v. FCC*, 512 U.S. 622, 657 (1994): “not every interference with speech triggers the same degree of scrutiny under the First Amendment”.

(201) See T.B. NACHBAR, *Judicial Review and the Quest to Keep Copyright Pure*, 2 *Journal on Telecom. & High Tech. Law*, 33 (2003), where the author argues that First Amendment concerns are outside the scope of the IP Clause and should be dealt with only by specific First Amendment analysis: “[a] copyright statute may fail First Amendment scrutiny, but that only means that, as a matter of constitutional law, Congress’ copyright power is limited by the First Amendment’s requirement that Congress not overly burden speech. It is another thing to say that the scope of the Copyright Clause itself can only be determined after one considers the relevant principles embodied in the First Amendment”.

on fundamental rights would not be the possible external effect of an economic decision (as in the property v. First Amendment situation), but rather the unavoidable effect of the ongoing balance that legislature undertakes in exercising its IP power. Only in this latter case is a heightened standard of review required for intellectual property legislation enacted under that Clause, and it should not be characterized as mere economic regulation.

(ii) By inserting the IP Clause, the Framers decided not to let this legislative power be implied from other clauses (e.g. the Commerce Clause), preferring to base it on a particular system of limitations (202). The first set of limitations is specific: the Supreme Court is sometimes called to infer the merely literal meaning of these limitations (203), and sometimes implied limits have been established through interpretation (204). I would make two observations regarding these specific limits taken per se. Firstly, the existence in the clause of a system of literal (and implied) limits on the

(202) Regarding the relevance of the clause in relation to limitations on congressional power see E.C. WALTERSCHEID, *To Promote the Progress of Science and Useful Arts: The Background and Origin of the Intellectual Property Clause of the United States Constitution*, 2 *J. Intell. Prop. L.*, 1, 32 (1994).

(203) This interpretation was provided in *Burrow-Giles Lithographic v. Sarony* 111 U.S. 53 (1884), where the Court ascertained whether Congress had exceeded its power under the IP Clause and considered whether photographs were “writings”; this kind of literal interpretation was raised in *Eldred* too in relation to the meaning of “limited times”. The issues under consideration were (i) whether the requirement of “limited times” allowed continuous increases of copyright duration by time (see on this point P. JASZI, *Caught in the Net of Copyright*, 75 *Or. L. Rev.*, 299, 302 (1996), quoting the testimony delivered at the CTEA: *Hearings on S. 483 Before the Senate Judiciary Committee*, 104th Cong., Sept. 24, 1995); or, on the contrary, (ii) whether any copyright term extension could always be held constitutionally valid if it did not result in infinite protection.

(204) In other cases the Court has been asked to assume a more active role rather than a merely literal interpretative one. This was the case where it had to verify whether a certain intellectual property principle was implicitly written into the IP Clause. In *Feist*, it was stated that this undoubtedly represented “an exception to the Court’s disinclination to engage in the constitutional scrutiny of copyright law”. The same kind of approach is taken by supporters of the “constitutionalization” of some aspects of intellectual property (as defined in Chapter II).

IP power is not conclusive regarding the nature of legislation enacted upon it; this may still be compatible with a system where property is the rule and competing interests are considered external to the property right (as is the case with real property), and where competing interests are only protected by the design chosen by the legislature. Therefore it does not provide any information about the kind of interest protected. Secondly, some scholars have argued that the mere nature of IP Clause limitations is proof that such protected interests are bound up with the Progress Clause (205): “[t]he constraints on laws imposed by the Intellectual Property Clause – the originality requirement, the exclusion of materials already in the public domain, and the express time limitation – are inherent constraints on the tension between property rights in information enacted within the confines of that clause, and the values of free speech”. I would agree with this statement notwithstanding that the IP constitutional limitations do not per se indicate the particular nature of the interest protected. Indeed, when read together with the rest of the clause, i.e. the functional limitation, and Supreme Court jurisprudence, their binding role in fact changes. But again, the limitations per se do not imply such an outcome. Furthermore, since they are common to most IP regimes, by establishing a necessary relation between such limitations and the noneconomic nature of the interest protected, it would be necessary to recognize that in any IP regime there is a universal expectation on the legislators to address both economic and fundamental interests.

(205) See Y. BENKLER, *Constitutional Bounds of Database Protection*, cit.; in the same line see L. RAY PATTERSON, *Free Speech, Copyright, and Fair Use*, 40 *Vand. L. Rev.*, 1, 36 (1987), claiming “three free speech constraints implicit in copyright law – publication, no copyright for ideas or governmental works, and fair use”. See Law Professors’ Amici Brief in “MPAA v. 2600” case, Brief Amicus Curiae in Support of Defendants-Appellants, Supporting Reversal; *Universal v. Reimerdes* (Jan. 26, 2001), at 17, citing extensive case law arguing that “these limits on the scope of copyright are designed to sever the link between state-granted monopolies and censorship”. That link is underlined but is not yet used to address the problem of the nature of legislation issued under the IP Clause.

(iii) The second type of limitation is of a functional nature: this is what was referred to at the beginning of this work as establishing the teleological nature of US IPRs and categorizes the system as utilitarian. At this point, for the purpose of applying the Carolene principle, such definition needs further explanation. The instrumental nature of IPRs does not preclude their qualification as mere economic regulation: “utilitarianism” and the recognition of the teleological nature of exclusive rights in intellectual creation for the benefit of society do not imply per se the involvement of fundamental rights. Indeed, this can refer to economic welfare and be qualified as regulation incorporating a mere economic calculus. This frequently occurs in contemporary legal systems when antitrust intervention regulates property rights or freedom of contract for societal benefit, or when public authorities fine-tune temporary exclusive rights to be recognized in public areas. Therefore, the teleological nature of such entitlements and the possibility for public authorities to fine-tune them does not imply that fundamental value considerations belong to that calculus when referring to societal interest.

The demonstrated absence of a connection between the argument referred to and the corresponding conclusion confirms that the mere recognition of a “utilitarian model” is not per se sufficient to bring about institutional competition between the Supreme Court and the legislature (206). Yet although there is no link between the existence of a “functional progress limitation” and the claim that fundamental values are involved, it is nevertheless necessary to consider some additional aspects: the historical understanding of the clause (discussed in para 10.2) and, more specifically, Supreme Court jurisprudence (discussed in para 10.3).

10.2. Exploring the Framers’ understanding of the IP Clause does not necessarily mean subscribing to an originalist view of the interpretation of law. Originalism has been highly criticized as a tool

(206) Actually this happened in *Eldred* where some Amici Briefs referred to *Graham* as an example of Congress’ limited power to intervene in intellectual property law, see Brief for Petitioners at 21 et seq., *Eldred v. Reno*, 239 F.3d 372 (D.C. Cir. 2001).

for interpreting constitutional norms (207), but even if it is not in itself determinative of the meaning of a norm, it is a valuable tool to integrate into a broader interpretative scheme.

There is no documented direct evidence of what the Framers actually intended, although there are a wide range of sources generally taken as indirectly inferring it: these sources range from pre-constitutional history through to the views of the Framers and early congressional and judicial precedent (208). There is no record of any debate taking place at the Constitutional Convention (209) regarding the adoption of the IP Clause. The analysis of indirect sources in the IP debate has been mostly devoted to ascertaining (i) the Framers' antipathy to monopolies, or (ii) the meaning of the term "Progress" in its alternative sense of "diffusion of knowledge" or "advancement".

(i) One originalist view often concentrates on the Framers' antipathy to monopolies. However, it has never been fully documented (210) that this was a common idea to the Framers, particularly as regards intellectual property (211). In any case, a lack of sympa-

(207) See on this point S.R. MUNZER, J.W. NICKEL, *Does the Constitution Mean What it Always Meant?*, 77 *Colum. L. Rev.*, 1029 (1977); P. BREST, *The Misconceived Quest for Original Understanding*, 60 *Bo. Uni. L. Rev.*, 204 (1980); L. SIMON, *The Authority of the Framers of the Constitution: Can Originalist Interpretation Be Justified?*, 73 *Cal. L. Rev.*, 1482 (1985); J. POWELL, *The Original Understanding of Original Intent*, 98 *Harv. L. Rev.*, 895 (1985); R. BERGER, *Original Intention in Historical Perspective*, *Geo. Wash. L. Rev.*, 54 (1986), at 296; R. BERGER, *The Founders' Views – According to Jefferson Powell*, 67 *Tex. L. Rev.*, 1033 (1989); J. GARDNER, *The Positivist Foundations of Originalism: An Account and Critique*, 71 *Bo. U. L. Rev.*, 1 (1991); J. RUBENFELD, *Reading the Constitution as Spoken*, 104 *Yale L. J.*, 1119 (1995); Symposium, *Originalism, Democracy, and the Constitution*, 19 *Harv. J. of L. & Pub. Pol.* (1996).

(208) See Heald, Sherry, at 1129. The sources have been divided into several categories: pre-constitutional history, drafting debates, ratification debates, public reactions, early judicial precedent, early congressional precedent.

(209) E.C. WALTERSCHEID, *Inherent or Created Rights: Early Views on the Intellectual Property Clause*, 19 *Hanline L. Rev.*, 81 (1995).

(210) See P.M. SCHWARTZ, W.M. TREANOR, *Eldred and Lochner: Copyright Term Extension and Intellectual Property as Constitutional Property*, 112 *Yale L. J.*, 2331 (2004).

(211) See J.C. GINSBURG, *A Tale of Two Copyrights: Literary Property in Revo-*

thy toward monopolies does not represent an argument about the specific nature of legislation and consequently the standard of review (212). Indeed, even if this anti-monopolistic sentiment is accepted and acknowledged as the original reading of the IP Clause, it may still coexist with the merely economic nature of legislation enacted pursuant to this constitutional base (213). If one looks at monopolies per se, this may again constitute a purely economic issue that may only incidentally conflict with a fundamental value (214). I acknowledge that this latter argument does not find agreement among those who draw parallels between censorship and monopolies. Nevertheless, the “twin evils” (215), as they are sometimes called, seem very different in nature: censorship necessarily involves a restriction of the First Amendment while monopolies per se are only economic in nature. Within the originalist claim, however, special attention is given to the Jeffersonian idea of intellectual property rights, which is far more complex than a mere fear of mo-

lutionary France and America, 64 *Tul. L. Rev.*, 991, 1000 (1990), explaining how early American copyright statutes reflected the labor theory of property and referring to the Massachusetts statute directly invoking the labor theory in the preamble to its copyright statute: “[A]s the principal encouragement such persons can have to make great and beneficial exertions of this nature, must exist in the legal security of the fruits of their study (...) and as such security is one of the natural rights of all men, there being no property more peculiarly a man’s own than that which is procured by the labor of his mind”, *id.* At 1001 (quoting *Massachusetts Act of Mar. 17, 1783*, reprinted in Copyright Off. Bull. No. 3, at 11, 1903).

(212) On the argument concerning the Framers’ anti-monopolistic attitude and standard of review, see R.P. MERGES, G.H. REYNOLDS, *The Proper Scope of The Copyright and Patent Power*, 37 *Harv. J. on Legis.*, 45 (2000).

(213) This argument has been raised on several occasions. See *Law Professors’ Amici Brief in “MPAA v. 2600” Case*, *Brief Amicus Curiae in Support of Defendants – Appellants, Supporting Reversal*; *Universal v. Reimerdes* (Jan. 26, 2001), at 13. See also the argument raised in the Eldred case.

(214) See on this point Nachbar, 47, citing post-*Lochner* cases confirming that the right to engage in an economic activity is not so fundamental as to warrant heightened scrutiny. See *United States v. Carolene Prods., Inc.* 304 U.S. 144, 152 (1938).

(215) See Brief, *cit.*, at 14. arguing that “similarly, to avoid the twin evils of censorship and monopoly, the Clause requires that copyright be limited in both scope and effect”.

nopolies. Although the Jeffersonian approach to intellectual property has encountered some critiques (216), it has often been incorporated into Supreme Court reasoning (217). Jefferson does not merely consider the possible negative implications of the recognition of private rights in knowledge (such as quasi-monopolies). Instead, he clearly describes how the entire IPR system must be based on the ultimate purpose of guaranteeing the greatest amount of innovation and allowing the highest number of citizens access to it (218). In Jefferson's writings the teleological structure of IPRs is

(216) For a critique of the Jeffersonian reading as not corresponding to the Framers' original interpretation of the intellectual property system, see P.M. SCHWARTZ, W.M. TREANOR, *Eldred and Lochner*, cit., arguing that there is no evidence of a specific original antipathy to monopolies: "Jefferson did not participate in either the Philadelphia convention or the Virginia ratifying convention"; T.B. NACHBAR, *Intellectual Property and Constitutional norms*, 104 *Colum. L. Rev.*, (2004); J.E. SCHAFFNER, *Patent Preemption Unlocked*, 195 *Wis. L. Rev.*, 1099 (1995), discussing how Lockean ideas influenced the Framers' vision of intellectual property; A. MOSSOF, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent "Privilege" in Historical Context*, 92 *Cornell L. Rev.*, 953 (2007), who argues that the reading of Jefferson's words as an unassailable historical axiom has only recently emerged among those scholars who are "engaged in the increasingly rancorous debate over rights in digital content on the internet", underlining how the nineteenth century courts recognized perfected legal titles to patents that were analogous to traditional common law property rights and shared the Lockean/labor theory of property; see also R.C. DREYFUSS, *A Wiseguy's Approach to Information Products: Muscling Copyright and Patent into a Unitary Theory of Intellectual Property*, *Sup. Ct. Rev.*, 195, 231 (1992); see also E.C. WALTERSCHEID, *The Use and Abuse of History: the Supreme Court's Interpretation of Thomas Jefferson's Influence on the Patent Law*, 39 *Idea*, 195 (1999), criticizing the Court's description of Jefferson role in the development of patent law.

(217) Jefferson's words were first cited by the Supreme Court in *Graham v. John Deere Co.*, 383 U.S. 1, 7-11 (1966), and then in a vast number of cases: see inter alia *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 147 (1989); *Diamond v. Chakrabarty*, 447 U.S. 303, 308-309 (1980). See also R.P. MERGES, J.F. DUFFY, *Patent Law and Policy: Cases and Materials*, Dayton, OH, 3rd ed., 8 (2002), noting that Jeffersonian writings "have proven influential, especially in the Supreme Court".

(218) "[S]table ownership is the gift of social law, and is given late in the progress of society. It would be curious then, if any idea, the fugitive fermentation of an individual brain, could, of natural law, be claimed in exclusive and stable property. If nature has made anything less susceptible than all others of exclusive property, it is

not merely meant to serve the purpose of efficiency, but is instead rooted in a higher principle of freedom to access knowledge that is reminiscent of the First Amendment. But the link is not merely evocative: Jefferson's thinking was mostly devoted to the structure of the federal state, and the design of decentralized systems and distributed centers of policy-making. Indeed both the First Amendment and IP Clause, rather than merely referring to a natural right to access knowledge, share the essential aim of the Bill of Rights of freedom from federal government restriction.

(ii) Two alternative meanings of progress, i.e. "advancement" and "diffusion of knowledge" can be considered, within the ambit of the standard of review. According to some commentators, if the meaning of "progress" was the "quality improvement of the knowledge", the courts would be unlikely to second guess the legislation

the action of the thinking power called an idea, which an individual may exclusively possess as long as he keeps it to himself; but the moment it is divulged, it forces itself into the possession of every one, and the receiver cannot dispossess himself of it. Its peculiar character, too, is that no one possesses the less, because every other possesses the whole of it. He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me. That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition, seems to have been peculiarly and benevolently designed by nature, when she made them, like fire, expansible over all space, without lessening their density in any point, and like the air in which we breathe, move, and have our physical being, incapable of confinement or exclusive appropriation. Inventions then cannot, in nature, be a subject of property. Society may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utility, but this may or may not be done, according to the will and convenience of the society, without claim or complaint from anybody" see *VI Writings of Thomas Jefferson*, at 180-181 (Washington ed.), cited in *Graham v. John Deere, Co.*, 383 U.S. 1, 9 (1966). Some authors have even detected a sort of skepticism toward the intellectual property system in the originalist view. However, this original skepticism toward IPRs may be due to the fact that in the very early stages of its intellectual property system, the US was a net importer of intellectual creations, and therefore had no interest in providing strong protection to intellectual creations. This skepticism could be based on contingent and instrumental reasons, and one should not infer, by referring to it, structural theoretical features of the US IP system. The core of this system still seems to be deeply rooted in US positive law and fully consistent with the letter of the Constitution.

due to the difficulty for a court to assess the concept of “quality improvement” (219). However, even accepting this “*a contrario* argument” I would not limit the meaning of “progress” to the concept of dissemination. Firstly, in purely linguistic terms, “progress” always refers to the word “advancement”. The literal meaning in judicial interpretation stems from Chief Justice Rehnquist’s use of the first American dictionary – Noah Webster’s 1828 edition – in analyzing the Bill of Rights. In Johnson’s seminal tome (220), of five different meanings of the word (221) at least four refer to the dynamic movement (either material or intellectual) of going forward (222). Secondly, the term “Progress” used by the Framers must be read in the context of the widespread changes in Europe: it was the product of a long evolution that started in the middle of the seventeenth century and touched Enlightenment notions of which the Framers were profoundly fond. Since the previous century, Progress had meant “advancement in comparison to previous knowledge” and not merely the diffusion of existing knowledge (223). Thus, the clause seems to

(219) This idea is suggested in M. POLLACK, *What Is Congress Supposed to Promote? Defining “Progress” in Article I, Section 8, Clause 8 of the United States Constitution, Or Introducing The Progress Clause*, 80 *Neb. L. Rev.*, 784, 794 (2001), see also A.B. JAFFE, *The US Patent System in Transition: Policy Innovation and the Innovation Process*, *Nat’l Bur. Econ. Research*, Working Paper (1999); see also S. ODDI, *Un-Unified Economic Theories of Patents*, 71 *Notre Dame L. Rev.*, 268 (1996).

(220) S. JOHNSON, *A Dictionary of the English Language*, 1715, Librairie Du Liban 1978 facsimile (1773).

(221) The definitions were (i) course, procession, passage, (ii) advancement, motion forward, (iii) intellectual improvement, advancement in knowledge, (iv) removal from one place to another, (v) journey of state, a circuit., *id.*

(222) M. POLLACK, *What Is Congress Supposed to Promote?*, *cit.*

(223) It is possible to identify three steps in the evolution of the idea of progress in European thinking. In the first phase, coinciding with the Renaissance, the primary focus was on referring to the classics, and their cultural superiority. This phase acknowledges the decadence of recent past centuries, and attributes it to ignorance of the classics. A second phase, coinciding with the rise of Humanism, sees the “moderns” aware of being able to reach the same level of progress as the classics. In a third phase, it is possible to discover a new attitude, where progress is in competition with the ancient world and the ability to go forward. This idea of progress as advancement over the past achievements of the classics, and generally as a move forward, was

consist of referring to a function and not to a specific way of pursuing that function (neither merely *dissemination* nor merely *advancement*). Furthermore, legal-economic thinking has explored how the fostering of one or the other can depend on the industrial field (224). When the IP Clause was drafted, there was no debate over its specific meaning, so that the Framers apparently accepted what had previously been debated at state level. During the Articles of the Confederation period, upon a request made by a committee of the Continental Congress, twelve states enacted copyright statutes. None of them mentioned “progress” (225), and it is worth noting what they referred to in the absence of the term. The statutes referred to the fact that new works helped “mankind” and to Progress as the “progress of civilization”: “whereas the improvement of knowledge, the progress of civilization, the public weal (226) of the community, and the advancement of human happiness, greatly depend on the effort of learned and ingenious persons in the various arts and sciences” (The Massachusetts Statute of March 17, 1783) (227). These words are reproduced with slight differences in the statutes of New Hampshire and Rhode Island. The Framers, however, used these cases to advocate the meaning of “progress” as the “diffusion of knowledge” (228). These preliminary texts are also intended to show that the purpose was not to suggest a mere economic or profit-based function, but rather something that goes to the very root of the hu-

inherited by the eighteenth century and Enlightenment. See a vast bibliography in S. Termanini, *Antichi e moderni nella letteratura italiana del Seicento*, Phd Dissertation discussed on December 2001, University of Pavia and Genoa (on file with the author).

(224) It is worth noting that both “prongs” of the term progress considered here appear in judicial interpretations of fair use of copyrighted material.

(225) See M. Pollack, *What Is Congress Supposed to Promote?*, cit.

(226) The word is an eighteenth century version of the term “wealth”.

(227) See “*An Act for the Purpose of Securing to Authors the Exclusive Right and Benefit of Publishing Their Literary Productions, for Twenty-One Years*” (enacted March 17, 1783), Library of Congress, Copyright Enactments: Laws Passed in the United States since 1783 Relating to Copyright: Copyright Office Bulletin No. 3 1-21 (1963).

(228) See M. Pollack, *What Is Congress Supposed to Promote?*, cit.

man interest. They did not refer to an individual interest that is and clearly was the intellectual basis of economic reasoning. Instead, they allude to a collective entity as being the subject of human fundamental interests.

10.3. Fundamental arguments to construct the nature of this legislation can be inferred from the relationship between First Amendment jurisprudence and IPRs. While the problem of the possible application of First Amendment scrutiny has been frequently analyzed, particularly with regard to the standard of judicial scrutiny (229), courts have been reluctant to apply it in intellectual property disputes (230), and have very rarely imposed First Amendment limitations on copyright (231). (i) An initial explanation might be that IPRs are immune from free speech concerns: some decisions have confirmed this reading and declared copyright as “categorically immune from challenges under the First Amendment” (232), but such statements have been reversed by the Supreme Court (233), which has reiterated that US intellectual property cannot be held immune from free speech concerns. (ii) A further explanation may be that IPRs enjoy *de facto* immunity, i.e. not that they are exempted from

(229) The First Amendment is subject to three different standards of scrutiny. Certain authors have argued that when copyright law is at stake, it should be treated as content-based legislation.

(230) The first time an appellate court applied the First Amendment’s Free Speech Clause to limit enforcement of copyright without being subsequently vacated was in *Suntrust Bank v. Houghton Mifflin Co.*, 252 F. 3d 1165 (11th Cir. 2001).

(231) See N.W. NETANEL, *Locating Copyright in the First Amendment Skein*, 54 *Stan. L. Rev.*, 1 (2002).

(232) *Eldred v. Reno*, 29 F. 3d 372, 375 (D.C. Cir. 2001) citing *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 556 (1985), and *United Video Inc. v. FCC*, 890 F.2d 1173, 1176-78 (D.C. Cir. 1989).

(233) The total exclusion was for example stated by the District Circuit in the *Eldred* case: “copyrights are categorically immune from challenges under the First Amendment” *Eldred*, 239 F.3d at 375. The Supreme Court has categorically ruled this out as a sound legal proposition. See also Nachbar saying “this is not to say that legislation passed pursuant to the Copyright Clause should be immune from First Amendment scrutiny”, at 49.

the free speech principle, but that the recognition of exclusive rights in information and intellectual creations may be the main way to promote speech as far as intellectual creations are concerned (234). This hypothesis finds several supporters. Jane Ginsburg states that “the Constitution does not set copyright in tension with the public interest; on the contrary, it equates the public interest with the guarantee of authors’ exclusive rights”. Under this approach the Progress function “[r]ather than imposing a separate basis for scrutiny of Congressional action [...] reflects a commitment to the promotion of the progress of science through the establishment of a national copyright system” (235). In *Harper & Row*, the Courts stated that “the Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas” (236). However, this hypothesis has two main weaknesses. Firstly, since under the teleological scheme of the IP Clause, the exclusive right is not the main rule in the intel-

(234) A minoritarian view still recognizes that the public interest pursued by the legislature consists of the mere promotion and protection of patent ownership and refers to the line of cases stating that “the public policy at issue in patent cases is the ‘protection of rights secured by valid patents’”, see *Polaroid v. Eastman Kodak*, 641 F. Supp. 828, 876 (D. Mass. 1985), denial of stay aff’d., 833 F.2d 930 (Fed. Cir. 1986), quoting *Smith Int’l v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir., cert. denied 464 U.S. 996 (1983)).

(235) See on this point J.C. GINSBURG, *Authors and Users in Copyright*, 45 *J. Copyright Soc’y* 1, 5 (1997).

(236) Some commentators have criticized this statement due to the fact that the equilibrium embedded in the copyright system is no longer sufficient to protect such fundamental public interests. See NETANEL, *Locating Copyright in the First Amendment Skein*, cit., describing how such view is mainly due to the reading of the problem offered in M. NIMMER, *Does Copyright Abridge the First Amendment Guarantees of Free Speech and Press?*, 17 *UCLA L. Rev.*, 1180, 1186 (1970). Others have stressed how such a statement does not completely exclude per se the possibility of using the First Amendment as a further layer of review of intellectual property legislation. Yochai Benkler, commenting on the Harper phrase, has argued that “this statement should not be viewed as excluding First Amendment review of the actual contours of copyright law”, see Y. BENKLER, *Constitutional Bounds of Database Protection*, cit., at 76.

lectual property environment (but a mere tool to be used for a greater social advantage), it cannot be considered as a substitute for a fundamental principle such as free speech. Secondly, under this view, a circularity problem emerges: on the one hand, IP laws qualified as economic regulation would deserve a rational standard of scrutiny: the substantial impact on the public interest in accessing knowledge would require verification by “external” legal tools such as the First Amendment. However, when free speech concerns are raised as a separate constitutional issue, this interest is already deemed to be protected within the boundaries of the legislation in hand. So this circular process does not allow any brake on IPR expansionism either under the IP Clause, or under the First Amendment. The same two problems would emerge if we considered First Amendment concerns not just as internalized in the exclusive right but in the existing “design” of the property right (with a closed set of limitations) (237). How can exceptions designed *ex ante* (that also tend to shrink due to IPR expansionism) serve a fundamental principle such as the First Amendment? (iii) A further possible explanation is that legislation issued under the IP Clause incorporates free speech concerns in the more profound sense that when legislature enacts intellectual property law it must continuously address free speech concerns regarding access to knowledge: this is the meaning of fostering Progress. Congress always needs to apply teleological reasoning that does not simply incorporate a mathematical and economical calculus about societal welfare, but must always incorporate free speech concerns not through the use of the First Amendment, but by using the IP Clause with the object of protecting the same fundamental value as far as intellectual creations are concerned. Therefore, in relation to IPRs, the protection of the public interest in accessing knowledge (insofar as this belongs

(237) According to the Supreme Court, the “[c]opyright’s idea/expression dichotomy [strikes] a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author’s expression (...). No author may copyright his ideas or the facts he narrates”.

to the first group of public interests defined in para. 1), should not be achieved by reviewing the law under the First Amendment, but rather under the mandate to pursue progress set out in the IP Clause. In this sense it is possible to state that the IP Clause and First Amendment share a common thread, i.e. the fundamental value of access to knowledge within a broader framework providing individuals' independence from federal government's restrictions on speech. In this sense, when regulating intellectual property, the legislature must always consider the free speech interest. Therefore, the fundamental value of accessing knowledge, (which is in fact a fundamental part of free speech), must be embedded in Congress' reasoning when legislating over intellectual property. The fact that US intellectual property law always involves assessing a fundamental value determines the need for a heightened standard of scrutiny in judicial review cases. Furthermore, it requires judicial interpretation scope to apply not a mere economic calculus in order to regulate economic rights but to embed policy arguments concerning a fundamental value. The way in which the interpretation of certain substantive intellectual property rules incorporates the evaluation of the interests referred to in the IP Clause will be discussed in Chapter V.

10.4. The discourse on the nature of the IP balance and the interest protected has focused on copyright, but it can be transferred to patent law for a number of reasons. (i) Since IP laws share the same constitutional framework, no distinction should be made concerning the nature of IP rights and different types of intellectual property (even though patents and copyright were known to the Framers). So if one agrees that Congress, when enacting copyright legislation, does not engage itself in mere economic regulation, but is in fact balancing different tools in pursuit of a higher fundamental value, the same should be done where exclusive rights over inventions is concerned. (ii) The fact that patents do not directly involve free speech issues is not a valid counterargument: firstly, spe-

cific kinds of patents raise First Amendment concerns (238), but even more importantly their regulation ontologically involves the same principle of access to knowledge that is protected by the First Amendment. The latter point is confirmed by the reading provided by several decisions, where the Court solved a patent law interpretation issue by fine-tuning property rights in line with societal interest, thereby confirming that the same constitutional framework functionalizing IPRs to the public interest would apply to patents. In *Kendall* (1858) (239), the Court argued that “the benefit to the public or the community at large was another and doubtless primary object in granting and securing the [patent] monopoly”. In *Motion Pictures Patents* (1917) (240), the Court stated: “this court has consistently held that the primary purpose of our patent laws is not the creation of private fortunes for owners of patents but is ‘to promote the progress of science and the useful arts’”. In *Graham* (1965) (241), the Court held that “Congress may not authorize the issuing of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available”; Justice Clark writing for the majority clearly explained how US patent law developed from the Jeffersonian concept of a system based on a utilitarian economic agenda of promoting innovation rather than protecting the inventor’s moral rights in discoveries. Therefore the Court not only confirmed the same utilitarian foundation of patents and copyright, but also demonstrated that the IP

(238) See D. BURK, *Patenting Speech*, 79 *Tex. L. Rev.*, 99 (2000). However, an association with free speech does exist: e.g. the patent right may pose a threat to free speech when relating primarily to Internet-based technologies (e.g. patents used in connection with “web logs”), or technologies allowing the sending and receiving of streaming audio and video over the Internet (e.g. *US Patent App.* No. 5, 132, 992 owned by Acacia Research. The example is provided in the Brief by Yahoo, at 7.), or technologies on publishing web pages, sending e-mail messages, or making Internet phone calls.

(239) *Kendall v. Windsor*, 62 U.S. 322 (1858).

(240) *Motion Picture Patents Co. v. Universal Film Mfg. Co.* 243 U.S. 503 (1917).

(241) See *Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1965).

Clause is not to be used as a mere tool of judicial review but rather as a general teleological principle affecting the overall interpretation of substantive intellectual property law. In *Brenner* (1966) (242), the applicant claimed a patent for a process of making a particular compound that had no known use. The Supreme Court engaged in extensive policy analysis, concluding that in the absence of a specific statutory provision, it was necessary to consider the damage to the public interest in access to knowledge that different interpretations may cause. In the words of Justice Fortas: “whatever weight is attached to the value of encouraging disclosure and of inhibiting secrecy, we believe a more compelling consideration is that a process patent in the chemical field, which has not been developed and pointed to the degree of specific utility, creates a monopoly of knowledge (...). It may engross a vast, unknown, and perhaps unknowable area. Such a patent may confer power to block off whole areas of scientific development, without compensating benefit to the public” (243).

11. The analysis of judicial review jurisprudence demonstrates that IP legislation should not be qualified as merely economic, but rather as ontologically affecting fundamental values: not in the sense that IP property rights may conflict with fundamental rights, but rather that IP law, due to its functionalization to progress, involves an ongoing consideration of fundamental societal rights.

Now it is necessary to consider whether this interpretation is somehow affected by the systematic reading of US intellectual property law within the broader legal framework provided by the Uni-

(242) *Brenner v. Manson*, 383 U.S. 519 (1966)

(243) See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989), where patents were described as a “carefully crafted bargain for encouraging the creation and disclosure of new, useful and non-obvious advances in technology and design”; see also *Mazer v. Stein*, 347 U.S. 201, 219 (1954), arguing that the IP Clause is based on “conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in Science and Useful Arts”; *Pfaff v. Wells Elecs. Inc.*, 525 U.S. 55, 63 (1998), “the patent system represents a carefully crafted bargain”.

versal Declaration of Human Rights. In particular, it is necessary to consider: (i) whether the rooting of IP rights in human rights undermines their utilitarian nature and the way property rights interact with the public interest; the following analysis aims to demonstrate that the human rights legal framework (244) does not change the nature of US legislation enacted under the IP Clause, but, on the contrary, confirms that IP legislation structurally involves fundamental rights and interests, thus confirming the arguments in support of a heightened standard of review. (ii) Furthermore, it is necessary to ascertain whether human rights may, on the contrary, provide a worldwide framework for embedding quasi-utilitarian features into intellectual property laws.

The US utilitarian model may certainly be regarded as having gradually incorporated some limited elements of natural law (245) in the light of existing international law obligations that support a human rights basis to IP rights. This hypothesis has been fiercely debated in the past (246) based on the primacy of the US Constitu-

(244) There is a great deal of discussion about the conflict between intellectual property and human rights: see inter alia E.C. BAKER, *First Amendment Limits on Copyright*, 55 *Vand. L. Rev.*, 891 (2002); Y. BENKLER, *Free As The Air to Common Use; First Amendment Constraints on Enclosure of the Public Domain*, 74 *N.Y.U. L. Rev.*, 354 (1999); N.W. NETANEL, *Locating Copyright in the First Amendment Skein*, cit; C. GEIGER, *Fundamental Rights, a Safeguard for the Coherence of Intellectual Property Law?*, 4 *IIC*, 35 (2004). A similar approach tries to solve the undesirable and unforeseen consequences of IPR overprotection outside intellectual property legislation through a conflict or interaction with external tools deriving from different bodies of law i.e. antitrust law and consumer law.

(245) See O.F. AFORI, *Human Rights and Copyright: The Introduction of Natural Law Considerations into American Copyright Law*, 14 *Fordham Intell. Prop. Media & Ent. L. J.*, 500 (2004). The author investigates a way to insert the “agenda” of Art. 27 of the Universal Declaration into domestic American intellectual property, thus combining the utilitarian structure of US intellectual property law with a human/cultural rights perspective based on natural law philosophy.

(246) For a rejection of any natural rights injection into US intellectual property law, see M. HAMILTON, *Copyright and the Supreme Court: A Jurisprudence of Deference*, 47 *J. Copyright Soc’y U.S.A.*, 317 (2000); on the incorporation of moral rights into US intellectual property and its implications within the historical development of this law, see also S. LIEMER, *How We Lost Our Moral Rights and the*

tion over any other federal or state law, treaty, or international obligation. While the meaning of moral rights in the legal debate is clear (although the scope of protection in the US is more limited (247)), the “economic dimension” of IPRs is the subject of discussion. The Berne and Paris Conventions, and more recently the TRIPs Agreement, do not refer to a human rights justification for the intellectual property right, and define authors’ and inventors’ rights as “private rights” (248). On the contrary, Article 27(2) of the Universal Declaration of Human Rights of 1948 (UDHR) recognizes “[t]he right of everyone to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author”. The same reference to “material interests” is contained in Article 15(1)(c) of the International Covenant on Economic, Social and Cultural Rights (ICESCR). Similar wording is contained in other international human rights instruments (e.g.

Door Closed on Non-Economic Values in Copyright, 5 *J. Marsh. Rev. Intell. Prop. L.*, (2005).

(247) The argument that a minimalist approach was taken by the US in implementing the Berne Convention in 1988 is raised by D. NIMMER, *The Impact of Berne on United States Copyright Law*, 8 *Card. Arts & Ent. L. J.*, 28 (1989). Moral rights protection in the US is limited to the right of attribution and the right to integrity established in the *Visual Artists Rights Act* 1990 (VARA). A detailed analysis of the legislative history of VARA and the reasons why it was enacted despite Congress’ strong resistance to such legislative innovation see R. ROSENTHAL K WALL, *Author-Stories: Narrative’s Implications for Moral Rights and Copyright’s Joint Authorship Doctrine*, 75 *Cal L. Rev.*, 1 (2001). The author also discusses whether such implementation is sufficient to fulfill international obligations under the International Covenant on Economic, Social and Cultural Rights (ICESCR), *id.* 22-43. For a more general discussion on moral rights protection in the US see T.F. COTTER, *Pragmatism, Economics, and the Droit Moral*, 76 *N.C. L. Rev.*, 1 (1997). For the question of whether moral rights protection is compatible with North American intellectual property law, see R. ROSENTHAL K WALL, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 *Vand. L. Rev.*, 1 (1985); I. LEE, *Toward an American Moral Rights in Copyright*, 58 *Wash. & Lee L. Rev.*, 795 (2001).

(248) See L.R. HELFER, *Adjudicating Copyright Claims Under the TRIPs Agreement: The Case for a European Human Rights Analogy*, 39 *Harv. Int’l L. J.*, 397 (1998), arguing that “the principal justification for these agreements lies not in deontological claims about inalienable liberties, but rather in economic and instrumental benefits that flow from protecting intellectual property products across national borders”.

Article 13(2) of the American Declaration of the Rights and Duties of Man of 1948, and Article 14(1)(c) of the Additional Protocol to the American Convention on Human Rights in the Area of Economic, Social and Cultural Rights of 1988 (249). What is more controversial, is whether the recognition of IP rights as human rights is indirectly derived from the systematic reading of IPRs under the umbrella of “property”, which would consequently influence the meaning of “material interest” (250).

On the one hand, some commentators who attribute a Lockean basis to IPRs read authors’ material interests as covering all sorts of actual or potential economic advantages flowing from their creations (251). This reading has obviously been supported by IP industries (252). General Comment No. 17, which provides an exegesis

(249) For a detailed discussion about the interface between intellectual property and human rights see L.C. TORREMANS, *Intellectual Property and Human Rights: Enhanced Edition of Copyright and Human Rights*, Kluwer Law International, The Netherlands (2008).

(250) Recognition of the human rights dimension to intellectual property, indirectly inferred as part of the right to property, would make it difficult to include the creator’s moral interest in safeguarding a personal link with his or her creation. Such interest is in fact generally outside the realm of private property, see on this point P.K. YU, *Ten Common Questions About Intellectual Property and Human Rights*, id. In this case we should consider the moral right as deriving from a different human right that is not linked with private property.

(251) See R.L. OSTERGARD jr., *Intellectual Property: A Universal Human Right?*, 21 *Hum. Rights Q.*, 156, 175 (1999): “the basis for such a claim without doubt lies in the Western conception of property rights”. Several scholars in the US have based intellectual property protection on a natural right to property, i.e. apparently outside the literal meaning of the IP Clause, in an attempt to incorporate the Lockean basis for property into intellectual property law. For this approach see W.J. GORDON, *A Property Right in Self Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 *Yale L. J.*, 1533 (1993); W.J. GORDON, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 *Va. L. Rev.*, 149 (1992); A. MOSSOF, *What is Property? Putting the Pieces Back Together*, 45 *Ariz. L. Rev.*, 371 (2003); A.C. YEN, *Restoring the Natural Law: Copyright as Labor and Possession*, 51 *Ohio St. L. J.*, 517 (1990).

(252) See P.K. YU, *P2P and the Future of Private Copying*, 76 *U. Colo. L. Rev.*, 653 (2005), explaining why the recording industry drew a wrong analogy when comparing file-sharing to shoplifting.

of Article 15 of the ICESCR, states that the phrase referring to ‘material interests’ “reflects the close linkage of this provision with the right to own property, as recognized in Article 17 of the Universal Declaration of Human Rights and in regional human rights instruments” (253). However, it should be noted that the ICESCR does not actually include a provision on the right of property. Peter K. Yu has argued that a case precedent favorable to such construction would be *Mazer v. Stein* (1954), where the Supreme Court stated the principle that the recognition of a property right is the best tool that the legislator may put forth in order to pursue public interests: “[t]he economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in Science and useful arts” (254). However, the Court adds in the subsequent phrase that “[s]acrificial days devoted to such creative activities deserve rewards commensurate with the services rendered” (255). This means that the right to the reward does not necessarily consist in the recognition of a property right but in something that must be proportional to the work done: the Lockean rationale is not used here to establish a full natural right to the intellectual property.

On the other hand, there are various more convincing arguments to support the reading of “material interests” not as covering the property right but a minimum component of the economic right consisting in just compensation: (i) it is clear from the drafting history of the provision (256) that human rights protection “does not

(253) Paragraph 15 of the *General Comment No. 17, Committee on Economic, Social and Cultural Rights*, Thirty-fifth session, Geneva, November 7-25, 2005.

(254) 347 U.S. 201, 219 (1954).

(255) Peter K. Yu refers to the case but does not refer to the further sentence that seems essential to the interpretation of the precedent. See P.K. YU, *Reconceptualizing Intellectual Property Interests in a Human Rights Framework*, 40 *U.C. Dav. L. Rev.*, 1039, 1089 (2007).

(256) The drafting history argument for such an interpretation of Art. 27(2) is

cover all forms of economic rights as protected in the existing intellectual property system, but rather the limited interests of authors and inventors in obtaining just remuneration for their intellectual labor” (257); (ii) General Comment No. 17, referring to the obligations set out in Article 15(1)(c), states that “the key criterion for satisfying the material interests obligation is not whether (...) such protection is based on the property rights model. Rather, one has to inquire whether the existing system provides meaningful protection of material interests in the creations by authors and inventors”; (iii) the General Comment on Article 27 clearly refers to a concept of a “just sum” that is significantly lower than the full right to any use of the creation/invention (258). This more limited recognition of the human rights dimension to IPRs implies that (i) the human rights framework is not per se inconsistent with a utilitarian perspective; (ii) it does not even imply a specific model of protection, being neutral as to the use of alternative systems of compensation such as liability rules (259) or public funding (260); (iii) a natural rights and

put forward in P.K. YU, *Reconceptualizing*, cit., at 1087, where he refers to “Cassin’s draft” (Art. 43). For a detailed history of the drafting of the UDHR, see M.A. GLENDON, *A World Made New: Eleanor Roosevelt and the Universal Declaration of Human Rights*, New York: Random House (2001).

(257) See P.K. YU, *Ten Common Questions About Intellectual Property and Human Rights*, 23 *Georgia St. Univ. L. Rev.*, 731 (2007).

(258) “The term of protection of material interests under article 15, paragraph 1(c) need not extend over the entire lifespan of an author”.

(259) For a leading view on using liability rules, see J.H. REICHMAN, *Of Green Tulips and Legal Kudzu: Repackaging Rights in Subpatentable Innovation*, 53 *Vand. L. Rev.*, 1777 (2000). Reichman’s model contrasts with Merges’ view that proposes a strong proprietary regime in which private parties are able to take efficient decisions. See R.P. MERGES, *Contracting into Liability Rules, Intellectual Property Rights and Collective Rights Organizations*, 84 *Cal. L. Rev.*, 1293 (1996). For a classical view on the alternative tools of property rules and liability rules, see G. CALABRESI, D. MELAMED, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 *Harv. L. Rev.*, 1089 (1972); for a critique see R.A. EPSTEIN, *A Clear View of the Cathedral: The Dominance of Property Rules*, 106 *Yale L. J.*, 2091 (1997).

(260) For an early discussion of using prize funds as alternative instruments of compensation for authors and inventors, see B.D. WRIGHT, *The Economics of Inven-*

utilitarian perspective may coexist if we consider the first as constituting the minimum foundation for the individual interest, and the second as the instrument by which we fine-tune the further extension of that interest for the benefit of society (261); (iv) legal systems with different intellectual property traditions maintain considerable space for maneuver to decide whether to maintain strong protection within a natural rights model, maintain their utilitarian nature, or further promote a rich public domain (262).

Article 27(1) of the Universal Declaration (263) stating “[e]veryone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits” has been proposed as a possible means to solve the problems resulting from the interaction between the intellectual

tion Incentives: Patents, Prizes and Research Contracts, 73 *Am. Econ. Rev.*, 691 (1983); S. SHAVELL, T. VAN YPERSELE, *Rewards versus Intellectual Property Rights*, 44 *J.L. & Econ.*, 525 (2001). The object of the creation would be directly left to the public domain while the author or inventor would be compensated by public funding. Among other aspects, they underline the difficulties that such a system would encounter in terms of the structural problem of obtaining sufficient information to calculate the public compensation; see also M. ABRAMOWICZ, *Perfecting Patent Prizes*, 56 *Vand. L. Rev.*, 115 (2003).

(261) The positive effects of liability rules systems are explained in J. REICHMAN, *Of Green Tulips and Legal Kudzu*, cit., at 1746-47.

(262) P.K. YU, *Reconceptualizing*, cit.

(263) Discussion of Article 27(2) and a body of scholarly analysis on this norm is still limited, see A.R. CHAPMAN, *Development of Indicators for Economic, Social and Cultural Rights: The Rights to Education, Participation in Cultural Life and Access to the Benefits of Science*, in Y. DONDEERS, V. VOLODIN (eds.), *Human Rights in Education, Science and Culture: Legal Developments and Challenges*, Unesco/Ashgate, Paris (2007), at 111-152, arguing that “there is little agreement as to how to interpret the content of the (article 27(1)) right”. While the United Nations Committee on Economic, Social and Cultural Rights has issued an official comment on Article 27(2) (i.e. *General Comment No. 17: The Right to Protection of Moral and Material Interests in Authorship* (2005)), it has not done so yet for paragraph 1. On its interpretation see A.R. CHAPMAN, *Towards an Understanding of the Right to Enjoy the Benefits of Scientific Progress and its Applications*, 8 *J. Human Rts.*, 1 (2009); L. SHAVER, *The Right to Science and Culture*, at www.ssrn.com.

property right and interests that are in “systematic tension” (264) with it. Under this reading, the provision would be an appealing basis on which to exert international pressure to establish international “maximum standards” of protection (265). The reference to such right and the study of the general impact on intellectual property seems to carry the positive intention of building globally harmonized solutions (266) to problems that are nevertheless still quite separate (267). The present work attempts to argue that while intellectual property overprotection has important filters in the US, and the negative implications deriving from IPR expansionism can substantially be solved through proper competition between the judiciary and legislature, the European system has a structural inability to deal with the overprotection issue once IPR legislation has been enacted.

(264) See L. SHAVER, *The Right to Science and Culture*, cit., claiming that intellectual property is “in systematic tension” with what she describes as a right to science and culture, referring to Article 27(2) of the Universal Declaration and Article 15 of the ICESCR. The author, while acknowledging that the “originalist argument” has little binding effect in international law interpretation, considers the original understanding of the declaration of human rights as a sort of necessary platform to be respected: she points out the impulse to the right to science and culture of the writers of the Universal Declaration and considers the link with the strong reference in the preamble to the UNESCO Constitution to the purpose of the “wide diffusion of culture, and the education of humanity” (Constitution of the United Nations Educational, Scientific, and Cultural Organization adopted in London on November 16, 1945).

(265) See L. HELFER, *Human Rights and Intellectual Property: Conflict or Co-existence?*, 5 *Minn. Intellectual Property Rev.*, 47 (2003).

(266) See Lea Shaver suggesting that “Article 27 must be understood as a call for culture and science to be governed as global public goods”, cit., at 10; see also A. KAPZCYNSKI, *The Access to Knowledge Mobilization and the New Politics of Intellectual Property*, 117 *Yale L. J.*, 804 (2008), discussing the emergent social movement under the umbrella of access to knowledge.

(267) Furthermore Article 27 does not seem to provide a harmonized balance between intellectual property and access to culture and knowledge, see M. GREEN, *Drafting History of the Article 15(1)(c) of the International Covenant* 19-20 U.N. Doc. E/C.12/2000/15 (Oct. 9, 2000); see also L. SHAVER, *The Right to Science and Culture*, cit., arguing that the original drafters did not consider the balance because they did not have intellectual property in mind.

Just as the interests involved in the intellectual property balance differ in the US and Europe, the human rights platform has substantially different effects on each of these systems: the implications of the impact of Article 27(1) on a nonutilitarian system will be discussed in Chapter VI. However, as far as a utilitarian system is concerned, if the applicable right under Article 27(1) relates to access to knowledge and progress, a utilitarian IP system is already designed to address the proper balance: the main issue is whether the institutional layer allows the balance to work. The recognition of a human right to knowledge should be considered as overlapping with the concept of fostering progress in the US Progress Clause (268). In this sense it confirms the fundamental rights dimension not of a conflicting interest but of the nature of legislation enacted under the IP Clause, and thus reinforces the arguments proposed here in relation to recognizing the need for a heightened standard of review.

(268) The Universal Declaration being a resolution of the UN General Assembly is not binding and does not create any obligation upon any state. However, such ‘soft law’ may become legally binding in domestic law when incorporated into the domestic legal system, see M. WATERS, *Creeping Monism: The Judicial Trend Toward Interpretative Incorporation of Human Rights Treaties*, 107 *Col. L. Rev.*, 628 (2007), discussing several mechanisms that reduce the difference between binding and nonbinding instruments. Lea Shaver, *cit.*, at 67, has argued that “to avoid political controversy, US judges may frequently adopt international legal reasoning without crediting the source”. She imagines that the principle stated in Article 27(1) could be inferred from the IP Clause in the US Constitution. However, she refers to it as a constitutional commitment to access.

CHAPTER V
THE BALANCE OF INTERESTS
IN INTELLECTUAL PROPERTY INTERPRETATION

SUMMARY: 12. The balance of interests in intellectual property interpretation. – 13. The role of the Court of Appeals for the Federal Circuit. – 13.1. The TMS test. – 13.2. The automatic injunction rule. – 13.3. The refusal to incorporate policy reasoning. – 14. Legislative reform or solutions within intellectual property law: the need for new institutional competition. – 15. Copyright exceptions: proprietization of fair use in courts' interpretation.

12. The analysis until now has demonstrated that the intellectual property balance mandated by the US constitution, and the resulting utilitarian model of knowledge regulation, could be strongly impaired by judicial deference toward Congress. However, while this is an unfortunate negative implication of the adoption of a certain standard of scrutiny, this does not impair the substantial nature of intellectual property legislation: it does not consist in a specific challenge to the overall balanced model of US intellectual property. A fundamental role may remain in what could be defined as micro-balance: that is the balance between competing interests rooted in the constitutional framework, but undertaken by courts when interpreting certain IPR limits. The purpose of this chapter is therefore not to provide a systematic and analytical reading of the system of intellectual property limitations, but rather to analyze certain tendencies in judicial interpretation that undermine the IP balance, not at the level of Supreme Court's judicial review, but through the interpretation of substantive law undertaken by other courts.

However, the necessary premise of this analysis is that the balanced model at constitutional level should drive courts' interpretation, which should favor the best societal results where there is a possibility (due to the existence of general clauses or equitable enforcement instruments) to fine-tune IPRs. The arguments in favor of this interpretative balance will be considered, with patents and copyright assessed separately. The first set of arguments involves patent law and the evolution of CAFC jurisprudence. The second set of observations relates to typical norms enabling a judicial fine tuning in copyrights.

13. Patent law expansionism has evolved not through legislative innovation but rather through judicial decisions. This is mainly due to the interpretative approach developed by the Court of Appeals for the Federal Circuit. The CAFC, created in 1982, has a general and unified jurisdiction to hear all appeals from district courts relating to patents, and to review appeals against decisions of the US Patent and Trademark Office (PTO). This Court was created to promote uniform interpretation and ensure consistency in the interpretation of US patent law (269). The unified court has gradually embraced the idea that IP cases mostly involve technical con-

(269) Achieving predictability and strengthening patents was the main purpose for creating the CAFC in 1982, see S. KIEFF, H.E. SMITH, *How Not to Invent a Patent Crisis*, in T.L. ANDERSON, R. SOUSA (eds.), *Reacting to the Spending Spree: Policy Changes We Can Afford*, Hoover Institution Press, Stanford, CA (2009); see P. NEWMAN, *The Federal Circuit in Perspective*, 54 *Am. Uni. Law Rev.*, 821 (2005), describing how the creation of the court was rooted in the serious economic crisis of the late 1970s that led President Carter to ask a group of experts to study domestic innovation, which resulted in the idea that unpredictability in the patent system had a destructive impact on economic growth; see also *Subcommittee for Patent & Information Policy, Advisory Committee on Industrial Innovation: Report on Patent Policy*, 155 (1979); the CAFC is therefore engaging in behavior that is generally more common to bureaucratic institutions and consists in reinforcing the elements that justify their existence: the practice of recognizing the validity of patents is consistent with the PTO, which approves between 85 to 97 percent of the applications it receives, see on this point C. QUILLEN, O. WEBSTER, *Continuing Patent Applications and Performance of the US Patent Office*, 11 *Fed. Cir. Bar J.*, 1 (2001).

siderations. This has resulted in the exclusion of policy considerations by the CAFC and increased standardization and foreseeability in patent law cases.

This process can be seen in three different situations: (i) a formalistic interpretation of patent requirements (that reveals a clear willingness to redesign patent interpretation) (270), (ii) a “mechanical” use of procedural tools, even when an equitable power is recognized by the courts, and (iii) a reading of intellectual property rules as being merely technical and inadequate to be dealt with by the consideration of policy arguments.

13.1. A primary tendency in CAFC jurisprudence has been to reduce interpretative flexibility in favor of greater predictability. It is particularly interesting that while a specific standard of interpretation has been systematically undertaken in the interests of strengthening patents, the CAFC has, at the same time, brought a merely “technical” reading to this field of law. This has triggered a preference for more formalistic and foreseeable interpretations, whilst upholding the argument that there is not much room in judicial interpretation for the flexibility allowed by the system (271). This happened in the interpretation of what is arguably the most important filter for patenting: the “obviousness” requirement (272).

(270) In this sense, I do not want to imply that the CAFC automatically respects legislation and precedents. There are cases where the Court clearly depart from them. However, the Court clearly rejects policy considerations and the role of policymaker.

(271) See M.A. BAGLEY, *Patent First, Ask Questions Later: Morality and Biotechnology in Patent Law*, 45 *Wm. & Mary L. Rev.*, 469, 542 (2004) arguing that “the CAFC appears averse to making patent policy in the absence of statutory authority”.

(272) 103(a) of the Patent Act, 35 U.S.C. provides: “A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made”.

The level of discretion available to judges in interpreting “what prior art teaches” for the purpose of assessing the nonobviousness requirement, has been lowered by the CAFC to its minimum. The CAFC did this by creating the so-called “teaching-motivation-suggestion” test (TMS test) (273). Under this test, a claimed invention cannot be held “obvious” even though it is a combination of preexisting elements and thus unpatentable under 35 U.S.C. § 103(a) in the absence of some proven teaching, suggestion, or motivation that would have led a person of ordinary skill in the art to combine the relevant prior art in the manner claimed. Where the “suggestion” requirement is not met, the Court may hold patentable a combination which only unites old elements with no change in their respective functions (274). The effects of such reasoning have substantially reduced the ability of the PTO to filter trivial patent applications (275). The interpretation has been followed consistently by the CAFC and was confirmed in KSR (2005) (276). Teleflex, Inc. sued KSR International claiming that one of KSR’s products infringed Teleflex’s patent. The patent consisted of a combination of two preexisting elements in the prior art: a gas pedal (whose resting position could be adjusted relative to the driver’s seating position), and the electronic control. KSR argued that the combination of existing elements in Teleflex’s patent was obvious.

(273) The first incarnation of the TMS test was adopted in *In re Sernaker*, 702 F.2d 989 (Fed. Cir. 1983); see also *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1351-1352 (Fed. Cir. 1998); *In re Dembiczak*, 175 F.3d 994, 998 (Fed. Cir. 1999).

(274) See e.g. *Al-Site Corp. v. VSI Int’l, Inc.*, 174 F.3d 1308 (CA. Fed. 1999).

(275) The CAFC’s interpretation of the nonobviousness requirement has created PTO practices that open the gates to trivial patents in software and biotechnology, see *Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, chap. 4, at 12 (2003). The effect is also exacerbated by the finding that it is the patent examiner who bears the burden of finding the “suggestion” document, not the patent applicant, as the CAFC has held that even the expert fact finders at the Patent Office are forbidden to use “common sense” in applying § 103, see *In re Lee*, 277 F.3d 1388, 1345 (Fed. Cir. 2003).

(276) *Teleflex Inc. v. KSR Intern. Co.* (Fed. Cir. 2005).

The adoption of a rigid nonobviousness rule can be criticized on several grounds. The CAFC's rule was inconsistent with precedents. Under the "suggestion test" the invention could be patented even if each component still performed exactly as it did in the prior art: but this outcome would not have been allowed under previous Supreme Court jurisprudence which precluded patentability where a claimed invention consisted of a mere "combination which only unites old elements with no change in their respective functions" (277). After the creation of the CAFC, the Supreme Court never heard a case on obviousness, but prior to 1982 it had applied a consistent practical, and flexible interpretative test in six cases: *Graham* (1966) (278), *Calmar* (1966) (279), *Adams* (1966) (280), *Anderson's Black Rock* (1969) (281), *Johnson* (1976) (282), and *Sakraida* (1976) (283). Only in one case (*Adams*, 1966) was the patent held to be valid and nonobvious: following the stated principles, the Supreme Court held that when the prior art teaches away from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious (284). This line of interpretation of the obviousness test had been followed prior to the 1952 Patent Act, beginning with *Hailes* (1874) (285) ("bringing old devices into juxtaposition, and there allowing each to work out its own effect without the production of something novel, is not invention"), and followed by a consistent line of cases. The rule inadequately lowered the bar of patentability. Indeed the lowering of the obviousness test can produce a large number of weak patents

(277) See *Sakraida v. Ag. Pro, Inc.*, 425 U.S. 274, 281-82 (1976).

(278) *Graham v. John Deere Co.*, 383 U.S. (1966).

(279) *Calmar, Inc. v. Cook Chemical Co.* 383 U.S. (1966).

(280) *United States v. Adams*, 383 U.S. 39 (1966).

(281) *Anderson's – Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. (1969).

(282) *Dann v. Johnson*, 425 U.S. (1976).

(283) *Sakraida v. Ag. Pro, Inc.*, 425 U.S. (1976).

(284) *Id.* At 51-52.

(285) *Hailes v. Van Wormer*, 87 U.S. 353, 368 (1874).

that lack substantial innovativeness, and therefore imbalance the quid pro quo on which society forgoes access to knowledge to incentivize real innovators and foster progress (286). The distorting dimension of this test can be further appreciated when it is considered in combination with existing rules on proof in patent litigation: the principle of the “presumption of validity” on issued patents, whereby the issued patent is presumed valid, requiring a higher standard of proof from the challenger (“clear and convincing evidence”) than the standard required in civil cases (“preponderance of evidence”). Therefore under the suggestion test, a patent is held valid if the petitioner does not prove, based on clear and convincing evidence, that the prior art would have suggested or motivated a person of ordinary skill to combine the two elements in the manner claimed.

13.2. The CAFC has also consistently refused to apply the equitable interpretative power under 35 U.S.C. § 283 (287), according to which “[s]everal courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable”, thus enabling lower courts to ensure a just result. The CAFC’s approach was to systematically favor injunctions over damages in cases of patent infringement. It relied on a line of cases originating with the *Continental Paper Bag* case (1908) (288), using a principle whose application could have been much more nuanced (289). In *eBay* (2005), the patent covered

(286) See on this point the petitioners’ KSR brief arguing that section 103(a) ceases to be a condition for patentability and becomes a condition for challenging patentability, see also S. KIEFF, H.E. SMITH, *How Not to Invent a Patent Crisis*, cit., describing the effect of the presumption of patent validity and the resulting higher standard of proof as “the in terrorem effect”, and suggesting that the presumption of patent validity should be abolished.

(287) 35 U.S.C. §. 283.

(288) See *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908).

(289) See Brief explaining that what *Paper Bag* stands for is not a general rigid

a business method of selling goods through an electronic network of consignment stores; the patent owner prevailed over eBay, seeking an injunction to prevent it from using the business method. The CAFC stated that as general rule District Courts must issue a permanent injunction after the discovery of a patent infringement, granting the option to withhold injunctive relief only where different values, external to patent law, are at stake (such as public health). The Federal Circuit's "automatic injunction" rule does not just force courts to ignore general equitable considerations. It is also a further example of how a fundamentally utilitarian architecture based on positive law and guaranteed by the Constitution may shift toward a rigid property model due to judicial interpretation. The equitable power should in fact allow courts to fine-tune patent right protection systematically and in accordance with the constitutional framework provided by the Intellectual Property Clause (290). There is a clear, macroscopic discrepancy between the rigid solution proposed by the CAFC and the balanced model of intellectual property. Indeed, given the extreme difficulty of applying this rule in such a strict and generalized fashion, the Court had to resort to the unusual (at least for US law) strategy of drawing an analogy between patent rights and property rights in land (291). Furthermore, when formulating the rare exceptions in which a court can adopt the remedy of damages, the CAFC referred to the protection of values that are external to the intellectual property balance, such as public health. This reading is consistent with an IP model where

rule. The court noted that there could be cases where "a court of equity might be justified in withholding relief by injunction", *id.* at 430. In that particular case the court did recognize that the patent holder was entitled to an injunction even if it did not use the patent to manufacture any product.

(290) See Amici Brief by the EFF, referring to values such as the First Amendment and access to knowledge; I would also add that the inherent "fundamental value" is – consistent with the analysis set out in this work – the pursuit of progress beyond the specific tools of property or free access.

(291) See F.S. KIEFF, R.A. EPSTEIN, R.P. WAGNER, *Various Law & Economics Professors as Amicus Curiae in the U.S. Supreme Court Docket, 05-130*, eBay v. MercExchange.

property is “the rule” and limits are “the exception”, as IPRs internalize the evaluation of competing interests through *ex ante* and fixed regulation. Under this scheme, competing interests are only evaluated when they are specific and overwhelming compared to the IPR. They are also more likely to succeed when they are external, i.e. where the competing interest at issue is not ontologically involved with IP. But indeed, this would be a different intellectual property model.

13.3. A third more general CAFC approach relates to the Court’s unwillingness to incorporate policy considerations, even in cases where the matter at issue would typically involve such reasoning.

In *re Fisher* (2005) (292) concerned the patentability of expressed sequence tags (ESTs), under the utility requirement. ESTs are nucleotide sequences representing a fragment of cDNA: when the EST is introduced into a sample containing a mixture of DNA the EST may hybridize with a portion of DNA showing that the gene corresponding to the EST was being expressed at the time of mRNA extraction (293). The CAFC affirmed the District Court decision to reject a single claim relating to an EST lacking utility under 35 U.S.C. § 101, as the applicant had disclosed several uses of claimed genetic fragments that were common to any EST (e.g. as molecular markers for mapping the maize genome; for measuring tissue levels of mRNA; as providing a source for primers; as identifiers for the presence or absence of a polymorphism; for isolating promoters; for controlling protein expression; and for locating genetic molecules of other plants and organisms) (294). In relation to the interpretative approach and balance of interests, it is worth noting that the government and its Amici raised several policy issues

(292) *In re Dane K. Fisher and Raghunath v. Lalgudi* decided on Sep. 7, 2005.

(293) *Id.* at 3; for previous CAFC decisions discussing the basics of molecular genetics see *In re Deuel* 51 F.3d 1552 (Fed. Cir. 1995); *Amgen, Inc. v. Chugai Pharm. Co., Ltd.*, 927 F.2d 1200 (Fed. Cir. 1991); *In re O’Farrell*, 853 F.2d 894 (Fed. Cir. 1989).

(294) *In re Fisher* decision, at 3-4.

on the patentability of ESTs lacking specific utility. They specifically referred to the balance of interests mandated by the Constitution: “allowing EST patents without proof of utility would discourage research, delay scientific discovery, and *thwart progress in the useful Arts and Science*” (emphasis added) (295). However, the Court expressly stated that “these are public policy considerations which should more appropriately be directed to Congress, as the legislative branch of the government, rather than this court as a judicial body responsible simply for interpreting and applying statutory law” (296).

Although the case was decided upon the absence of patentability requirements, it clearly illustrates the CAFC’s unwillingness to incorporate balances of interests and policy considerations into its reasoning in a highly debated area such as biotechnology innovation. The reason for this refusal was not the absence of specific interpretative tools (e.g. general clauses typically designed to address balanced evaluation), but the inability of a judicial institution to engage in policy considerations and balances of interests that should be left to the legislature.

14. The phenomena giving rise to patent law expansionism or use of patents in ways that are highly inconsistent with the pursuance of progress may lead to patent reform. Indeed, an emerging consensus in favor of flexibility often supports such a reform: such a consensus led to the issuance of Bills by the Obama Administration in 2009 proposing significant changes to the system (297). How-

(295) *Id.*, at 22.

(296) *Id.*, at 23.

(297) Several legislative initiatives proposing patent reforms and particularly addressing the patent trolls problem were not passed: (i) members of the House of Representatives proposed the *Patent Quality Assistance Act of 2004* (PQAA), 130 *Cong. Rec.* e1935 (2004) (*statement of Hon. Howard L. Berman*) containing critical changes to the patent system that would have decreased patent trolls’ bargaining power; (ii) in the subsequent congressional session members introduced another reform bill, the *Patent Reform Act of 2005*, H.R. 2795, 109th Cong. (2005); (iii) in the

ever, the cases referred to above prompt a further argument for the use of internal IP model flexibility rather than legislative interventionism. The US IP model of balances described in Chapter IV is not just designed for Supreme Court's judicial review cases, but also affects the way the judiciary as a whole should interpret substantive IP law. This interpretative function may be performed by the courts insofar as the tools provided by the system, whether of legislative or judicial origin, remain flexible. Such intervention and flexibility is not necessarily meant to provide *ex ante* decisions in favor of reducing private rights, but rather a continuous flexibility test that allows the interpreter to strike the best cost/benefit balance with a view to maximizing the societal interest and by considering not mere economic rights but the fundamental value involved (as discussed in para 10.3). The result of this balance may change over time due to the evolution of the innovation market.

From these observations I would draw two conclusions. (i) The key issue in the above cases is not the specific solution provided on the merits, but rather the rigidity of the CAFC's interpretative approach, which is highly inconsistent with a model that allows the interpreter to design specific interpretative policies in line with the specificities of the individual innovation market. For this reason, doctrinal attempts to facilitate judicial fine-tuning with the object of realigning IPRs with technology-specific solutions should be favorably viewed, at least in situations where such fine-tuning is allowed by the gaps in interpretative uncertainty. For example, in a series of articles, Dan Burk and Mark Lemley examine how patent law would benefit from a technology-specific approach not under-

same year Congress held a hearing targeted on understanding the patent troll problem, see *Patent Trolls: Fact or Fiction?: Hearing Before the Subcomm. On Courts, the Internet, and Intellectual Property of the H. Comm. On the Judiciary*, 109th Cong. (2006); (iv) Congress again proposed a reform bill, the *Patent Reform Act of 2007*, H.R. 1908, 110th Cong. (2007); (v) very similar patent reform bills were then proposed in the 11th session, in both the House and the Senate: *Patent Reform Act of 2009*, S. 515, 111th Cong. (2009); *Patent Reform Act of 2009*, H.R. 1260, 11th Cong. (2009). See on the proposed bills D.S. CHISUM, *Reforming Patent Law Reform*, 4 *J. Marshall Rev. Intell. Prop. L.*, 336, 340-44 (2005).

taken by legislature, but rather through judicial interpretation, applying what the authors describe as “policy levers”. They describe how patent protection could be tailored to address the needs of specific industries: in judicial interpretation this could be achieved by fine-tuning the rules governing access to protection and the criteria applying to the private right, such as obviousness, utility, and the doctrine of equivalents (298). (ii) The limited use of a broader set of interpretative, equitable tools is undoubtedly the result of an institutional problem caused by the CAFC’s interpretative role, as described above, and corresponding inactivity on the part of the Supreme Court. On the side of the CAFC, the lack of judicial competition at the level of the Courts of Appeals (299) is likely to have had a strong impact: given its exclusive jurisdiction over patent appeals, the CAFC need not be concerned that another Circuit will reveal and ridicule its rewriting of the Supreme Court precedents. If Circuit conflicts are an important signal to the Court in deciding which appellate decisions to review, the absence of such “competition” may therefore have given the CAFC “greater leeway to work around seemingly binding Court authority” (300). On the side of the Supreme Court, until 2005 the Court had been unwilling to intervene in CAFC decisions notwithstanding CAFC’s clear departure from precedents. In the shorter term, this may have been because the Supreme Court wanted the recently established Court to develop its own jurisprudence. In the longer term, the Court’s reluc-

(298) See D.L. BURK, M.A. LEMLEY, *Is Patent Law Technology Specific?*, 17 *Berkeley Tech. L. J.*, 1155 (2002); D.L. BURK, M.A. LEMLEY, *Policy Levers in Patent law*, 89 *Virg. L. Rev.*, 1575 (2003); D.L. BURK, M.A. LEMLEY, *Biotechnology’s Uncertainty Principle*, 54 *Case Western Res. L. Rev.*, 691 (2004).

(299) See G.S. LUNNEY, *Patent law, the Federal Circuit, and the Supreme Court: A Quiet Revolution*, 11 *S. Ct. Econ. Rev.*, 1, 25 (2004) noting that the simple fact of the absence of institutional competition at the level of the Court of Appeals changes the strength of that institution so that even where the Federal Circuit has not expressly rejected the Supreme Court’s rulings, Supreme Court’s jurisprudence has proven far less binding on the Federal Circuit than they have on other Circuits.

(300) *Id.*

tance to intervene may have been due to the fact that Federal Circuit decisions involve more technical questions.

Until 2005 the Court has intervened in very limited circumstances where the interpretative process of “crystallizing” patent law mechanics undertaken by the Federal Circuit showed a high degree of inconsistency with precedents. It is interesting to note that these rare interventions were always in the direction of reestablishing flexibility in the judicial interpretation of patent law: (i) in *Festo* (2002) (301), the Supreme Court reversed the CAFC’s formalistic, “one-size-fits all” interpretation of “the prosecution history estoppel” principle when applied to the doctrine of equivalents under which amendments to patent applications always have to be viewed as a surrendering to a particular equivalent. The Supreme Court reversed the decision, maintaining a flexible bar to equivalents, so that in certain factual circumstances prosecution history estoppel would not preclude the patent holder from establishing infringement under the doctrine of equivalents. (ii) In *Merck KGaA* (2005) (302), the Supreme Court reversed the CAFC’s interpretation of the “FDA safe harbor” in section 271(e)(1), which states that it is not an act of infringement to use a patented invention “solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs”. Maintaining a formalistic interpretation of the clause, the CAFC held that the safe harbor provided by section 271(e) (1) did not apply because the petitioner’s sponsored work was not clinical testing to supply information to the Food and Drug Administration (FDA) under the Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 et seq. It was instead only general biomedical research to identify new pharmaceutical compounds. The Supreme Court reversed the CAFC’s decision in order to establish a more flexible interpretative rule stating that the use of patented compounds in preclinical studies was protected under section 271(e)(1) because there was a “reasonable basis

(301) *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002).

(302) *Merck KGaA v. Integra Lifesciences I. Ltd* 545 U.S. 193 (2005).

to believe” that the compound tested could be the subject of an FDA submission and the experiments would produce the types of information relevant to drug applications. The court rejected Integra’s argument for interpreting the “safe harbor” exemption narrowly as applying only to generic drug approvals. Furthermore, the Supreme Court took into consideration some of the policy arguments put forward by the government’s Amici, who had previously argued that “the legal conclusion embraced by the Federal Circuit is likely to reduce the amount of socially valuable and necessary preclinical new drug research” (303). Furthermore, they added that “the policy concerns animating the FDA exemption also counsel against limiting the exemption to clinical research” (304).

After 2005, in contrast to other judicial review cases beginning with *Eldred* in which the Supreme Court showed deference towards the legislature, the system has apparently started to find its “institutional antidotes” in relation to the CAFC’s jurisprudence. Two cases are illustrative of this point.

(i) The CAFC’s TMS test for nonobviousness was greatly scaled back by the Supreme Court in *KSR* (2007) (305): the Court introduced more flexibility into the determination of the obviousness requirement. Although it made no direct reference to the public interest, its clear reference to the need for flexibility in interpreting “obviousness” in line with evolving technology is significant: “[t]hrough this Court’s engagement with the question of obviousness, our cases have set forth an expansive and flexible approach” (...) “[t]he obviousness analysis cannot be confined by a formalistic conception of the words teaching, suggestion and motivation (...) [t]he diversity of incentive pursuit and modern technology counsels against limiting the analysis in this way” (306).

(ii) The CAFC’s “automatic injunction rule” was reversed by the

(303) Amici Brief, at 15.

(304) *Id.*, at 11.

(305) *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007).

(306) *Id.*

Supreme Court in *eBay* (2006) (307). In *eBay* the Supreme Court held that the standard for granting an injunction must be based on the traditional four-step test requiring evaluation of irreparable harm, the inadequacy of damages, the balance of hardships, and the public interest. The kinds of competing interests that the judiciary should consider in the exercise of its interpretative function are the ones requiring the fine-tuning mandated by the Constitution (308). The point is clearly confirmed in Justice Kennedy's opinion in the *eBay* case: "[t]he equitable discretion over injunctions, granted by the Patent Act, is well suited to allow courts to adapt to the rapid technological and legal developments in the patent system". The Supreme Court has made further statements about the way equitable power can be used to address the chilling effects caused by the practice of some patentees of relying on injunctive relief. Exercising their equitable power would enable courts to maintain a balance between patent holder and societal interests in some critical cases. These include three groups of cases: (i) patent trolls (309) and submarine patents (310). Indeed, "[a]n industry has developed in which

(307) *eBay, Inc., v. MercExchange, LLC*, 401 F.3d 1323 (Fed. Cir. 2005).

(308) For a reference to the public health interest in withholding injunctive relief see e.g. *City of Milwaukee v. Activated Sludge*, 69 F.2d 577, 593 (7th Cir. 1934); *Vitamin Technologists, Inc. v. Wisconsin Alumni Research Found., Inc.*, 146 F.2d 941, 944-45 (9th Cir. 1945).

(309) The expression "patent troll" was first used by Peter Detkin, former Assistant General Counsel of Intel, see P.N. DETKIN, *Leveling the Patent Playing Field*, 6 *J. Marshall Rev. Intell. Prop. L.*, 636 (2007). On patent trolls see J. CHAN, M. FAWCETT, *Footsteps of the Patent Troll*, 10 *Intell. Prop. L. Bull.*, 1 (2005).

(310) This is when a patent holder moving within legal PTO boundaries adopts patent troll strategies, such as delaying patent issuance or delay in invoking a patent in order to let the value of the infringing use increase during the delay. These "submarine patents" allow the future patent holder to wait until a company with deep pockets has sunk substantial investments into the infringing product. Here the adoption of a automatic rule for injunctions, that renders the threat of injunction highly plausible, prevents the producer of the possibly infringing product from paying to the patent holder the cost that would essentially be required to shift to a noninfringing product and receive settlements in excess of the economic value of the patent. See on this point FEDERAL TRADE COMM'N, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* (2003) at 28-29.

firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. (...) For these firms, an injunction, and the potentially serious sanctions arising from its violations can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent” (311); (ii) multilayered patented products: “[w]hen the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and *an injunction may not serve the public interest*” (emphasis added), clearly recognizing that the equitable power is an interpretative instrument rooted in the functional model of the IP Clause for intellectual property (312); (iii) patents of uncertain validity: “[i]njunctive relief may have different consequences for the burgeoning number of patents over business methods, which were now of much economic and legal significance in earlier times. The potential vagueness and suspect validity of some of these patents may affect the calculus under the four-factor test” (313).

In the aforementioned cases, the equitable power to award damages rather than injunctions in IP infringement cases is meant to fulfill the constitutional mandate that IPRs are justified provided society is better off with them than without them (314). The possibili-

(311) See Justice Kennedy’s opinion, cit.

(312) Id.

(313) Id.

(314) On the importance of the Supreme Court ruling see D.B. CONRAD, *Mining the Patent Thicket: The Supreme Court’s Rejection of the Automatic Rule in eBay v. MercExchange*, 26 *Rev. Litig.*, 119 (2007); A.G. BARKER, *Patent Permanent Injunctions and the Extortion Problem: The Real Property Analogy’s Preservation of Principles of Equity*, 88 *J. Pat & Trademark Off. Society*, 259 (2006); M. JONES, *Permanent Injunction, A Remedy By Any Other Name is Patently Not the Same: How eBay v. MercExchange Affects the Patent Right of Non-Practicing Entities*, 14 *Geo. Mas. L. Rev.*, 1035 (2007); see also V. DENICOLÒ, D. GERADIN, A. LAYNE-FARRAR, A.J. PADILLA, *Revisiting Injunctive Relief: Interpreting eBay in High-Tech Industries with Non-Practicing Patent Holders*, 4 *J. Comp. L. & Econ.*, 571 (2008), analyzing how

ty of incorporating these three different aspects into the exercise of equitable power would allow the courts to address some further problems that commonly afflict the US patent system: (i) the flood of “junk patents” into the system, and the consequent growing uncertainty regarding patent validity (315); (ii) the existence of patent thickets and the resulting high transaction costs due to the growing number of private rights relating to the same subject, both in a vertical sense (many patented products need to obtain a final patentable invention), and in a horizontal sense (different patented products need to be combined to create the marketable product) (316).

15. Another phenomenon involving the curtailment of certain IP tools designed to achieve the constitutionally mandated IP balance can be seen in copyright cases on the interpretation of the fair use exception (317). Again, the reason for this line of jurisprudence

holdup theory justifying categorical limitations on injunctive relief rests upon narrow assumptions, and supporting a reading of the case as allowing a balancing test, where costs and benefits are carefully weighed rather than allowing District Courts to deny injunctive relief in all nonmanufacturing patent owner cases.

(315) The issue does not directly concern a malfunction in the interpretation of intellectual property balance, but rather arises as an indirect negative effect of IPR expansionism due to the fact that new forms of patents have been deemed possible, see on this point R.P. MERGES, *As many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patents System Reform*, 14 *Berkeley Tech. L.J.*, 577 (1999), describing how several “impossible patents” have flooded the intellectual property system. The author mostly refers to patents for “methods of doing business”, which have been judicially recognized since the Federal Circuit case *State Street Bank & Trust Co., Inc. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998). The decision, however, followed a preexisting PTO policy, see S.M. ALTER, *Federal Circuit Broadens Scope for Software Patents*, 15 *Computer Law*, 27 (1998).

(316) See A.K. RAI, R.S. EISENBERG, *The Public Domain: Bayh-Dole Reform and the Progress of Biomedicine*, *Law & Contem. Prob.*, 289 (2003); see also M.A. HELLER, R.S. EISENBERG, *Can Patents Deter Innovation? The Anticommons in Biomedical Research*, *Science*, 698 (1998); for the different implications in Europe and Italy see A. OTTOLIA, *Riflessioni sulla brevettabilità delle sequenze parziali di geni*, 6 *Riv. dir. ind.*, 457 (2005).

(317) While the express constitutionalization of fair use has not been expressly recognized by the Supreme Court (see *Corley* case below), its function as a main tool

is rooted in the tension caused by the institution that is at the core of the IP architecture of balance in the US: the judiciary (318). In the *Betamax* case, the rule was established that when a new technology arises the judiciary must be very “circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests” (319). This is not an admission of deference toward the legislature but, on the contrary, it explains that property rights in knowledge do not constitute a default rule, so that when technology allows new uses to be controlled by the IP owner, an expansion of IPRs cannot simply be implied.

(i) An initial interpretative approach, which undermines fair use as a tool for achieving intellectual property balance, reads the doctrine as a legal response to a market failure (320). Because some

for constitutional balance in the US copyright system is uncontested: “[the] author’s consent to a reasonable use of his copyrighted works [had] always been implied by the courts as a necessary incident of the constitutional policy of promoting the progress of science and the useful arts, since a prohibition of such use would inhibit subsequent writers from attempting to improve upon prior works and thus (...) frustrate the very ends sought to be attained”, H.G. BALL, *Law of Copyright and Literary Property*, New York, (1944), at 260. The test used to assess fair use consists of the following four factors: (i) the purpose and character of the use, including whether such use is of commercial nature or is for non-profit educational purposes, (ii) the nature of the copyrighted work, (iii) the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and (iv) the effect of the use upon the potential market for the copyrighted work, 17 U.S.C. section 107 (2003), see *Harper & Row, Publishers, Inc. v. Nat’l Enters.*, 471 U.S. 539 (1985).

(318) A number of scholars have proposed the use of internal limits to intellectual property to solve or to underline the problems emerging from the extension of IPRs: P. SAMUELSON, *The Originality Standard for Literary Works Under US Copyright Law*, 42 *Am. J. Compar. L.*, 393 (1994); D.L. BURK, J.E. COHEN, *Fair Use Infrastructure for Rights Management Systems*, 15 *Harv. J. Law & Tech.*, 41 (2001), F. VON LOHMANN, *Fair Use and Digital Rights Management: Preliminary Thoughts on the (Irreconcilable?) Tension Between Them*, available at www.eff.org/IP/DRM; D.L. BURK, *Anti-Circumvention Misuse*, 50 *UCLA L. Rev.*, 1095 (2003).

(319) *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (*Betamax* case).

(320) See for this reading W.J. GORDON, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 *Colum. L. Rev.*, 1600 (1982); for a critique to this theory see D.L. BURK, J.E. COHEN, *Fair*

uses cannot be profitably controlled by the copyright owner, the legal system allows such uses to be freely enjoyed by users. Consequently, where, on the contrary, technology allows perfect control (as in digital technology and digital rights management systems), this reading is capable of eliminating the justification of fair use. The theory developed long before digital technology was widely used. Its factual premise was the existence of high market barriers leaving copyright owners with a structural inability to create a profitable market for some uses. Its legal premise was that copyright owners should be considered as having original control over potentially any use of their work, emphasizing just one particular aspect of intellectual property balance: the IP right as an incentive to human creation (321). Beyond what would appear to be a mere technical and specific issue – emerging from digital technology and relating to the chilling effects caused by digital rights management systems – this approach has a much deeper distorting impact on the IP model: it signals the growing convergence between certain implications of economic analysis and a new natural law model for IPRs (322). These two lines of reasoning – unexpected allies – converge in justifying IPR expansion. The argument was rejected in *Campbell* (1994) (323), where the Supreme Court found a fair use

Use Infrastructure, cit., at 48; F. von Lohmann has underlined that DRM is intrinsically inconsistent with the fair use doctrine: “it is plain that DRM technologies, backed by laws like the DMCA, pose a serious potential threat to fair use. While technical refinements may address or minimize some of the social costs that stem from an erosion of fair use, it is unlikely that they will entirely resolve that tension” see FRED VON LOHMANN, *Fair Use and Digital Rights Management*, cit.; R. SHIH RAY KU, *Consumers and Creative Destruction: Fair Use Beyond Market Failure*, 18 *Berkeley Tech. L. J.*, 539 (2003).

(321) “[I]f the creators of intellectual productions were given no rights to control the use made of their works, they might receive few revenues and thus would lack an appropriate level of incentive to create”, see W.J. GORDON, *Fair Use as Market Failure*, cit., at 1610.

(322) “[A]n economic justification for depriving a copyright owner of his market entitlement exists only when the possibility of consensual bargain has broken down in some way”, see W.J. GORDON, *Fair Use as Market Failure*, cit., at 1615.

(323) *Campbell v. Acuff-Rose, Inc.*, 510 U.S. 569 (1994).

defense for parody even if a licensing market was likely to develop (324). However, the “market failure approach” was subsequently followed by the courts, emerging in the interpretation of the fourth factor set out in 17 U.S.C. § 107 (2003) (325), which required an assessment of the effect of the alleged infringing use upon the potential market for the copyrighted work. In *Texaco* (326), the Supreme Court dealt with the issue of whether to apply the fair use defense to the photocopying by *Texaco* researchers of articles originally published in a scientific journal. The Court considered the relationship between the fair use defense and the actual or potential existence of marketable control over such uses. The District Court’s decision had regarded the existence of a possible licensing/royalty market as a bar to recognition of a fair use defense (327). The Second Circuit claimed that the rigid and extensive application of such a principle might lead to troublesome outcomes, because “were a court automatically to conclude in every case that potential licensing revenues were impermissibly impaired simply because the secondary user did not pay a fee for the right to engage in the use, the fourth fair use factor would always favor the copyright holder” (328). In an attempt to reshape and limit this approach, the Court stated that in

(324) The Court stated that commentary, criticism, and parody are seen as a “second type of market failure in which the value of socially beneficial uses of copyrighted works is not fully internalized” see D.L. BURK, J. COHEN, *Fair Use Infrastructure*, cit., at 44.

(325) i.e. “the effect of the use upon the potential market for the copyrighted work”, 17 U.S.C. section 107 (2003).

(326) *American Geophysical Union v. Texaco, Inc.*

(327) Louise Weinberg has noted how the decision may have been influenced by the fact that the potentially fair use undertaken by one person might become unfair due to the multitude practicing such activity: “[c]opyright proprietors claim that even if each individual act of library photocopying constitutes a ‘fair use’, the problem is so great in the aggregate as to effect a shift from a fair use to infringement (...) what may be fair use in the individual case may be seen less so when advanced technology can multiply the transaction endlessly”, see L. WEINBERG, *The Photocopying Revolution and the Copyright Crisis*, *Pub. Int. L. Rep.*, 99, 108 (1975).

(328) *Texaco*, 60 F.3d at 930 n. 17.

order to be relevant under the fourth factor the character of the potential market had to be either “traditional, reasonable, or likely” (329). In *Texaco*, the market was recognized and this justified the exclusion of the fair use defense (330). Even the dissenting Judge Jacobs did not challenge this approach (331). The principle stated in *Texaco*, when applied within a perfect system of control such as digital enforcement, would put a wide range of traditional fair uses back in their – allegedly – “natural” position: under the control of the copyright owner. Some scholars interpret this as representing a possible shift in copyright law balance within the digital environment (332).

(329) *Texaco*, id. “only an impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets should be legally cognizable when evaluating a secondary use’s effect upon the potential market”.

(330) The Second Circuit commented that “if *Texaco*’s unauthorized photocopying was not permitted as fair use, the publishers’ revenues would increase significantly since *Texaco* would (i) obtain articles from document delivery services (which pay royalties to publishers for the right to photocopy articles), (ii) negotiate photocopying licenses directly with individual publishers, and/or (iii) acquire some form of photocopying license from the Copyright Clearance Center Inc.”. The Center collects photocopying royalties.

(331) The dissenting judge evaluated the three requirements of likelihood, reasonableness, and traditionality as adequate for reshaping and limiting the impact of the fourth element (impact on the potential market). However, he argued that the possible market in *Texaco* did not have such characteristics, because “the CCC scheme is neither traditional nor reasonable; and its development into a real market is subject to substantial impediments”, id. At 937.

(332) Trotter Hardy has suggested a total proprietization of information in the digital environment by abandoning copyright law, see T. HARDY, *Property (and Copyright) in Cyberspace*, *U. Chi Legal F.*, 217 (1996); Tom Bell imagines a world where lawmakers “should allow information consumers and providers to exit freely from copyright law into contract law”. The contract in this case, even if it might appear to be a derogation from copyright law, would simply be the result of negotiation over a good: information. Such privatization would result in a benefit for users, as it would make available, in the digital environment, valuable content at a low price. According to Bell “entrepreneurs can create a world where information costs less than it does under fair use, and perhaps even one where the public gets paid to consume information” T.W. BELL, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright’s Fair Use Doctrine*, 76 *N.C.L. Rev.*, 557, 562 (1998), at 562; Paul Goldstein highlights the way in which the increased potential for control

(ii) The same tendency for judicial interpretation to shrink intellectual property limitations again emerged in the context of digital technology in *Corley* (333) (2001). The case can be regarded as a constitutional case as the Appellants, charged with violating the Digital Millennium Copyright Act (DMCA), challenged the constitutionality of the Act on the basis that its anti-circumvention provisions allegedly violated the fair use doctrine. Following *Betamax*, the Court should have considered whether the DMCA restricted fair use, and in that case, whether such restriction could be shown to be the result of a new balance achieved by the legislature in the digital environment. However, no balance was evident in the DMCA (334), nor was the issue discussed in the case.

The issue was superseded by the argument that the Constitution does not imply the enjoyment of a certain quality of fair use. The result was that, since alternative technologies – other than digital technologies – are available, even of inferior quality, consumers would always be provided with a “sufficient” amount of fair uses, and this would compensate for the disappearance of fair use pre-

created by technology should allow copyright owners stronger control over uses, and believes this is consistent with the traditional architecture of copyright law: “since the Statute of Anne, copyright has aimed at subjecting the production of literary and artistic works to the discipline of market forces; because the celestial jukebox can keep a record of every selection a subscriber makes, and the price he paid for it, copyright owners will have a far more precise measure of the demand for their products than they do today”, see P. GOLDSTEIN, *Copyright’s Highway: The Law and Lore of Copyright from Gutenberg to the Celestial Jukebox*, Hill and Wang, New York, (1994), at 200. This factual context should justify the reduction of copyright limitations except in a limited set of cases: “as these costs dissolve, so too, should the perceived need for safety valves such as fair use. Indeed, the economic logic of the celestial jukebox, when superimposed on the text of the Copyright Act, might produce a law that contains no exceptions from liability at all”, *id.* at 224. In this sense Goldstein would maintain only those exceptions whose existence is not due to transaction costs but serve socially mandated ends. However, the group shrinks to a very limited set: “the statutory exemption for classroom performances of copyrighted works in non-profit educational institutions is one example”, *id.*

(333) *Universal City Studios v. Corley*, 273 F.3d 429 (2d Cir. 2001).

(334) The DMCA on the contrary expressly states that the assessment of the fair use doctrine shall not be affected, see 17 USC § 1201(c)(1).

cipitated by technology (particularly DRM technology) (335). Again, this approach is inconsistent with the Betamax principle that it is not possible to “imply” the expansion of IPRs just because a new technology allows it regardless of any balance of interests.

From the above considerations, it emerges that while the functional nature of the US intellectual property balance is quite clear, there is a high risk of imbalance. This is not due to the direct insertion of different prescriptive rules into the US system (as the growing relevance of human rights may suggest), but on the contrary, to the internal tensions emerging from the role of the judiciary, both at the level of constitutional balance, and the level of minor courts and substantive law interpretation. These gradual microchanges are shifting the system in the de facto or even theoretical direction of a model where the main purpose of IPRs is to protect private interests (336) and to compensate authors and inventors for their sweat-

(335) “[T]he fact that the resulting copy will not be as perfect or as manipulable as a digital copy obtained by having direct access to the DVD movie in its digital form, provides no basis for a claim of unconstitutional limitations of fair use”, see Corley, cit.

(336) The proprietization of information should not be confused with Robert Merges’ call for property rules. Indeed while Merges’ analysis is consistent with the idea of strong property rights, his arguments are not based on the ontological primacy of the value of property over societal interests. Merges mainly addresses the chilling effects of the burgeoning thicket of new and stronger IPRs, and thus the increasing burden of obtaining intellectual property licenses. He considers alternative solutions to the statutory compulsory licensing proposal (i.e. typical “liability rules” in the foundational legal entitlements framework of Guido Calabresi and A. Douglas Melamed). Merges suggests that notwithstanding strong property rights, contractual initiatives pursued once the entitlements are granted tend to create institutional environments intended and able to lower transaction costs. Therefore the author (i) does not suggest the creation of strong property rights per se, but mainly considers an intellectual property instrument that can provide a solution once entitlements are granted, and (ii) does not therefore focus on access to knowledge and intellectual property balance (i.e. for the purposes of liability rules), but rather on the evolution of the entitlements market (i.e. mostly in relation to transaction costs), see R.P. MERGES, *Contracting Into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 *California Law Review*, 1293 (1996); for further development of these analyses see R.A. EPSTEIN, *A Clear View of the Cathedral: The Dominance of Property Rules*, 106 *Yale Law Journal*, 2091 (1997); R. HILLMAN, J.

of-the-brow, ultimately converging towards an imported (337) natural law model. In the future, natural rights may be the best ally of the economic imperatives which ground part of the process of privatizing information (338).

RACHLINSKY, *Standard-Form Contracting in the Electronic Age*, 77 *NYU Law Review*, 429 (2002); D. BURK, B. McDONNELL, *The Goldilocks Hypothesis: Balancing Intellectual Property Rights at the Boundary of the Firm*, *University of Illinois Law Review*, 275 (2006); DAN L. BURK, *Property Rules, Liability Rules, and Molecular Futures: Bargaining in the Shadow of the Cathedral*, in GEERTRUI VAN OVERWALLE, ed., *Gene Patents and collaborative licencing models: patent pools, clearinghouses, open source models and liability regimes*, Cambridge University Press, New York, 2009.

(337) See e.g. *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) – Hughes, C.J.: “the sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors”; see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (Betamax case): “[t]he monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit”.

(338) About the possible and gradual “convergence of economic imperatives and natural rights” in American law see JULIE E. COHEN, *Lochner in Cyberspace: The New Economic Orthodoxy of “Rights Management”*, 97 *Mich. L. Rev.*, 464 (1998).

CHAPTER VI

LOOKING FOR INTELLECTUAL PROPERTY BALANCE IN EUROPE

SUMMARY: 16. Shifting issues in the European model. – 17. IPR foundations in European law. – 17.1. Article 27 of the Universal Declaration of Human Rights and its “horizontal value”. – 17.2. Article 1 Protocol 1 of the European Convention on Human Rights. – 17.3. Article 17 of the Charter of Fundamental Rights of the European Union and the Lisbon Treaty. – 18. IPRs v. public interest: conflicts. – 18.1. The social function of property. – 18.2. Free speech and Article 10 of the European Convention on Human Rights. – 19. IPRs v. public interest: bottom-up solutions: – 19.1. Member state competition in lawmaking. – 19.2. The Italian case. – 19.3. National counter-limits to Community primacy. – 20. External bodies of law. – 21. Possible alternative tools of balance. – 21.1. Article 12 of the Enforcement Directive. – 21.2. Article 5.5 of the Copyright Directive.

16. The analysis so far has demonstrated that in the US system, the public interest ontologically involved in IP protection (339) is assessed within the balance required by the IP Clause. In order to evaluate the real workability of this balance and the interpretative implications of the US intellectual property model, the first part of this work has essentially focused on the institutional competition between the judiciary and legislature. However, other kinds of public interest, potentially in conflict with IPRs (340), remain outside this utilitarian balance and need to be addressed using different tools: certain infor-

(339) This is the first kind of public interest under the scheme proposed in para. 1.

(340) These are the second and third categories of interest that may conflict with IPRs, *id.*

mational interests (group ii) external to the IP design deserve First Amendment scrutiny of intellectual property legislation (341), while other external interests (group iii) must be assessed in light of specific conflicts between IPRs and other bodies of law (342).

The purpose of this chapter is to evaluate the interpretative role of the public interest in what may be referred to as the European intellectual property model. It will become apparent that the European model addresses IPR expansionism very differently due to its distinct architecture of exclusive rights and protected interests, although from a metalegal perspective IPR expansionism arguably has similar negative implications on both sides of the Atlantic. As will be shown, the system cannot simply be construed as a natural rights model but rather as a rigid model. Although it incorporates public interest concerns, these are left entirely to the legislature as it lacks (i) apical norms functionalizing exclusive rights on creations or inventions to the pursue of public interest and (ii) interpretative tools and general clauses allowing a judicial fine tuning of such rights.

The specific features of the European model cannot be established merely by analyzing intellectual property rules under substantive laws that define sets of limits. Indeed, the existence of limits on intellectual property rights, as recognized in the European Union, is not per se a valid basis from which to assess the nature of this IPR model (343). The existence of limits, or the adoption of legislative solutions providing reduced protection – e.g. compared to the US – is essentially neutral to this analysis: (i) certain legislative solutions affording reduced protection are not informed by public interest concerns, but rather by IP holders' interest in maintaining low barriers of entry to certain innovations in a market whe-

(341) Id.

(342) Id.

(343) For a different view see R.C. DREYFUSS, *Patents and Human Rights: Where is the Paradox?*, NYU Law and Economics Research Paper, No. 06-38 1 (2007), arguing that the narrow construction of intellectual property worldwide demonstrates that rights are structurally functionalized to societal benefit. However, it is to be noted that Dreyfuss' arguments here refer predominantly to US law.

re Europe is a second comer; examples of this more cautious approach to protection – compared to the US – are the Software Directive (344) allowing software reverse engineering for interoperability purposes and excluding enforcement of license restrictions on reverse engineering; furthermore the Biotech Directive 44/98 provides reduced protection compared to the other side of the Atlantic. In software and biotechnology areas, Europe suffered a relative delay in entering the market and had limited strength compared to the US and Japan. In addition, as second comers, European market players wanted to be able to undertake follow-on innovation and achieve compatibility with preexisting software products, or be free to appropriate the early results of biotech research. (ii) Furthermore, the mere existence of limits clearly meant to address some public interest (345) does not of itself authorize the judiciary to fine-tune the remaining areas pertaining to the exclusive right.

17. For the referred reasons, it is necessary to analyze apical legal rules, which have a constitutional or quasi-constitutional status in European intellectual property law. However, unlike in the US where any investigation into the nature of IPRs is facilitated by the existence of a specific constitutional IP Clause and mainly focused (at least in this work) on the institutional relations that allow this constitutional framework to function in practice, Europe does not have a single, specific IP Clause expressly defining the nature of IPRs (346). The multilayered European sources affecting intel-

(344) Council Directive 91/250 on the Legal Protection of Computer Programs, 1991 O.J. (L 122) 42.

(345) Several limits on intellectual property rights are contained in individual Directives whose specific analysis does not fall within the purposes of this work. See Articles 5.3 and 6.3 of Software Directive 250/91, Articles 5 and 10 of Directive 100/92, Article 8 of the Database Directive.

(346) The Lisbon Treaty [2007] OJ C 306/1, was signed by the Heads of State or Government on December 13, 2007 and can be considered the successor to the failed Treaty establishing a Constitution for Europe, [2004] OJ C 310/1, signed by the Heads of State or Government on October 29, 2004. The Lisbon Treaty entered into force on December 1, 2009. See S. DELLAVALLE, *Constitutionalism Beyond the*

lectual property and the still substantial role of national constitutional traditions create a system of “multilevel constitutionalism” (347) from which the IPR model must be inferred.

17.1. The first set of legal rules to be considered is the Universal Declaration of Human Rights (UDHR). As this was adopted by the United Nations General Assembly, its binding effect is still open to debate (348). However, the UDHR has become part of international customary law (349), and ECJ case law has confirmed that its provisions also set the standards for European fundamental rights (350).

Constitution: The Treaty of Lisbon in the Light of Post-National Public Law, Jean Monnet Working Paper 03/09, discussing how the Lisbon Treaty has maintained essential features of Western constitutionalism.

(347) I refer to the theoretical approach suggested by Ingolf Pernice with the expression “multilevel constitutionalism”, i.e. a system of “national constitutions and the supranational constitutional framework, considered as two interdependent components of a legal system governed by constitutional pluralism instead of hierarchies” see I. PERNICE, *The Treaty of Lisbon: Multilevel Constitutionalism in Action*, 15 *Colum. J. Eur. L.*, 349 (2009).

(348) See L.C. UBERTAZZI, *Proprietà intellettuale, Introduzione al diritto europeo della proprietà intellettuale*, *Contr. Imp. Eur.*, 1094 (2003).

(349) See e.g. D. BÉCOURT, *Copyright and Human Rights*, 32 *Copy. Bull.*, 14 (1998); P. TORREMANS, *Copyright As A Human Right*, in P. TORREMANS, *Copyright and Human Rights*, Kluwer Law International, The Hague-London-New York (2004); I. TELEC, *The Human Rights Dimension of Authors' Rights and Neighbouring Rights from the Czech Constitutional Perspective*, in P. GANEA, C. HEATH, G. SCHRICKER (eds.), *Festschrift für A. Dietz*, Beck, Munich (2001); C. GEIGER, *Constitutionalizing Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in Europe*, 37 *IIC*, 384 (2006), noting, however, that “the lack of binding effect is irrelevant in those countries that ratified UN pacts because as international treaties they are binding on states that joined them”; P.L. TORREMANS, *Intellectual Property and Human Rights: Enhanced Edition of Copyright and Human Rights*, Kluwer Law International, The Netherlands (2008).

(350) As the ECJ has often stated, the standards of European fundamental rights are also based on “guidelines supplied by international treaties for the protection of human rights on which the Member States have collaborated or of which they are signatories” see joined ECJ cases C-20/00 and C-64/00, *Booker Aquaculture Ltd, Hydro Seafood GSP Ltd and the Scottish Ministers*, 2003 ECR I-7411 at para. 65. Furthermore, there is a growing tendency to emphasize the direct applicability of fun-

This work has already considered the rules belonging to the international human rights framework and put forward a view that differs substantially from existing opinion regarding the interface between the human rights basis of IPRs and the public interest. Indeed, some commentators view this human rights basis as incompatible with normal IPR functioning, and thus as highly problematic (351); others argue, on the contrary, that integrating intellectual property into the international human rights framework creates a stable balance between natural law and utilitarian foundations, given that the dissemination of culture and science throughout society is one of the goals of this system (352). This work proposes quite different solutions whereby the IPR human rights basis provides a neutral framework allowing different IP models to coexist. This conclusion is based on two arguments.

(i) Human rights are only a minimal component of the exclusive rights provided by intellectual property law (353), and any further

damental provisions of European law, including the UDHR and the ICESCR as well as the ECHR, see F. DESSEMONTET, *Copyright and Human Rights*, in J. KABEL, G.J.H.M. MOM (eds.), *Intellectual Property and Information Law*, 116 Kluwer Law International, The Hague (1998).

(351) See R.C. DREYFUSS, *Patents and Human Rights*, cit.

(352) See C. GEIGER, *Constitutionalizing Intellectual Property Law?*, 4 IIC, 371, 383 (2006); see also B. HUGENHOLTZ, *Copyright and Freedom of Expression in Europe*, in R.C. DREYFUSS, D.L. ZIMMERMAN, H. FIRST (eds.), *Expanding the Boundaries of Intellectual Property*, Oxford University Press, New York (2001), at 3, who is, however, more critical about the real possibility of a balanced system; see also A. CHAPMAN, *Approaching Intellectual Property as a Human Right* (obligations related to Art. 15(1)(c), 35 *Copy. Bull.*, 14 (2001), noting that “a human-rights orientation is predicated on the centrality of protecting nurturing human dignity and the common good. By extension, the right of the creator or the author are conditional on contributing to the common good and welfare of society”; see also O. FISCHMAN AFORI, *Human Rights and Copyright: The Introduction of Natural Law Considerations into American Copyright Law*, 14 *Ford. Intell. Prop. Media & Ent. L. J.*, 500 (2004).

(353) The reference here to the human rights basis of IPRs includes both copyright and patents, which should both have a human rights basis albeit at different levels (e.g. where human rights are referred to as covering moral rights, there is no protection for the integrity of the patented work, unlike for copyright); this argument is mainly gleaned from a literal reading of Article 27, which refers to “scientific, artistic

protection can be defined by the specific rules of different IP traditions and even be based on divergent foundations. Article 27 of the UDHR states that the moral and material interests resulting from “scientific, literary or artistic production” (354) are eligible for protection. While moral rights belong to the traditionally accepted realm of fundamental rights (355), material rights need further specification. Firstly, Article 27 was adopted even though the right to own property is already protected under Article 17. This therefore shows that IPRs are not necessarily regulated under the genus of private property. Secondly, General Comment 17 to Article 15 of the ICESCR leaves the door open to alternative models of protection than property-based models, provided “just remuneration” is recognized. This allows greater room to maneuver between property rules and liability rules, but it also demonstrates that the human rights component of IPRs is far more limited than the overall protection provided by the

and literary production”, covering a broad spectrum of creations. For a different thesis, see R.C. DREYFUSS, *Patents and Human Rights*, cit., stating that patents cannot have a human rights basis: “[T]here may well be important differences between the intellectual endeavors protected by copyrights and the material protected by patents. It is far easier to see a human rights dimension in the case of the former (...). [B]ecause one can learn a great deal about a person from what he has said and how he has said it, protecting expression safeguards human dignity. But it is hard to make that case for a product or process where value resides in functionality and not in the identity of the inventor”.

(354) Article 27(2) reads: “Everyone has the right to protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author”. Nearly identical wording is contained in Art. 15(1)(c) of the *United Nations Covenant on Economic, Social and Cultural Rights* (ICESCR) of December 19, 1966: “The States Parties to the present Covenant recognize the right of everyone: [...] (c) To benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author”.

(355) Moral rights are classifiable as fundamental rights, see R. CASSIN, *L'intégration, parmi les droits fondamentaux de l'homme, des droits des créateurs des oeuvres de l'esprit*, *Mélanges Marcel Plaisant*, Sirey, Paris (1960). Moral rights could also be based on other principles: some refer to Article 8 of the Convention for the Protection of Privacy: for this view see B. HUGENHOLTZ, *Copyright and Freedom of Expression in Europe*, cit., 346; others refer to Article 10(1) on freedom of expression, see P. LEUPRECHT, *Droit d'auteur et droits de l'homme au plan européen*, *Droits d'auteur et droits de l'homme*, 66, INPI, Paris (1990).

right of exclusivity of intellectual property (356). Thirdly, fully recognizing IPRs as human rights, and not just based on a minimum set of human rights, would also have the absurd effect of setting limitations where the conflicting interest is not just socially desirable but also consists of a human right (357).

(ii) Furthermore, the clauses referring to the public interest and the fostering of progress do not necessarily imply the adoption of a utilitarian approach to IPRs. In particular, Article 27 of the UDHR broadly recognizes that everyone has “the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits”. The effect of this fundamental right and of other human rights interfacing intellectual property should be read within the specificities of a given intellectual property system. This is because, where there is nothing to suggest a functional reading of the IP right, the claim for societal interests is compatible both with a utilitarian system, and with a system where those interests are only assessed by ex ante legislative decisions, and not by ex post considerations of the implications of property rights (358).

17.2. Apart from the general recognition of intellectual property rights in European Union Treaties (359), a primary set of Euro-

(356) See T. MILLY, *Intellectual Property and Fundamental Rights: Do they Interoperate?*, in N. BRUUN (ed.), *Intellectual Property Beyond Rights*, WSOY, Helsinki (2005).

(357) I share the view expressed in R.C. DREYFUSS, *Patents and Human Rights*, cit., that with a human rights approach “every incursion on a patent right would need to be justified by showing that it involved an interest that is not only socially desirable, but that can also be categorized as a human right”.

(358) The same role is played by Article 9 of the Italian Constitution, discussed at para. 19.2.

(359) Several European treaties contain norms having constitutional value for intellectual property protection: see Art. 30 (ex 36) of the Treaty of Rome recognizing the protection of industrial property; see Art. 151.2 (ex art 128.2) of the Treaty, inserted by the Maastricht Treaty; see also the decision of the Court of Justice on June 8, 1971 (C-78/70) *Deutsche Grammophon v. Metro*; see also *Coditel v. Cine Vog*, March 18, 1980 (C-62/79).

pean rules is contained in the European Convention on Human Rights (ECHR). Since the entry into force of the Lisbon Treaty, the ECHR has become part of the fabric of European constitutional law, and therefore has binding effect (360). It takes precedence over EU Directives and national implementing legislation, can be invoked both by states and natural or legal persons (361) and is increas-

(360) The Convention was signed in Rome on November 4, 1950. The European Union is not yet party to the ECHR. However, the indirect binding effect of the Convention in European law has been widely recognized. The Court of Justice has recognized the Convention as part of the European fundamental rights framework, and stated that its prescriptive content should be taken into consideration, see National Panasonic case 13/79, June 26, 1980; Article 6 EU confirmed this binding effect and Article 46 EU gives the Court of Justice the power to interpret Article 6 and consequently the ECHR. On the value of the ECHR and its relationship to Article 6 see T. BALLARINO, *Il diritto dell'Unione Europea*, Cedam, Padova 225 (2004); T. BALLARINO, *Manuale breve di diritto dell'Unione europea*, Cedam Padova (207), 132ff. Finally, with the entry into force of the Lisbon Treaty, the ECHR has been recognized as one of the sources of the multiple fundamental rights of the European Union. Article 6 cites a plurality of sources: (i) the European Charter of Fundamental Rights together with its explanations, “which shall have the same legal value as the Treaties”; (ii) the European Convention on Human Rights (ECHR) to which the Union shall accede without affecting “the Union’s competences as defined in the Treaties” (new Article 6.2 of the Treaty); and (iii) the general principles setting out the constitutional traditions common to member states.

(361) The ECHR holds a higher status in the hierarchy of European norms and directives; see ECJ, case 4/73, 1974 ECR 491; H. SCHEER, *The Interaction between the ECHR and EC Law, a Case Study in the Field of EC Competition Law*, *Zeus*, 690 (2004); C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit., at 387. This means that national legislatures also have to take account of European fundamental rights when implementing European Directives; see P. CRAIG, G. DE BURCA, *EU Law: Text, Cases and Materials*, Oxford University Press, Oxford, 3rd ed. (2003), at 482. The ECHR can be enforced through several means: (i) where a European Directive violates a fundamental right contained in the ECHR a member state can bring an action for annulment of the Directive under Article 230(2) of the EC Treaty. This procedure must be initiated within just two months (Article 230(5) EC Treaty). Both natural and legal persons may challenge the Directive within the same timeframe under Article 230(4) EC only if it is of direct and individual concern. (ii) Where a national law implementing a European Directive violates the Convention, the natural or legal person may challenge it before a national court, which decides whether to refer the matter to the European Court of Justice under Article 234 EC; see P. CRAIG, G. DE BURCA, *EU Law*, cit., 482 et seq. (iii) Where a decision by a national court violates

ingly being applied in horizontal disputes at national level.

The Convention does not expressly refer to intellectual property as a human right, but a fundamental rights basis for intellectual property may be inferred from the property clause of Article 1 of the First Protocol (362). This provides that “[e]very natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law. The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties”.

The definition of the term “possession” referred to in the provision – which also protects it from illegitimate state restrictions (363) – has been extended by the European Court of Human Rights to include both tangible and intangible goods. The Court has defined this as a legitimate expectation to enjoy a property or obtain an asset if “there is a sufficient basis for the interest in national law” (364), and

the Convention, any natural or legal person may still challenge that decision before the European Court of Human rights, see L.R. HELFER, *The New Innovation Frontier? Intellectual Property and the European Court of Human Rights*, in P.L. TORREMANIS (ed.), *Intellectual Property and Human Rights*, cit., at 25-76.

(362) First Protocol to the ECHR, Paris, March 2, 1952, Article 1. On the use of Art. 1 of Protocol 1 of the ECHR see C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit. at 383.

(363) Such restrictions may arise from (i) governmental restrictions on private property: as far as IPRs are concerned, this was the case in *Anheuser – Busch Inc. v. Portugal and Smith Kline & French Laboratories Ltd. v. The Netherlands*, Application No. 12633/87, 66 Eur. Comm’n H.R. Dec. & Rep. 70, 79 (1990); or (ii) judicial restrictions on property rights, as in *Aral v. Turkey*, App. No. 24563/94, *Melnychuk v. Ukraine*, App. No. 28743/03.

(364) See on this point the European Court of Human Rights: *Balan v. Moldova*, April 29, 2009, para. 33; see also, on the same principle, *Gratzinger & Gratzingerova v. Czech Republic*, no. 39794/98 in ECHR 2002 VII, § 69; *Kopecký v. Slovakia [GC]*, no. 44912/98, § 35 ECHR 2004 – IX. However, in keeping with this interpretation, the mere “hope” of obtaining a property right is not included: see *Prince Hans-Adam II of Liechtenstein v. Germany*, in ERCHR 2001-VIII, § 82-83.

as encompassing intellectual creations (365) in line with scholarly interpretation (366).

What remains to be established is whether the provision authorizes a certain construction of IPRs. Some have argued that the

(365) Several cases may be cited establishing such extension to IPRs: (i) in *Smith Kline & French Laboratories Ltd. v. The Netherlands*, Application No. 12633/87, 66 Eur. Comm'n H.R. Dec. & Rep. 70, 79 (1990), the Commission stated that "under Dutch law the holder of a patent is referred to as the proprietor of a patent and that patents are deemed, subject to the provisions of the Patent Act, to be personal property which is transferable and assignable. The Commission finds that a patent accordingly falls within the scope of the term 'possession' in Article 1 of Protocol No.1". (ii) In *Gasus Dosier- und Fördertechnik GmbH v. The Netherlands* (15375/89 ECHR, 23 February 1995), the Court ruled that the term property was not restricted to physical goods: "[t]he Court recalls that the notion 'possessions' in Article 1 of Protocol No.1 has an autonomous meaning which is certainly not limited to ownership of physical goods: certain other rights and interests constituting assets can also be regarded as 'property rights', and thus as 'possessions', for the purposes of this provision...". (iii) In *Anheuser-Busch Inc. v. Portugal*, Grand Chamber, No. 73049/01, January 11, 2007, the Court ruled that Article 1 of the Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms (Protocol No. 1) covers intellectual property. See on this point L.R. HELFER, *The New Innovation Frontier?*, cit., at 25-76; see also K.D. BEITER, *The Right to Property and the Protection of Interests in Intellectual Property – A Human Rights Perspective on the European Court of Human Rights' Decision in Anheuser-Busch Inc. v. Portugal*, 39 IIC, 714 (2008) (discussing whether it is correct to recognize the human rights basis of intellectual property in the human right to property).

(366) See H.G. SCHERMERS, *The International Protection of the Right of Property*, *Mélanges en l'honneur de Gérard J. Wiarda*, *Protection des droits de l'homme: la dimension européenne*, Carl Heymanns, Cologne, 565, 571 (1988); G. GERIN, *Il diritto di proprietà nel quadro della convenzione europea dei diritti dell'uomo*, Cedam, Padova (1989); D.J. HARRIS, M. O'BOYLE, C. WARBRICK, *Law of the European Convention on Human Rights*, Butterworths, London (1995) at 516; B. UBERTAZZI, *Commento a sentenza Corte Cedu 5 gennaio 2000*, AIDA 263 (2001); M. CARSS-FRISK, *The Right to Property: a Guide to the Implementation of Article 1 of Protocol 1 to the European Convention on Human Rights*, *Human Rights Handbooks*, No. 4, at 6 (Council of Europe, Strasbourg 2001); R. MASTROIANNI, *Proprietà intellettuale e costituzioni europee*, AIDA 2005, at 11; A.R. COBAN, *Protection of Property Rights Within the European Convention on Human Rights*, Ashgate, Aldershot (2004); C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit., at 383, stating that "there is no longer any doubt (...) that the exploitation right is furthermore protected by Art. 1 of Protocol 1 of the Convention which protects property".

rule may provide a balancing mechanism between IPR holders and society, similar to the mechanism operating under utilitarian systems (367). Although I take the same view as to the possible negative implications of IPR expansionism that such interpretation is meant to solve or alleviate, I am, however, much less optimistic that the ECHR and other human rights frameworks can provide an effective architecture of balance.

Article 1 does not specify the nature of intellectual property rights, and refers to the term “possession”, implying that it means any “concrete proprietary interests having economic value” (368). Indeed, although the European Court of Human Rights has stated that the concept of possession in Article 1 has an autonomous meaning from the formal classification in domestic law (369) and is not limited to tangible goods, it is left to the states to define the meaning: where there is uncertainty as to the extent of IPRs at national level, the European Court of Human Rights has not intervened to fill the void (370). Such deference, although limi-

(367) C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit.

(368) See Kopecký v. Slovakia, App. N. 44912/98 (Grand Chamber 2004). Indeed, a relevant issue is whether the provision only covers economic rights or moral rights as well. Moral rights clearly represent the strongest human rights core of IPRs. However, I would be very cautious in reading moral rights as protected by Article 1 for the reason that it is very difficult to define the typical entitlements accruing from moral rights as “possessions”. Furthermore, moral rights are perpetual and nonassignable, which seems to be inconsistent with the general scheme of possession as referred to in Article 1. Indeed, when the Court has discussed the possible definition of “possession” it has always referred to the possibility of exchange: however, moral rights do have economic value but cannot be exchanged. However, authors are still divided on the issue; see also A.R. COBAN, *Protection of Property*, cit. suggesting that Article 1 only covers the economic value of a possession; for a more nuanced reading, see C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit.

(369) See B. UBERTAZZI, *Commento a sentenza Corte Cedu 5 gennaio 2000*, cit.; see also Balan v. Moldova, April 29, 2008; against the principle of autonomy, see G. LETSAS, *The Truth in Autonomous Concepts: How to Interpret the ECHR*, 15 *E.J.I.L.*, 279 (2004).

(370) See on this point Dima v. Romania, App. N. 58472/00, where the Court refused to second guess the Romanian courts’ reading of national copyright law: “the

ted (371), is undoubtedly a sign that Article 1 does not per se propose a specific theoretical foundation to intellectual property. However, once a state recognizes a property right in information, the protection is absorbed within a rigid scheme consisting of the rule (property) versus the exception (limitation on it). The mechanism is meant to assess the justification of a property limitation against arbitrary and uncompensated governmental interference (372) and not the possible expansion of a property right. Private rights are only considered using the traditional method, which examines the viability of establishing certain limitations on private rights, and not their existence as such. Such limitations – as far as access to knowledge is concerned – may emerge only in exceptional cases where the alleged public interest is very specific and overwhelming: this result is very different from the fine-tuning that characterizes a utilitarian system.

majority of national legal systems, including that of Romania, provides that copyright arises upon the creation of an artistic work. Some jurisdictions require, in addition (...) that the works have a concrete form of expression". The Court ruled that in cases where the "existence or extent" of copyright is uncertain, it is the task of domestic courts to resolve any ambiguities, para. 89.

(371) Some cases enjoy less deference: these may concern, for example, moral rights or other IPRs that were not discussed in Dima; this reading is discussed in L.R. HELFER, *The New Innovation Frontier?*, cit.

(372) This was the case in *Smith Kline & French Laboratories Ltd. v. The Netherlands*, Application no. 12633/87, 66 Eur. Comm'n H.R. Dec. & Rep. 70, 79 (1990). The similarly limited effect of Article 1 can be seen in *Anheuser-Busch Inc. v. Portugal*, where a trademark applicant (a US company) claimed that the decision of the Portuguese Supreme Court – that an appellation of origin in a subsequent bilateral agreement between Portugal and Czechoslovakia overrode the prior trademark application of the US company – constituted an expropriation under Article 1. The Court recognized that while there had been no violation of Article 1, the intellectual property under discussion (actually not even an exclusive right but the application for registration of a trademark) fell within the scope of Article 1. The attribution of property features to intellectual property under Article 1 was therefore stated for the limited purpose of recognizing that a right to compensation could have arisen (but in fact did not) in the case of expropriation. Under this reading, I would feel less pessimistic about the chilling effects of the decision envisioned in K.D. BEITER, *The Right to Property and the Protection of Interests in Intellectual Property*, cit.

Several arguments support this reading: (i) the structure of the Article and its interpretation by the Court confirm that the first clause, referring to the protection of possessions is the key component and that all three components (373) of the clause should be interpreted in light of that first principle (374); (ii) while the Court may be described as undertaking a “balance”, this expression may be misleading unless accompanied by the function that the balance is meant to pursue: unlike the US utilitarian model, where “balance” involves addressing the possible overprotection arising from a specific intellectual property rule, here it only involves assessing the legitimacy of existing limitations on it. Accordingly, it is not a tool for the containment of IPRs in the public interest (375). In *Smith Kline*, for example, the Court held that even though it concerned a “possession” within the meaning of Article 1, the issue of a mandatory license over a patented product by the Netherlands Patent Office was legitimate and in conformity with national intellectual property law. Moreover, the issue of the license was conducive to promoting technological development. However, this case does not provide a compelling model of interpretative balance: the object of

(373) The clause is structured as follows: (i) an introductory general clause laying down the principle that property and possessions must be protected, (ii) a second sentence setting out specific provisions limiting the scope of the general clause, (iii) a third provision recognizing state power to regulate private rights in accordance with the public interest; see *James and Others v. United Kingdom*, February 21, 1986, no. 8793/79, § 37.

(374) The point was clarified in *Bruncrona v. Finland*, February 16, 2005, no. 41673/98, § 65-69; see also *Broniowski v. Poland*, September 28, 2005, 31443/96, § 134.

(375) Article 1, Protocol 1 cases in fact deal with the legitimacy of limitations: see *The Former King of Greece v. Greece*, November 23, 2000 [GC], no. 25701/94, § 99, ECHR 2000-XII holding that the lack of any compensation for the deprivation of the applicants’ property upset, to the detriment of the applicants, the fair balance between the protection of the property and the requirements of public interest; *Ismihan Ozel and Others v. Turkey*, November 27, 2001, no. 31963/96, where a delay in payment of compensation following an expropriation of property violated Art. 1, Protocol 1; *Akkus v. Turkey* July 9, 1997, no. 19263/92, holding that a seventeen month delay in the payment of compensation for the expropriation of land following a Court of Cassation judgment, subject to an interest rate of 30%, and at a time when inflation in Turkey had reached 70% per annum, violated Art. 1, Protocol 1.

fostering technological innovation is not used as a reason to modify an existing law, but to assess the legality of a preexisting national limitation. Furthermore, the legitimacy of the limitation comes from the State's reason that justifies the limitation and, therefore, it is case specific. The case merely confirms that Article 1, Protocol 1 does not preclude national limitations intended to diminish some of the negative implications deriving from IPRs' protection (376).

17.3. Another key source for the analysis is the Charter of Fundamental Rights of the European Union (377). Before the Lisbon Treaty came into force (378), the binding effect of the Charter was disputed on the grounds that it was merely an inter-institutional agreement (379), and the ECJ had been reluctant to apply it (380). With the entry into force of the Lisbon Treaty, the Charter became legally binding (381), acquiring the same legal status as the Treaties (382).

(376) The Court indeed acknowledged that "the Commission finds that the framework imposed by the legislation is intended to prevent the abuse of monopoly situations and encourage development and that this method of pursuing that aim falls within the margin of appreciation accorded to the Contracting State".

(377) The Charter of Fundamental Rights of the European Union was solemnly proclaimed by the Council, the European Parliament, and the Commission on December 7, 2000.

(378) See the German Constitutional Court decision of June 30, 2009 on the Lisbon Treaty available at www.bundesverfassungsgericht.de.

(379) On the value of the Charter see I. PERNICE, *Fundamental Rights and Multilevel Constitutionalism in Europe*, WHI paper 2004; see also B. CONFORTI, *La Carta dei diritti fondamentali dell'Unione europea e la Convenzione europea dei diritti dell'uomo*, in L.S. ROSSI (a cura di), *Carta dei diritti fondamentali e Costituzione dell'Unione europea*, Giuffrè, Milano (2002).

(380) See Case C-540/03 Parliament/Council [2006] ECR I, 5769.

(381) On the implications of the entry into force of the Charter see A. WIENER, *The Constitutional Significance of the Charter of Fundamental Rights*, 2 *German Law Journal*, 18 (2001); see also F. GIORGI, *The Enforcement of the Charter of Fundamental Rights of the European Union as a Challenge for the Multi-Level Protection System*, *Law Working Paper series*, 2009-2; both authors underline the potentially adverse implications of the missed opportunity to simplify the hierarchy of rules and opt for a network of relevant sources of European fundamental rights laws.

(382) See the new Article 6.1 of the Treaty (ex Article 6 TEU) stating that

Article 17(2) of the Charter (383) provides that “intellectual property shall be protected”. With regard to the literal meaning, it should be noted that the clause does not even refer to any potential limitation on property rights. Article 17(1) expressly states that “the use of property may be regulated by law in so far as necessary for the public interest”. The asymmetry between the two provisions gives rise to two interpretations: (i) either property rights in intellectual creations are afforded more extensive protection than real property (384), or (ii) IPRs should be systematically read within the model of protection provided under 17(1), with the further implication that the public interest must be pursued where this is considered necessary by the legislature. This second interpretation is the most likely to be correct, as the alternative view appears illogical. However, this interpretation shows that Article 17(2) does not make the public interest a condition of legitimate IPR protection, (only in a utilitarian system can IPRs be created by the legislature where a further societal benefit is proved), but rather the protection of the public interest may, under certain circumstances, allow regulation of intellectual property rights.

From these interrelated principles it is possible to draw some conclusions. While the natural rights foundation of intellectual property constitutes part of the theoretical fabric of the European IPR tradition (385), with the Lockean approach still emerging in

“[t]he Union recognizes the rights, freedoms and principles set out in the Charter of Fundamental Rights of the European Union of 7 December 2000, as adapted at Strasbourg, on 12 December 2007, which shall have the same value as the Treaties”.

(383) The rule set out in Article 17(2) was later inserted into Art. II-77(2) in the Draft Treaty Establishing a Constitution for Europe of October 29, 2004 (OJEC C 310, December 16, 2004).

(384) This thesis is suggested in T. MILLY, *Intellectual Property and Fundamental Rights*, cit.

(385) European intellectual property has traditionally been built upon a natural rights foundation analogous to the Lockean view of property. However, the commonly stated Lockean approach was in fact designed for real property, and not intellectual property. Therefore, although “Lockean” is a useful term for describing a property-like approach to exclusive rights in intellectual creations, it seems quite arbitrary to

the frequently used argument that investments must recou-

derive interpretative solutions from a Lockean reading of property rights. In contrast, a recognition of a natural rights foundation was set forth in the Le Chapelier legislation enacted between 1791 and 1793.

Although the present analysis does not subscribe to a natural rights foundation of IPRs in the contemporary European system, natural rights do constitute the basis for moral rights and a minimal component of the exclusive right consisting in the just sum due to authors and inventors. It should be stressed that the rise of natural rights as a main foundation of intellectual property, and more broadly of individual rights, is consistent with developments in continental Europe, where natural rights constituted the fabric of law, while remaining more foreign to the Anglo-American legal tradition. Although the Magna Charta Libertatum of 1215 and the English Bill of Rights of 1689 initially recognized the existence of inalienable rights to protect individuals against the abuses of the state, “the rights did not find their ontological foundation in the original attributions of the individuals, but in the homeostasis of the political community as a whole” see S. DELLAVALLE, *Constitutionalism Beyond the Constitution*, cit. In continental Europe, natural rights were the intellectual rallying cry of the French Revolution, while codification became firmly established in the European tradition. However, natural rights have deeper roots in the development of the “unified subject within the legal system”, which was necessary to complete the process of juridical centralization firstly undertaken through absolutism in order to end the particularism represented by a system of intermingling privileges and private legislation (see the theories put forward e.g. by S. VON PUFENDORF, *Elementa Jurisprudentiae Universalis*, 1660 and in France by Jean Domat and Robert Joseph Pothier). On the interlinking developments, see G. TARELLO, *Storia della cultura giuridica moderna*, Il Mulino, Bologna (1976) and, in particular, L.C. UBERTAZZI, *Le utilizzazioni libere della pubblicità*, AIDA 63, 68 (1994), arguing that (translation added) “[i]n synthesis, since the 1700s at least, continental European juridical culture has progressively and clearly intended to assign a natural law foundation to copyright. Natural law foundations were gradually recognized in continental European legislation, in particular in France, Italy, and Germany, and were subsequently constitutionalized during the eighteenth century in line with the new constitutionalism and the broader movement for human rights recognition after the Second World War”. Traces of natural rights traditions can be found in American legal history, following the Virginia Bill of Rights of 1776 and in the Declaration of Independence of the United States of America (1776), see DELLAVALLE, *Constitutionalism Beyond the Constitution*, cit., at 8. In American law fundamental values always maintained their function of ensuring freedom from the state rather than constituting an abstract affirmation of absolute rights per se. In this sense, it is significant that the right to free speech in Europe is based on the natural rights idea of equality among human beings, while in the US the right to free speech (protected by the First Amendment) is more of a tool to prevent the state from taking decisions that select speech. As a result, it is enforceable against the state not private parties. See on this point Yochai Benkler,

ped (386), there is no authoritative basis in European intellectual property law for claiming a natural rights foundation for IPRs due to the limited role of European law in intellectual property. Indeed,

attributing this reading to the Intellectual Property Clause: “they [the IP Clause and First Amendment] seek to assure that no one will capture the legislative process to privatize the most precious of all public domains – our knowledge of the world that surround us. For that public domain is germane to our ability to decide for ourselves and talk to each other about how we ought to live our lives as individuals as members of the community”, see Y. BENKLER, *Constitutional Bounds of Database Protection: The Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 *Berkeley L. & Tech. J.*, (2000).

In summary, the fabric of fundamental rights in the US is deeply intertwined with the strong discourse on “freedom from the state”, while in Europe it is theoretically an instrument of freedom, but is not accompanied by strong discourse on any substantial limitation of powers. On the historical differences between these two models of fundamental rights, see I. PERNICE, *The Treaty of Lisbon and Fundamental Rights*, WHI – Paper 7/08, in STEFAN GRILLER, JACQUES ZILLER (eds.), *The Lisbon Treaty: EU Constitutionalism without a Constitutional Treaty?*, Springer Wien New York (2008), confronting two elements that are the offshoots of fundamental rights in history: “[t]he first one being the moderation of an executive power or government” and “understood as a reaction and limitation to governing power while in another sense (...) they constitute first of all the governing power treating individuals as free people by themselves establishing a political body or power to protect these freedoms, as is found in the Virginia Bill of Rights from 1776 or the Déclaration des droits de l’homme et du citoyen (1789)” (...) “Thus, government becomes a kind of trustee of the citizens”.

(386) There are indeed several traces of Lockean thinking in European intellectual property: (i) recouping investments is cited as the principle reason for harmonizing European law, see judgment of April 28, 1998 in C-200/96 *Metronome Musik*, in Racc. 1998, I-5187, at 20. See also in relation to patent protection, the Luxembourg court decisions 31/10/1974, 15/74, and 16/74, *Centrafarm Bv and Adriaan de Peijper/Sterling Drug inc.*, in Racc. 1974, 1174; (ii) see also the *European Database Directive designed to protect investments in collections of information, and in particular* Recital 10: “the exponential growth, in the Community and worldwide, in the amount of information generated and processed annually in all sectors of commerce and industry calls for investment in all the Member States in advanced information processing systems”, Recital 12 referring to the fact that investments in modern information storage and processing systems “will not take place within the Community unless a stable and uniform legal protection regime is introduced for the protection of the rights of makers of databases”, and Article 7 referring to “qualitatively and/or quantitatively” substantial investment. See Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, OJ L 077, 27/03/1996 P. 0020-0028.

in the absence of harmonization, the creation of IPRs is solely governed by national law (387), and the Court of Justice cannot simply assume that the IP owner has control over uses of the intellectual creation that are not protected by law. It is therefore for national legislators to decide whether or not to afford protection to IP owners under the exclusive right (388). This principle was clearly expressed obiter dictum by the Court of Justice in *Peek & Cloppenberg KG v. Cassina S.p.A.* (2008) (389). The Court stated that the high level of protection that must be afforded to authors under Community law “can be achieved only within the framework put in place by the Community legislature. Therefore, it is not for the Court to create, for authors’ benefit, new rights which have not been provided for by Directive 2001/29 and, by so doing, to widen the scope of the concept of distribution of the original of a work or a copy thereof beyond that envisaged by the Community legislature. It would be for the Community legislature to amend, if necessary, the Community rules on protection of intellectual property if it considered that protection of authors is not assured to an adequate level by the legislation in force and that uses such as those at issue in the main proceedings should be subject to authors’ consent”.

However, when the legislature establishes that a certain use falls within the exclusive IP right the resulting legislative architecture is extremely resistant to ex post judicial intervention. The property rights thus created parallel real property rights, and are only defeated by conflicting interests when the latter are more specific and overwhelming than a general principle of access to knowledge, which is in fact considered already incorporated within the IPR architecture. While this latter consideration is based on a literal interpretation of Article 17(2) and its systematic reading within Article 17 of the Charter, it is also confirmed by other arguments.

(i) In terms of the design of legal rules, European economic IPRs

(387) See for this principle *Keurkoop v. Nancy Kean Gifts BV* (C-144/81) [1982] E.C.R. 2853 and *Thetford Corp. v. Fiamma S.p.A.* (C-35/87) [1990] Ch. 339.

(388) (See 37-39).

(389) *Peek & Cloppenberg KG v. Cassina S.p.A.* on April 17, 2008 (C-456/06).

are drafted in flexible and open terms, allowing courts to develop a wide range of exploitations, while limitations are defined. US IP laws have a symmetrically opposite structure. They provide for general limitations (390), while the sections dealing with economic rights are narrowly drafted (391). The system is therefore structured in favor of private parties, and where necessary, the legislator will pursue the public interest indirectly by protecting private positions.

(ii) In addition to the legislative tailoring of economic rights and exceptions, this effect is reinforced by the fact that courts have been reluctant to imply exemptions, or apply them by analogy (392). This is due to the long-standing principle that when the provisions of a European Directive derogate from a general principle stated in the Directive, the former must be interpreted narrowly (393). Since general principles in relation to intellectual property harmonization concern economic rights, provisions are always read restrictively as containing limitations on the exclusive right. Furthermore, this reading often limits the practical impact of provisions that would otherwise give member states greater discretion in derogating from a principle stated in the Directive (394).

(390) The concept of fair use is a clear example of an open door for courts to exercise creativity and engage in “competition” with the legislature. In continental Europe, there are no examples of fair use. Some commentators have, however, used the case of *Dior v. Evora* as an example of a continental European fair use defense. The case involved the reproduction of copyrighted perfume bottles in advertising by a retailer selling parallel imported goods. The court, while recognizing that no express exemption covered the defendant’s behavior, held that it was possible to consider it legitimate under the same rationale underlying the existing copyright exemptions (*Dior v. Evora*, Dutch Supreme Court, October 20, 1995 [1996] *Nederlandse Jurisprudentie* 682).

(391) See on this point A. STROWEL, *Droit d’auteur et copyright. Divergences et convergences*, Bruylant, Brussels (1993) at 144-147; B. HUGENHOLTZ, *Free Speech and the Copyright Paradigm*, in R. DREYFUSS, H. FIRST, D. LEENHEER ZIMMERMAN (eds.), *Expanding the Boundaries of Intellectual Property*, cit.

(392) See B. HUGENHOLTZ, *Copyright and Freedom of Expression in Europe* at 8, referring to *Manifest*, Supreme Court of Sweden, December 23, 1985, GRUP Int. 1986, p. 739.

(393) ECJ Decision 6/7/2006 c-53/05 *Commission v. Portugal*, at 22.

(394) This argument was used in Court of Justice 26/10/2006 C-198/05 Euro-

(iii) From the described scenario it follows that such a model of instrumentality would only indirectly foster progress by protecting private investments and indirect actions (395). Such a structure would in any case imply that private parties are innovators and creators, but that this should not be taken for granted (396).

pean Commission v. Italian Republic, involving the legitimacy of the Italian implementation of European Directive 100/92/EEC: Article 5(3) of the Directive authorized member states to derogate from the general principle of compulsory remuneration for authors as stated in the Directive. The Court held that the applicable provision had to be interpreted narrowly so as to ensure that the principle was not derogated from for all categories of public library; see F. BENATTI, *Commento a Corte di Giustizia 6/10/2006 C-198/05*, AIDA 599 (2007).

(395) The argument is put forward by Davide Sarti, who shows how a system may choose to pursue progress by protecting property rights. In this context, he argues that the protection of investments is not per se incompatible with the ultimate pursuit of progress. For a different reading see M. VIVANT, *Propriété intellectuelle et nouvelle technologies. A la recherche d'un nouveau paradigme*, Université de tous les savoirs, vol. 5: *Qu'est ce que les technologies?*, Odile Jacob, Paris, 201 et seq., (2001); see also C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit., at 381, stating that “[t]he social dimension of the law is progressively disappearing in favor of a strictly individualistic, even egoistic conception. This means that the balance between the different interests within the system is threatening to tip in favor of the investors”.

(396) Where the law might operate in favor of the interests of private parties, its ability to indirectly promote progress would still depend on the ability to select true innovators and creators as opposed to mere investors. From a general perspective, Article 17(2) (unlike other Articles directly referring to a subject – “everyone has the right...”) does not refer to any individual or to inventors and creators. Several authors have pointed out that this omission could result in mere investors claiming IPRs. See C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit., at 376. See also on the same issue J. DREXL, *Constitutional Protection of Authors' Moral Rights in the European Union – Between Privacy, Property and the Regulation of the Economy*, in KATJA S. ZIEGLER (ed.), *Human Rights and Private Law: Privacy as Autonomy*, Hart Publishing, Oxford (2006). Several scholars have emphasized that in any case IP legislation has been greatly influenced by lobbies rather than systematic reasoning, see H. LADDIE, *Copyright: Over-Strength, Over-Regulated, Over-Rated?*, 18 *EIPR*, 253, 259 (1996); P.M. GERHART, *Why Lawmaking for Global Intellectual Property is Unbalanced*, 22 *EIPR*, 309, (2000); A. QUAEDVLIEG, *Copyright's Orbit Round Private, Commercial and Economic Law – The Copyright System and the Place of the User*, 29 *IIC*, 435 (1998).

18. According to the reading provided above, the IP right is modeled on a property right, but is still outside the pervasive protection that would flow from a natural right. It still allows a certain degree of quasi-federalistic flexibility, and may be described as “internalizing” societal interests. However, where there is a degree of IPR harmonization, it is necessary to ascertain the extent to which the protected parts of intellectual creations may be subject to judicial limitation for the purpose of fostering progress. It is one thing to protect societal interests by imposing an ex ante limitation on private property (e.g. allowing public use of land as a park), but it is quite another to consider the remaining private properties in light of the public interest (e.g. by allowing a continuous balance between private and public interests in the rules governing the private buildings around the park). The interpretative tools for this latter hypothesis are very limited.

18.1. The first constraint on the property right is derived from the tradition of property law. This is the principle of the social function of property (397), which is rooted in several sources: (i) the national continental European legal tradition, from the theoretical recognition provided by Jean Jacques Rousseau (398) through to its eventual binding status in German law (399); (ii) Article 17(1)

(397) Some authors contend that the “social function of property” would be a valuable tool for allowing IPRs to be fine-tuned to the public interest, see C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit., at 374; see also J. CORNIDES, *Human Rights and Intellectual Property: Conflict or Convergence?*, 7 *J. World Intell. Prop.*, 143 (2004).

(398) The theory of the social function of private property was discussed by Jean-Jacques Rousseau as a possible constitutional principle when drafting the Constitutional Project for Corsica; see J.J. ROUSSEAU, *Projet de Constitution pour la Corse*, 1765.

(399) The theory was developed in the 19th century by Josef Kohler and Otto von Gierke as a social function of private law, see O. VON GIERKE, *Die soziale Aufgabe des Privatrechts*, Berlin (1889); J. KOHLER, *Das Autorrecht, eine zivilrechtliche Abhandlung*, Verlag von G. Fischer, Jena, 41 (1880); “property is not the bastion of egotism but rather the vehicle for social exchange”; see C. GEIGER, *Constitutionalizing*

sentence 3 (400), whose binding content should systematically include Article 17(2); (iii) Article 1, Protocol 1 of the ECHR. Although this latter provision does not expressly refer to societal interests, applicable case law confirms that societal interests are legitimate interests that justify national limits on IPRs (401).

The social function of property may arguably be a valid tool for balancing private IPR holders' interests and the public interest, which is in essence similar to the US IP Clause framework. However, I find this hypothesis unconvincing. The point that I would like to stress for the purpose of this work is that even if – for the stated reasons – the social function of property is defined as potentially affecting IPRs, this would be an extremely limited tool for assessing societal interests, and unsuited to the continuous fine-tuning of solutions, as in the US utilitarian system. (i) From a theoretical point of view, the social function of property – as originally applied to tangible property – has traditionally been regarded as an authoritative intervention of the state within the economy (402) into a presumptive natural order of economic freedoms. It represents positive law intervening in a natural order to create planned social models. Indeed its rise in private rights has paralleled the decline of judicial formalism (403), allowing judi-

ing Intellectual Property Law?, cit., at 374 for several citations. The principle was then transferred to the Weimer Constitution and the German Constitution, and is shared by the Italian Constitution.

(400) The clause provides that “[t]he use of property may be regulated by law in so far as is necessary for the general interest”. The limitation is contained in Article 17 paragraph 1 and may not be systematically applicable to Article 17 paragraph 2. However, if this were not applicable to intellectual property, exceptions to intellectual property rights may be illegal, see T. BRAEGELMANN, *Copyright Law in and Under the Constitution*, 27 *Card. Arts & Ent.*, 99, 140 (2009).

(401) See *Smith Kline & French Laboratories Ltd. v. The Netherlands*, cit. supra.

(402) See D. SARTI, *Proprietà Intellettuale, interessi protetti e diritto antitrust*, *Riv. dir. ind.*, 543 (2002); and D. SARTI, *Il prestito bibliotecario fra diritti esclusivi, compensi e obiettivi di promozione culturale*, *AIDA* 599 (2007).

(403) In Europe, the decline of juridical formalism has been equivalent to a shifting in judicial ideology from conforming to the representative power to competing with it, see G. TARELLO, *Formalismo giuridico*, in *Diritto, enunciati, usi. Studi di teoria e metateoria del diritto*, Il Mulino, Bologna (1974) at 19-50. This competition

cial redesign of private rights. This is not to lend force to the conservative reading that property rights should be immune from state intervention for the sake of the public interest (404). The aim of my argument is to show that this principle, as an interpretative tool, is not conducive to allowing the judiciary to maintain a continuous balance between private rights and public interests, as under the US IP Clause. A different and more extensive use of the social function of (intellectual) property under a model that functionalizes IPRs to the social benefit would be expropriative and arbitrary. But indeed, this “expropriative” paradigm is not present in the US system, where IPRs are by their very nature creations of positive law to be molded to the societal benefit through constitutional recognition, general clauses, and institutional competition. (ii) The envisioning of an IPR balance through the application of the “social function of property” implies a broader reading of the doctrine that seems incompatible with its nature and illogical when applied to property rights in general: i.e. under this broader view, property rights in general should be regarded as fair only insofar as they ultimately serve the interests of the public (405). (iii) Furthermore, functionalizing IPRs under the scheme of the social function of property, i.e. applying the doctrine more extensively than it would be applied even in exceptional circumstances, would also make it difficult to calculate the maximization of social and consumer welfare (406). It is not the focus of this

has been accompanied by a plan for social constructivism and the search for social redistribution by the courts. This activism has not engendered respect for the free market, property, or individual rights, but rather supported their limitation for the sake of the “public interest”, see S. RODOTÀ, *Repertorio di fine secolo*, Laterza, Bari (1992) 169-186. The judiciary has often become a redistributive organ of the welfare state, and constitutional justice has become a scheme of redistributive justice.

(404) This issue falls outside the scope of this work and should be analyzed under civil law.

(405) The total independence of IP utilitarianism and the social function of property is further proved by the fact that a utilitarian IP system such as the US, does not share the same model of functionalization, of private property and state intervention into private rights, which has been evident in the continental European model.

(406) For the difficulty of defining social welfare – in the different field of anti-

work to find methods of calculating the public interest, but to ascertain if and to what extent substantive norms and rules governing institutional relations enable assessment of the public interest in IPR interpretation. However, it should be noted that any interpretation of the public interest in relation to social function lacks specific parameters, and would therefore be difficult to determine. It is worth noting that the interpretative process would be more complex than in the US utilitarian system, where the public interest mandated by the IP Clause does not just mean maximization of consumer welfare based on a mere economic calculus, but shares the same fundamental value of access to knowledge guaranteed by the First Amendment. The rooting of such public interest on a fundamental value on the one hand justifies the “political balance” operated by the judiciary, while on the other, provides a clearer parameter to interpret the otherwise very broad concept of public interest.

18.2. Societal interests within the European intellectual model described may be evaluated by examining the interaction between intellectual property rights and higher and quasi-constitutional European rules guaranteeing fundamental human rights and interests. Since the public interest at stake here is the first type described in this work (407), i.e. access to information, Article 10 of the ECHR provides a potentially valuable tool of interpretation. This does not just guarantee the freedom to hold opinions, but also “to receive and impart information and ideas without interference” (408), i.e. it creates the right to hold opinions and receive information without

trust, but appropriating arguments that could be used in IP law as well – see F. DENOZZA, *Efficienza e gestione del rischio nell'applicazione delle norme antitrust (una critica alla nozione di consumer welfare)*, in *Antitrust e globalizzazione*, Giuffrè, Milano (2004); F. DENOZZA, *Pratiche anticoncorrenziali e bilanciamento degli effetti tra benessere ed equità*, *Rivista italiana degli economisti* (2005) at 49-68.

(407) See para. 1.

(408) Article 10 reads “Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers”.

governmental interference (409). This right may be viewed from two perspectives: (i) firstly, it can be regarded as creating copyright and IP rights protection based on the argument that the recognition of exclusive rights in intellectual creations is the main means to provide an incentive to their creation and development; (ii) secondly and on the contrary, intellectual property and freedom of expression are in ontological conflict, as the intellectual property right prevents third parties from both expressing what is covered by the exclusivity and freely accessing it (410). Regarding this latter use, the growing application of such a principle by some national European courts in relations between private persons (horizontal effect) (411) has prompted several authors to argue that the principle may operate as a valid limitation on intellectual property expansionism, and introduces an element of balance between private interests and societal interests (412). Although the broader conclusion that there are some forms of interaction between fundamental rights and intellectual property appears correct, this particular conflict does not actually achieve the expected outcome, i.e. a model of balance capable of producing fine-tuned solutions. Some of the-

(409) C. UYTENDAELE, J. DUMORTIER, *Free Speech on the Information Superhighway: European Perspectives*, 16 *John Marshall J. of Comp. & Inf. Law*, 905, 912 (1998).

(410) For an early debate about the interaction between free expression and European copyright law see E.W. PLOMAN, L. CLARK HAMILTON, *Copyright: Intellectual Property in the Information Age*, Routledge & Kegan Paul, London-Boston (1980), at 39, H. COHEN JEHOAM, *Freedom of Expression in Copyright and Media Law*, *GRUP Int.*, 385 (1983); H. COHEN JEHOAM, *Freedom of Expression in Copyright Law*, *EIPR* 3 (1984); see also P.B. HUGENHOLTZ, *Copyright and Freedom of Expression in Europe*, cit.

(411) However, it is worth noting that recent European cases have demonstrated that the courts are increasingly willing to find these rights directly justiciable between private persons, particularly since the introduction of the European Convention on Human Rights. See on this point C. GEIGER, *Fundamental Rights, A Safeguard for the Coherence of Intellectual Property Law?*, 35 *IIC*, 276 (2004), citing the growing body of French and European case law applying these rights to the relationships between individuals.

(412) See C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit.

se critiques parallel the ones raised for the social function of property.

The right of freedom of expression cannot per se be deemed to prevail over IP rights for a variety of reasons (413): (i) as the two rights are in ontological tension, if the right of freedom of expression prevailed, it would simply eliminate IP rights; (ii) IPR design typically includes mechanisms for incorporating protection of freedom of expression into the exclusive right (414); (iii) under Article 10, speech may be restricted for reasons that are “necessary in a democratic society (...) for the protection of the (...) rights of others”. While states have wide discretion in interpreting such necessity (415), the clause obviously allows restrictions in relation to intellectual property. Nevertheless, intellectual property is not totally immune from the protection of free expression either. The solution depends on the design of the IPR in a given IP model. For this purpose, it is pertinent to recall that in the US system, the ongoing balance between IPRs and the public interest is not provided by the First Amendment but by the IP Clause, which by incorporating First Amendment concerns provides a model of IPRs functionalized to the public interest. This element is pivotal to the judiciary’s ability to maintain a balance between IPRs and access to know-

(413) This may be construed from the fact that free expression is a fundamental right that would prevail over economic rights.

(414) These are the idea/expression dichotomy (in copyright), the different limits on economic rights (both in patent and copyright allowing partial use of protected material by third parties), limited terms of protection (both in patent and copyright).

(415) While the level of discretion has not been analytically structured as in the US, there is a varying scale that resembles the same principles. The European Court of Human Rights has made it clear that information of a commercial nature is protected to a lesser degree than political speech, see *Barthold v. Germany*, ECHR, March 25, 1985, *Publications of the ECHR*, Series A 90; *Casado Coca v. Spain*, ECHR, February 24, 1994, *Publications of the ECHR*, Series A 285-A; *Hertel v. Switzerland*, ECHR, August 25, 1998, *Publications of the ECHR*, reports 1998-VI; see J.S. RICH, *Commercial Speech in the Law of the European Union: Lessons for the United States?*, 51 *Fed. Comm. L. J.*, 263 (1998); see also B. HUGENHOLTZ, *Copyright and Freedom of Expression in Europe*, cit.

ledge as a general interest. It is not possible to achieve such a balance in European law, where IPRs are not functionalized to the societal interest. The public interest, and therefore free expression concerns, may be considered by the legislature when designing IPRs, but once they are crystallized within the legislative architecture, they cannot normally be challenged on a general public interest/freedom of expression basis. This principle is therefore inadequate as a filter for new intellectual property law and it only works in exceptional cases where access to knowledge is a specific and overwhelming issue. There are some cases where IPRs are in conflict with access to information, which belong in the second category (416): e.g. cases involving freedom of the press and cases involving trademarks v. freedom of expression (the former does not involve the kind of interest that is ontologically inherent to IP protection; while trademarks are not protected to promote the creation of new trademarks, but to address a different market failure). In this sense it is worth recalling that in a series of cases concerning freedom of the press, the European Court of Human Rights found that a ban on publishing photographs of politicians or public figures in newspapers violated free speech comprising the right to access information (417). I would not regard these cases as a victory for the “balanced” model: these are typical cases of conflict, where property rights in a personal image conflict with the need for the community to be informed. This type of access to information is not generally considered to be internalized within IP protection (group I), but is external and overwhelming (group II) (418). The same kind of conflict may arise when copyrighted material is held to be freely usa-

(416) See the scheme set out in para. 1. For cases that mostly fall within this category, see the member states cases referred to in B. HUGENHOLTZ, *Copyright and Freedom of Expression in Europe*, cit.

(417) See *Österreichischer Rundfunk v. Austria*, no. 35841/02, December 7, 2006; *Verlagsgruppe News GmbH v. Austria*, App. no. 10520/02 2006; *Krone Verlags GmbH & Co KG v. Austria*, App. no. 34315/96, 2003.

(418) Groups I and II refer to the scheme of public interests provided in this work, and outlined in para. 1.

ble for informational purposes. Furthermore, it is likely that more cases would succeed where external interests were at stake such as health, food, and human dignity.

Other kinds of public interest may be recognized – but not by the tool provided by Article 10 ECHR – as being in conflict with and prevailing over rights pertaining to areas not directly related to intellectual property, e.g. access to medicine, human dignity, and the biodiversity (419) rights of indigenous people.

19. It is now necessary to ascertain whether the European Union model of intellectual property, which is essentially designed to incentivize private investments, and internalize public interest concerns directly related to intellectual property within the exclusive right, could

(419) Laurence R. Helfer has underlined how developing countries and NGOs, which are dissatisfied with many of the provisions of TRIPs, are with growing success shifting “negotiations and hard and soft lawmaking initiatives to four international regimes – those governing biodiversity, plant genetic resources, public health and human rights – whose institutions, actors, and subject matter mandates are more closely aligned with these countries’ interests”, in L.R. HELFER, *Regime Shifting: The TRIPs Agreement and New Dynamics of International Intellectual Property Lawmaking*, 29 *Yale J. Int’l L.*, 1 (2004). See Resolution 2000/7, *supra*; for an analysis of the Resolution’s history see D. WEISSBRODT, K. SCHOFF, *A Human Rights Approach to Intellectual Property Protection: The Genesis and Application of Sub-Commission Resolution 2000/7*, 5 *Minn. Intell. Prop. Rev.*, 1 (2003). Indeed, while the Resolution identifies the structural conflict between TRIPs and “the right of everyone to enjoy the benefits of scientific progress and its applications”, at pmb. 2, the specific areas referred to attain to what I have described as the third kind of public interest are: (i) transfer of technology to developing countries, (ii) plant breeders’ rights v. right to food, (iii) bio-piracy, (iv) the lack of protection for indigenous communities’ natural and cultural resources, third countries’ appropriation, human rights to dignity and identity, and the right to a fair share, (v) restriction of access to essential medicines v. the right to health. See L.R. HELFER, *Human Rights and Intellectual Property: Conflict or Coexistence?* 5 *Minn. Intell. Prop. Rev.*, 47, 59 (2003), arguing that the growing relevance of human rights soft law together with the strong objections of the UN High Commissioner over certain bilateral practices increasing IP protection on the grounds of human rights “may, for the first time, begin to impose a ceiling on the upward drift of intellectual property standards that has accelerated over the past few decades”; the author also refers to the possibility of an evolution of consumers as holders of internationally guaranteed rights.

be mitigated not by higher hierarchical rules, but by member states. The two mechanisms to be considered are the residual freedom accorded to member states in intellectual property lawmaking (discussed in 19.1 and 19.2), and the counterlimits theory (discussed in 19.3).

19.1. As the constitutional framework of European intellectual property is mainly proprietary, as outlined above, it lacks the flexibility provided by utilitarianism and institutional competition in the US (420). However, it has a residual flexibility comprising the regulatory diversity within national legislation and a multi-lawmaking system. Such diversity is derived from the fact that in the absence of harmonization the creation of IPRs is solely governed by national law (421), and that the conditions and manner of intellectual property protection are left to member states (422). In view of this reasoning, although the European harmonization framework plays a key role in legislative innovation in the field of intellectual property, it does not necessarily prescribe a specific model, and states are still free to fine-tune specific legislative solutions as well as to maintain different models. Some commentators have underlined the importance of such competition in lawmaking (423) – as opposed to the trade advantages of a higher level of harmonization – that parallels the advantages described for the US.

(420) Indeed, unlike Europe, and as far as copyright and patents are concerned, the US lacks federal flexibility with regard to intellectual property.

(421) See for this principle *Keurkoop v. Nancy Kean Gifts BV* (C-144/81) [1982] E.C.R. 2853 and *Thetford Corp. v. Fiamma S.p.a.* (C-35/87) [1990] Ch. 339.

(422) Several Court of Justice decisions have confirmed that European Community law leaves the national regimes margins of action; see on this point decision June 17, 1965 32/65 *Italia/Commissione CEE*, in Racc. 1965, 473 ff; decision September 14, 1982, 144/81, *Keurkoop/Nancy Kean Gifts*, at 18, in Racc. 1982, 2853; October 5, 1988, *CICRA/Renault*, 53/87, in Racc. 1988, 6067 at 10.

(423) W. KINGSTON, *Intellectual Property in the Lisbon Treaty*, 439 *EIPR*, (2008), at 440, explaining that the European system of intellectual property traditionally functioned as a sort of laboratory of legislative solutions where “improvements originated in different countries and were copied by others when they were seen to work”.

However, the flexibility available to member states should not be overestimated: (i) the Lisbon Treaty (424), seems to go in the opposite direction, establishing a centralized system of regulation. Article 118 tasks the European Parliament and the Council with providing uniform protection for IPRs and sets up a centralized, Union-wide authorization, coordination, and supervision arrangement (425). Furthermore, member states' influence in negotiating IPRs will decrease significantly, as both international trade agreements and bilateral agreements on IPR measures will no longer require ratification by the member states. (ii) In any case, national laws often provide an even more proprietary and rigid model of IPRs. With this in mind, the following paragraph assess the example provided by the Italian system.

19.2. The Italian Constitution does not contain any provision directly dealing with intellectual property, but a cluster of provisions that can be referred to it: (i) Article 42 protecting property (426) is recognized as the main constitutional foundation of IPRs both in legal doctrine (427) and constitutional jurisprudence (428); (ii) this

(424) Entered into force on December 1, 2009.

(425) Article 118 confers on the EU the competence "to establish measures for the creation of European intellectual property rights to provide uniform intellectual property rights protection throughout the Union and for the setting up of centralized Union-wide authorization, coordination and supervision arrangements".

(426) "1. Property is publicly or privately owned. Economic assets belong to the State, to entities or to private persons. Private property is recognized and guaranteed by the law, which prescribes the ways it is acquired, enjoyed and its limitations so as to ensure its social function and make it accessible to all. 2. Private property may, in the cases provided for by the law and with provisions for compensation, be expropriated for reasons of general interest. 3. The law establishes the regulations and the limits of legitimate and testamentary inheritance and the rights of the States in matters of inheritance".

(427) Before its express judicial recognition, a systematic foundation of Italian intellectual property in article 42 Const. was developed by Luigi Carlo Ubertazzi, see L.C. UBERTAZZI, *Diritti d'autore: introduzione*, in *Digesto delle discipline privatistiche*, vol. IV, UTET, Torino, 371 (1990); see also L.C. UBERTAZZI, *Plaidoyers, I Diritti d'autore e connessi*, 5 *Quaderni di Aida*, Giuffrè, Milano (2003).

(428) See Corte Costituzionale April 6, 1995, no. 108; for comment on the Con-

model is reinforced – and further defined – by Article 35 governing the protection of labor, including intellectual labor (429), which clearly has Lockean theoretical implications for IPRs; (iii) Article 9 on protecting culture (430) has traditionally been interpreted both in legal doctrine and by the Italian Constitutional Court as being fully promoted and upheld by the protection of intellectual and industrial creations through the recognition of exclusive rights for their authors (431), rather than a possible limitation on them. (iv) Furthermore, Article 12 (2) of the Italian Copyright Act, 633/41 contains a catchall provision that any economic use of intellectual creations covered by copyright shall be deemed to fall within the exclusive right. This latter provision – aside from the potential problems of defining the meaning of “economic use” (432) – implies that ex-

stitutional Court’s decision see V.M. DE SANCTIS, *La Corte Costituzionale e il diritto di autore*, *Dir. aut.*, 438 (1995); E. SVARIATI, *Il diritto di noleggio dei compact disc in una recente pronuncia della Corte costituzionale sul d.lgs. n. 685 del 1994*, *Cass. pen.*, 3209 (1995). For an analysis of the constitutional foundations of Italian intellectual property see O. BUCCI, *Interesse pubblico e diritto d’autore*, Cedam, Padova (1976); M. SANTILLI, *Il diritto d’autore nella società dell’informazione*, Giuffrè, Milano (1988); L.C. UBERTAZZI, in L.C. UBERTAZZI, M. AMMENDOLA, *Diritto d’autore*, in *Dig. comm.*, IV, UTET, Torino, 370-371 (1989); for the constitutional foundation of patents see Corte Costituzionale March 20, 1978, in *Riv. dir. ind.*, 3 (1978).

(429) “1. The Republic protects work in all its forms and practices. 2. It provides for the training and professional advancement of workers. 3. It promotes and encourages international agreements and organizations which have the aim of establishing and regulating labor rights. 4. It recognizes the freedom to emigrate, subject to the obligations set out by law in the general interest, and protects Italian workers abroad”.

(430) “The Republic promotes cultural development and scientific and technical research. It safeguards natural beauty and the historical and artistic heritage of the nation”.

(431) The Italian Constitutional Court has consistently held that the public interest in intellectual creations, such as the promotion of culture, protected by Article 9 is safeguarded by the recognition of exclusive rights: see cases nn. 25/68 and 65/72, *Ordinanza* 361/1988; in the field of patents, the same principle was stated in case n. 20/78 in *Riv. dir. ind.* 1978 II, at 3; see also for an analysis on the role of Article 9 as a foundation of intellectual property, rather than a limitation on it, L.C. UBERTAZZI, *Diritto d’autore*, cit., at 371, see also L.C. UBERTAZZI, *Plaidoyers*, cit.

(432) Defining “economic use”, and therefore establishing what kinds of uses can

clusive rights may be extended insofar as technology permits and presents a model that seems fully consistent with a natural law and property model (433).

Based on this constitutional and substantive norms framework, the system cannot be considered utilitarian (434). Such a reading is further impeded by the fact that there are no general clauses limiting intellectual property rights, and national courts are extremely cautious in applying teleological interpretation, holding that this may supersede literal interpretation only in exceptional cases where a literal interpretation would produce an outcome incompatible with the legal system (435).

An alternative is provided by the long-standing teaching recognizing internal limits to IPRs as being systematically justified by

potentially be assumed to be embedded in the IPR where technology allows, has significant implications for defining the IPR. See on this point M. BERTANI, *Diritto d'autore ed uso personale non "sanzionabile"*, AIDA 2000, at 350-363, where the author argues that the meaning of Article 12 (2) lies in the economic definition of "economic use", i.e. not the mere enjoyment of the intellectual creation; see more recently, for a comparison with Community law, M. BERTANI, *Comment on the Court of Justice in Peek & Cloppenberg KG v. Cassina S.p.A. April 17, 2008 (C-456/06)*, AIDA 1253 (2009).

(433) See G. OPPO, *Creazione ed esclusiva nel diritto industriale*, Riv. dir. comm., 190 (1964); E. SANTORO, *Note introduttive nel fondamento costituzionale della protezione nel diritto d'autore*, IDA, 307 (1975); see also, for a further and critical analysis of the topic, P. SPADA, *Creazione ed Esclusiva, Trent'Anni dopo*, Riv. dir. civ., 228 (1997); for the implications of such view in terms of IPR protection see, recently, A. PLAIA, *La violazione della proprietà intellettuale tra risarcimento e restituzione*, Riv. dir. comm., 1021 (2004). On natural law and intellectual property see A. DONATI, *La fondazione giusnaturalistica del diritto sulle opere dell'ingegno*, AIDA 405 (1997).

(434) Some authors have used several arguments in an attempt to infer the utilitarian nature of Italian IP law, see U. CAPITANI, *Il film nel diritto di autore*, Edizioni italiane, Rome (1943) at 155; O. BUCCI, *Interesse*, cit. Others have found some utilitarian features, see on this point G. ANGELICCHIO, *Spunti sistematici sulle utilizzazioni libere*, AIDA 569, 577 (2005). The author makes several analytical arguments regarding the relevance of competing interests and the potential chilling effects of IP overprotection.

(435) See Court of Cassation. April 13, 1996 n. 3495.

the purpose of fostering progress and innovation and ultimately public interest (436).

However, the view supported in the present work, (i.e. that the problem of institutional relations and the evaluation of a specific judicial role is a necessary completion of any consideration of the nature of a given intellectual property model), is that, as far as Italy is concerned, even where IPR limitations are recognized as pro-competitive norms inserted by ex ante legislative evaluation and therefore systematically coherent, these remain mere ex ante decisions. Where internal limitations are legislatively crystallized, the constitutional framework does not functionalize exclusive rights to the societal interest (in the way utilitarianism does) and does not provide the courts with specific instruments to embed further societal considerations (other than through the general, but exceptional, application of the social function of property, or by using other potential tools that will be discussed in para. 21).

The only way to integrate societal interests would therefore involve a conflict. However, the conflict does not arise between IPRs and a general right to knowledge or to the fruits of progress: (i) there may in fact be no conflict between private rights and what has been here defined as the first group of public interests: public interests are internalized within legislatively designed exceptions to intellectual property (437), and the principle of the promotion of culture is con-

(436) See the seminal T. ASCARELLI, *Teoria della Concorrenza e dei Beni Immateriali: Istituzioni di Diritto Industriale*, 3rd ed., Giuffrè, Milano (1960) recognizing the functional nature of IPRs and considering IPR limitations not as mere legislative choices but as systematically justified by their functional nature. For a broader reading of Ascarelli's thought in different branches of commercial law see Libonati, *Diritto commerciale e mercato (l'insegnamento di Tullio Ascarelli)*, in *Studi in onore di Pietro Rescigno*, Giuffrè, Milano (1998), vol. IV, 303ff.

(437) See A. GIANNINI, *Citazioni e riproduzioni libere*, *Riv. dir. civ.*, 161 (1955); M. FABIANI, *Concorrenza e libere utilizzazioni nella disciplina del diritto*, *IDA*, 210, 213 (1961); AULETTA e MANGINI, *Marchio. Diritto di autore sulle opere dell'ingegno. Articoli 2569-2583*, in A. SCIALOJA, G. BRANCA, *Commentario del codice civile*, Zanichelli, Bologna (1971) 118; P. GRECO, P. VERCELLONE, *I diritti sulle opere dell'ingegno*, in F. VASSALLI (a cura di), *Trattato di diritto civile italiano*, XI,

sistent with the recognition of exclusive rights (438), given that the usual method of encouraging private initiative is the conferral of private rights (439). In keeping with this scheme of internalization of societal interests through IPR limits, the latter are deemed to be exceptions, and not special legal rules, and therefore not susceptible to analogic interpretation but only extensive interpretation (440); in

UTET, Torino (1974), 164; L.C. UBERTAZZI, *Le utilizzazioni libere nella pubblicità*, AIDA 63 (1994).

(438) See L.C. UBERTAZZI, *Le utilizzazioni libere nella pubblicità*, cit., at 69.

(439) D. SARTI, *Copia privata e diritto d'autore*, AIDA 37 (1992). See the point raised by M. LIBERTINI, *Il mercato: I modelli di organizzazione*, in *L'azienda e il mercato*, in *Trattato di diritto commerciale e diritto pubblico dell'economia* diretto da F. Galgano, III, Cedam, Padova (1979), at 355ff.

(440) It has been argued that the constitutional characterization of intellectual property as a primary value has its limitations in terms of the exception to the rule that, using Italian interpretative tools, would impede analogic interpretation and only permit extensive interpretation. Clearly, this not only means that the system does not recognize general limiting clauses, but their prescriptive role is strictly circumscribed to the object of the provision, see BRUNO, voce *Diritti d'autore*, Dig. it., IX, UTET, Torino, 589 (1899); E. PIOLA CASELLI, *Codice del diritto d'autore. Commentario della nuova legge 22 aprile 1941, n. 633 corredato dei lavori preparatori e di un indice analitico delle leggi interessanti in materia*, UTET, Torino (1943) 453; A. GIANNINI, *Citazioni e riproduzioni libere*, Riv. dir. civ., 915 (1955); E. PIOLA CASELLI, A. ARIENZO, E. BILE, voce *Diritti d'autore*, Noviss. Dig. It., V, UTET, Torino (1975), at 693; R. VALENTI, *Ancora in tema di sistematica riproduzione di articoli di giornale in rassegne stampa elettroniche*, Riv. dir. ind., 88 (1999); P. GALLI, *nota a trib. Milano*, March 21, 2000, AIDA (2000); L.C. UBERTAZZI, *Le utilizzazioni libere della pubblicità*, cit.; R. VALENTI, *Eccezioni e limitazioni. Introduzione*, in L.C. UBERTAZZI, *Commentario breve al diritto della concorrenza*, Cedam, Padova (2007). The approach has been followed in case law: see for a exhaustive list of cases F.P. REGOLI, *La giurisprudenza della Cassazione sulle libere utilizzazioni di opere protette dal diritto di autore*, Dir. aut., 339 (1997); G. ANGELICCHIO, *Spunti sistematici sulle utilizzazioni libere*, AIDA 569, 570 (2005). A more restrictive thesis excluding even extensive interpretation was proposed in N. STOLFI, *Il diritto d'autore*, 3^a ed., Società Editrice Libreria, Milano (1932), at 246; an intermediate reading has distinguished between limits that share the same property purpose and are therefore susceptible to analogic interpretation, and limits intended to pursue external functions, which should be interpreted as exceptional, see M. FABIANI, *La nozione di uso personale nel diritto d'autore nei confronti delle possibilità offerte dalla tecnica moderna di utilizzazione delle opere dell'ingegno*, IDA (1955), at 173; and for a subsequent revised version of the theory, M. FABIANI, *Lo spettacolo radiofonico e televi-*

particular, it is possible to support an analogical reading of intellectual property rights as copyright and neighbor rights (441). (ii) A conflict resulting in a balance between primary constitutional values (442) may arise only in specific and limited cases, i.e. the second and third group of public interests described above.

19.3 Another “bottom-up” mechanism for integrating societal interests into the European system may be provided by counterlimits to Community law primacy, whereby national fundamental rights prevail over European law or affect the way member states fill the gaps in European rules. Indeed, since the 1970s, Community law primacy has been challenged by national constitutional courts in the name of protecting national fundamental rights (443).

In the field of intellectual property, for example, Article 5.1 of European Directive 92/100/EEC provides for remuneration of co-

sivo nella disciplina del diritto d'autore, in *Riv. dir. ind.* 63 (1961); see *contra* L.C. UBERTAZZI, *Le utilizzazioni libere della pubblicità*, cit., at 71.

(441) For a possible analogic interpretation of neighbor rights in the Italian system see M. BERTANI, *Impresa culturale e diritti esclusivi*, Giuffrè, Milano (2000), at 307ff.

(442) Some authors have stressed that there is no hierarchy where constitutional values are involved, see N. HARTMANN, *Ethik*, Walter de Gruyter, Berlin (1949), Italian transl. *Etica*, vol. II *Assiologia*, Naples (1970); R. DE STEFANO, *Assiologia, Schema di una teoria generale del valore e del lavoro* (1982), now in *Scritti sul diritto e sulla scienza giuridica*, Giuffrè, Milano, 1990; see also G. SCIACCA, *Il bilanciamento degli interessi in materia di proprietà intellettuale*, *AIDA* 198, 203 (2005); more broadly, on the problem of conflicts between fundamental rights and intellectual property rights, see P.K. YU, *Reconceptualizing Intellectual Property Interests in a Human Rights Framework*, 40 *U.C. Davis L. Rev.*, 1094 (2007); see also J. NICKEL, *Making Sense of Human Rights: Philosophical Reflections on the Universal Declaration of Human Rights*, University of California Press, Berkeley, CA (1987) at 49-50 on the reasons that make it difficult to solve such kinds of conflicts.

(443) For the application of counterlimits on the primacy of Community law, based on the precedence of national fundamental rights and national constitutional values, see German Federal Constitutional Court, May 29, 1974, Solange I (BverfGE 37, 271); October 22, 1986, Solange II (BverfGE 73, 339); June 7, 2000, Solange III (2 BvL 1/97), July 18, 2005, European Arrest Warrant case (2 BvR 2236/04); see also Italian Constitutional Court 183/1973, 170/1984, 232/1989.

pyrighted material for use in public libraries. Italy adopted the Directive, but left authors uncompensated for public library uses in Article 69 of the Italian Copyright Act No. 633/41. In the subsequent infraction proceedings, the European Commission held that the provision (which under a utilitarian model could have been justified as providing a balance in favor of progress and culture), was invalid. It found that the provision had been enacted in violation of the principle that an exceptional rule – such as a rule providing for an exception to payment – should be interpreted restrictively, applying a long adopted principle in Court of Justice decisions (444). Even if one wanted to consider the mechanism for the precedence of national fundamental rights, again the same issues would emerge in the conflict between IP rights and fundamental rights. Since the constitutional system is built on a proprietary model, competing fundamental rights can only prevail if they are sufficiently specific, and deemed to take priority in the difficult balance between primarily constitutional values (445), and not by just referring to the public interest, such as the “general right to access” (446).

Furthermore, the counterlimits approach is complicated by the fact that member states often incorporate fundamental European rules, such as internal Constitutional rules. This means that the constitutional framework in European law, which designs IP property models, becomes part of the member states’ constitutional framework (447).

(444) Court of Justice July 6, 2006 C-53/05 *Commission of the European Communities v. Portuguese Republic*.

(445) See on this point G. SCIACCA, *Il bilanciamento degli interessi*, cit., at 203.

(446) On the mechanics of IP lawmaking in Europe with reference to patents see R.J. AERTS, *The Legitimacy of Patent Law-Making in Europe and the US – A Tentative Comparison*, 38 *IIC*, 165 (2007). The purpose of that analysis is substantially different from this, as it attempts to demonstrate how the “lack of legitimacy of lawmaking can result in a distrust of the system, and resistance against the patenting of new technologies”. Furthermore, the author concentrates on the issue of the electoral legitimacy of the factors of lawmaking in this area.

(447) See on this point T. BALLARINO, *Manuale dell'Unione europea*, cit., at 245.

20. Another way to combine external interests with the protection of private rights is to use external bodies of law. The growing use of these external mechanisms has however intrinsic limits, which should discourage commentators from overestimating their role in intellectual property. For example, (i) consumer law, which is mainly intended to solve informational issues that arise from contractual clauses or fairness problems in a given bargain, has been used in digital rights management systems (448). While constructing consumer rights platforms does address certain unprotected user rights, this method has objective limits and seems ill-suited to providing a wide range of solutions to problems, particularly if we consider their use in incentivizing creative progress (449); (ii) antitrust law can have a limited effect on intellectual property (450). It cannot be used to address the needs of micro-competition and access to follow-on innovation when antitrust conditions are not met. Obviously intellectual property does embed micro-competition features. Antitrust instruments provide ad hoc intervention measures that can single out one firm and are less generalized

(448) See A. OTTOLIA, *Preserving Users' Rights in DRM: Dealing with Juridical Particularism in the Information Society*, 35 *IIC*, 491 (2004), analyzing the effects deriving from DRMs and proposing certain features to address users' interests.

(449) I would like to recall a critique made by Julie Cohen to a proposal by Hardy to proprietize information in order to ensure greater returns to IP owners, and providing better prices for consumers: "[e]ven if it results in an increased consumer access in digital works, a private law regime designed to maximize control will not necessarily result in more or better creative progress" J.E. COHEN, *Lochner in Cyberspace: The New Economic Orthodoxy of Rights Management*, 97 *Mich. L. Rev.*, 462, 510 (1998).

(450) D. SARTI, *Proprietà intellettuale*, cit., 526. In recent years, the jurisprudential approach has gradually subjected the exercise of IPRs to general rules of competition law. For a general discussion of the development of this interaction see N. GALLINI, M. TREBILCOCK, *Intellectual Property Rights and Competition Policy: A Framework for the Analysis of Economic and Legal Issues*, in R. ANDERSON, N. GALLINI (eds.), *Competition Policy and Intellectual Property Rights in the Knowledge-Based Economy*, 17 et seq. (1998); see also H. ULLRICH, *Intellectual Property, Access to Information, and Antitrust: Harmony, Disharmony, and International Harmonization*, in R. DREYFUSS, D.L. ZIMMERMAN, H. FIRST (eds.), *Expanding the Boundaries of Intellectual Property*, cit., at 365ff.

than IP fine-tuning measures (451). (iii) Finally, human rights represent different bodies of law that help to reduce the negative implications of IPR over-expansion. However, due to the structure of the European model and the impossibility of incorporating these values into a balancing mechanism, their impact is limited to rare interventions in the areas described as the second and third group of public interests.

21. In the described framework, consisting of substantially *ex ante* legislative choices and rigid IPRs, the *ex post* evaluation of the public interest by the courts would be possible only in the exceptional cases that have been described. However, certain minor tools may still be considered.

21.1. An initial interpretative tool emerges from the EU Enforcement Directive, which harmonizes the remedies available to intellectual property owners (452). Article 11 of the directive requires Member States to provide the courts with the ability to order an injunction, while Article 12 enables them to provide that the court may instead award damages in favor of “innocent” infringers who would be caused disproportionate harm, provided that this would be reasonably satisfactory to the IP owner (453). Article 12 may

(451) The point is shared with M. RICOLFI, *Is there an Anitrust Antidote against IP overprotection within TRIPS?*, 10 *Marq. Intell. Prop. L. Rev.*, 329 (2006).

(452) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (“Enforcement Directive”). For an analysis of the directive see L. NIVARRA (ed.), *L’enforcement dei diritti di proprietà intellettuale. Profili sostanziali e processuali*, Giuffrè, Milano (2005).

(453) Article 12 Enforcement Directive: “Member States may provide that, in appropriate cases and at the request of the person liable to be subject to the measures provided in this section, the competent judicial authorities may order pecuniary compensation to be paid to the injured party instead of applying the measures provided for in this section if that person acted unintentionally and without negligence, if execution of the measures in question would cause him/her disproportionate harm and if pecuniary compensation to the injured party appears reasonably satisfactory”. For an early analysis of the norm see C. CAMARDI, *Le cosiddette “misure alternative”*, in L. NIVARRA (ed.), *L’enforcement dei diritti di proprietà intellettuale*, cit.

certainly be interpreted in a minimal way as allowing the national court to exercise its discretionary power by solely evaluating equitable concerns totally internal to the infringer/IP holder relationship, e.g. it would award damages instead of an injunction where an injunction would appear unduly oppressive and cause grossly disproportionate harm (454). Indeed, incorporating any broader pro-societal concerns into the exercise of such discretionary power may still be problematic: the mere availability of a discretionary power does not automatically allow broader utilitarian and public interest concerns to be evaluated when the power is applied, as far as European apical norms do not functionalize IPRs to such public interest. Indeed, it is significant that when the US Supreme Court held that the discretionary power under 35 U.S.C. § 283 had to embed broader societal considerations it did so by referring to that tool as an application of the IP Clause embedding the utilitarian and functional model of IPRs. Given the absence of any further specification in the directive, further investigation is required in order to read the use of such discretionary powers in a pro-societal sense. Such an investigation may be based on a systematic reading of European intellectual property law within the broader purpose of reinforcing the internal market. European intellectual property protection is consistent with a number of principles including the European Community objective of promoting the internal market (Article 2 of the Treaty on European Union, Articles 2 and 3 of the

(454) It should be noted that while such discretionary power in the US may be used to deal with such issues as patent trolls and Article 12 of the Enforcement Directive may serve that same purpose, in Europe such a phenomenon is much less widespread: see J. BRENNAN *et al.*, *Patent Trolls in the U.S., Japan, Taiwan and Europe*, CASRIP (2006), at www.law.washington.edu/Casrip.com (last visited on March 25, 2010) arguing that Europe has remained relatively untouched by the patent trolls problem; see also A. MAYERGOYZ, *Lessons from Europe on How to Tame US Patent Trolls*, 42 *Corn. Int'l L. J.*, 241 (2009), arguing that the European patent system has more antidotes against patent trolls (e.g. the scope of patentability under the European Patent Convention is narrower than in the US, the European opposition procedure is more effective than in the US, the PTO reexamination process and patent administration costs in Europe are significantly higher than in the US).

EC Treaty). Furthermore, most IP directives (455) that do not solely pursue the purpose of harmonization have been enacted under the concurrent competence of “achievement of the internal market” under Article 95 TEC (456). Article 95 TEC is to be in-

(455) The Software Directive was based on Article 95 TEC, ex Article 100a EEC (Council Directive 91/250/EEC on the legal protection of computer programs, [1991] OJ L122/42); the Cable and Satellite Directive was based on Articles 47(2) and 55 TEC, or ex Articles 57(2) and 66 EEC (Council Directive 93/83/EEC on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, [OJ L248/15]; the Rental and Lending Rights Directive was based on Articles 47(2) and 55 TEC and 95 TEC (European Parliament and Council Directive 2006/115/EC on rental right and lending right and on certain rights related to copyright in the field of intellectual property, [2006] OJ L376/28 – codified version, previously Council Directive 92/100/EEC); the Term of Protection Directive was based on Articles 47(2), 55 TEC and 95 TEC (European Parliament and Council Directive 2006/116/EC on the term of protection of copyright and certain related rights, [2006] OJ L372/12 – codified version, previously Council Directive 93/98/EEC); the Database Directive was based on Articles 47(2) and 55 TEC and Articles 57(2) and 66 EEC, and Article 95 TEC (ex article 100a EEC) [1996] OJ L77/20; the Resale Right Directive was based on Article 95 TEC (European Parliament and Council Directive 2001/84/EC on the resale for the benefit of the author of an original work of art, [2001] OJ L 272/32); the Information Society Directive was based on Articles 47(2), 55 and 95 TEC (European Parliament and Council Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society, [2001] OJ L167/10); the Enforcement Directive was based on Article 95 TEC (European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property right, [2004] OJ L 157/45).

(456) Article 95 is a typical example of “concurrent competences”. Community competences are regulated by principles of limited exclusivity. Firstly, under the principle of conferral, the European Community only has the powers explicitly conferred on it by the Treaty; furthermore, due to the principle of limited exclusivity, apart from a few areas that fall within complete exclusivity (such as customs union, trade in goods, monetary policy for the euro, and the conservation of marine biological resources), where states are precluded from legislating without institutions’ authorization, other areas are dealt with by a mechanism of cooperative division of powers. Where the competences are concurrent, both the Community and states are entitled to legislate even if the states are preempted from legislating once the Community has done so. Where the competence is complementary both the Community and states are entitled to act without any preemption mechanism. For an analysis of limited exclusivity see F. MAYER, *Competences – Reloaded? The Vertical Division of Powers in the EU after the New Constitution*, Paper for the NYU – Princeton Conference, 28-30 April, 2004, in www.jeanmonnetprogram.org; A. DASHWOOD, *The Relationship Bet-*

voked not just to regulate the internal market in general, but to create optimum conditions for the establishment and functioning of the market (457). It is often said that the intellectual property system is consistent with the purpose of the development and flourishing of the internal market, since the rules of market flourishing imply the use of the typical instrument of property rights. But when considering the development of the intellectual property market this does not imply that the only instrument is a tool developed for tangible assets. Consequently, the concept of the internal market for intellectual property should at least address the particular features of intangible innovation, starting from the idea that the cumulative nature of knowledge specifically requires access to information and the recoupment of private investments to be given equal priority (458). Reading the fostering of the internal market as justifying the broader societal considerations of intellectual property interpretation would be used for the limited purpose of designing the way judges use their discretionary power. Furthermore, this implication may be used in areas of mere interpretative uncertainty (459) as a default argument. Obviously, in any case, (i) it would not lead to a

ween the Member States and the European Union/European Community, 41 *Comm. Ma. L. Rev.*, 355 (2004); P. CRAIG, *Competence: Clarity, Conferral, Containment and Consideration*, 29 *Eur. L. Rev.*, 323 (2004); I. PERNICE, *The Treaty of Lisbon*, cit.; A. DRUCK, *Copyright as an Example of European Integration*, PhD dissertation 2009 (not published and in file with the author).

(457) For the principle see C-376/98, *Germany v. Parliament and Council* (advertising and sponsorship of tobacco products) [2000] ECR I-8419, para. 83 arguing that Article 95 TEC cannot be invoked for the general regulation of the internal market but for the more specific purpose of improving the conditions for the establishment and functioning of it.

(458) See R.A. KREISS, *Accessibility and Commercialization in Copyright Theory*, 43 *UCLA L. Rev.*, 1 (1995); W.M. LANDES, RICHARD POSNER, *An Economic Analysis of Copyright Law*, 18 *J. Legal Stud.*, 325, 326-27 (1989); M.A. LEMLEY, *The Economics of Improvement in Intellectual Property Law*, 75 *Texas L. Rev.*, 989 (1997). J.E. COHEN, *Lochner in Cyberspace: The New Economic Orthodoxy of "Rights Management"*, 97 *Mich. L. Rev.*, 462, 464 (1998); M.A. LEMLEY, *Intellectual Property, and Free Riding*, cit.

(459) For an application of this latter approach to biotech patents see A. OTTO-LIA, *Riflessioni sulla brevettabilità delle sequenze parziali di geni EST*, 6 *Riv. dir. ind.*, 457 (2005).

functionalization of IPRs that would be inconsistent with higher constitutional norms of European law, and (ii) it would not be problematic in countries that recognize the limited use of the teleological instrument (460), as it would be applied only with regard to the use of an expressed discretionary power.

21.2. Some authors argue that one way to allow a balancing role in the hands of national judges would involve the use of a three-step test as a tool of interpretation. The test is contained in Article 5.5 of the Copyright Directive and contains the conditions of validity of copyright limitations (461). Under the test the judge would be able to undertake a balance of interests and evaluate whether a certain limitation should be declared illegitimate for not fulfilling its conditions. Some scholars have put forward some very interesting arguments proposing that the test could be used as a balanced instrument of a quasi-“fair use” nature by national judges. However, even if the application of the test by national courts is accepted (462), I would remain extremely cautious as to whether this

(460) The Italian Court of Cassation has held that teleological interpretation is to be used in very exceptional cases. On the contrary, at the European level, teleological interpretation has been used to select the solutions that better address certain embedded policies, mostly in relation to harmonization: see *Marca Mode CV c. Adidas C-425/98*; *The Gillette company, Gillette Group Finland Oy c. LA-Laboratories Ltd. C-228/03*.

(461) Article 5.5 of the Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society: “The exceptions and limitations provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder”. The test has already appeared in specific directives: in Article 9.3 of the Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs and in Article 6.3 of the Directive 96/9/EC of the European Parliament and of the Council of 11 May 1996 on the legal protection of databases.

(462) In the sense of application of the test by national courts see C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit.; for the contrary reading so that the test may be used only by the legislature see K.J. KOLEMAN, *Fixing the three-step test*, 28 *EIPR*, 407 (2006).

tool can function as a tool of fine tuning (463). Such test, even when viewed from different aspects, concerns the legitimacy of already existing copyright limitations, and does not allow the court to reduce the exclusive right or hold that a certain infringement is “fair”. It seems, therefore, to fall into the described framework of rigid property rights where the ex ante set of limitations can be the object of a balance of interests for the very limited purpose of verifying their validity.

(463) See for this approach, C. GEIGER, *Declaration on a Balanced Interpretation of the Three-Step Test*, 6 *IIC*, 707 (2008); the author argues that the test, when reinterpreted, would allow a kind of balance of a quasi-“fair use” nature.

CHAPTER VII

INTELLECTUAL PROPERTY BALANCE AND TRIPS

SUMMARY: 22. Introduction. – 23. Mechanics of regulatory competition: divergent incentives to higher protection rules. – 24. Public interest rules in a neofederalistic framework. – 25. Various phenomena against TRIPs open architecture: WTO panels' formalism. – 25.1. Reduction of national IP internal antidotes. – 25.2. The three step test. – 25.3. WTO panels formalism. – 25.4. The "ideology" of harmonization. – 26. Conclusion.

22. The analysis of different IP models has underlined specific aspects of the interface between exclusive rights and the public interest in intellectual property interpretation. The US utilitarian model allows a continuous balance facilitated by the existence of apical norms functionalizing IPRs and legal rules allowing ex post judicial fine – tuning and institutional competition. Quite differently, what has been referred to as the European model involves a consideration of the public interest either ex ante, in the legislative design of IPRs, or very rarely ex post, only in cases of specific conflict.

Only two arguments have been made to date in terms of possible evolutions of such divergent models: (i) on the one hand, the possible reduction of institutional competition within the US diminishes these differences so that the two intellectual property systems appear to converge. Analysis of the US system has attempted to demonstrate that such convergence (when due to the judiciary's growing deference towards the legislature) is inconsistent with that model; (ii) on the other hand, the Declaration of Human Rights and

recognition of a common human rights foundation in IPRs is neutral toward their substantial divergences: indeed, as the human rights nature of IPRs covers just a minimal core thereof, the way the remaining regulative space interacts with the public interest still depends on the given IP model. The consideration of the TRIPs Agreement (464) adds a further level of complexity to the possible mechanics of IP model evolution.

The advent of the TRIPs framework is often analyzed as representing an end to the French reading of intellectual property and the ultimate insertion of intellectual property into trade law and the Anglo-Saxon or American model (465). I would be more cautious in establishing such correspondence. Indeed, if we consider the trade dimension of IPRs as a system where exclusive rights are increasingly strengthened and freely negotiated, this is only partially consistent with the American view. Although US companies are among the main actors in bilateralism and IPR expansionism, these aspects are independent from (and inconsistent with) the specific nature of US IP utilitarianism, which in fact carries more antidotes than the European system to exclusive rights expansionism over intellectual creativity. Furthermore, if we state that TRIPs diminishes the fundamental rights construction of IPRs and destroys the rhetoric of IPRs as fundamental rights, as it does not even refer to moral rights, I would argue that TRIPs is not a system of intellectual property harmonization, but merely meant to reduce barriers to trade: it does not discuss moral rights as it relates to other parts of IPRs. The so-

(464) Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments – Results of the Uruguay Round, 33 I.L.M. 1125, 1197 (1994) [hereinafter TRIPs Agreement].

(465) See on this point F. DESSEMONTET, *Copyrights and Human Rights*, in J.C. Jan KABEL, J.H.M. GERARD MOM (eds.), *Intellectual Property and Information Law*, Kluwer Law International, The Hague-London-Boston (1998), arguing that “The Universal Declaration and the UN Covenant (of Economic, Social and Cultural Rights) mark the apex of the French vision of literary and artistic property, as opposed to the Anglo-American ‘mercantilist’ view as ensconced in TRIPS”.

called human rights ideology of IPRs may still exist with TRIPs, insofar as it is correctly interpreted in its minimal impact, as analyzed in this work.

A common way to look at TRIPs is to consider how the imposition of minimum standards upon intellectual property affects fundamental interests that often relate to developing countries: these are public health, biodiversity, plant variety, rights of indigenous peoples, and the specific position of developing countries (466). However, while these aspects are extremely important in the contemporary debate, they fall outside the boundaries of the present analysis, which instead focuses on ascertaining the role of “access to knowledge” for the purpose of increasing the overall production of innovation (467). For this reason, the reference to this quasi-constitutional layer of IP law provided by TRIPs, carries a more limited purpose, which is to verify whether the link between intellectual property and the World Trade Organization system and the rise of a trade-based phase in intellectual property law (468) is leading to a form

(466) Some authors have argued that such alternative interests receive too little protection in TRIPs due to the fact that the entry of third world countries was not based on “democratic bargaining”, see P. DRAHOS, *Developing Countries and International Intellectual Property Standard – Setting*, 5 *J. of World Intell. Prop.* (2002). Such countries agreed to accept standards of IP protection that are too high for their particular interest in accessing technology that is a condition for the development of a new market; this point is raised in R. OKEDIJI, *Back to Bilateralism? Pendulum Swings in International Intellectual Property protection*, 1 *Ottawa L. & Tech. J.*, (2003), at 127-145. This specific aspect of developing world interest in accessing knowledge is based upon a redistributive purpose, which is not the typical purpose of access to knowledge to be considered in the IP balance. This kind of interest is typically external to IP reasoning and can per se deserve specific state intervention.

(467) This is what I have referred to as the first group of public interests, which is in ontological tension whenever a IPR is issued (see para. 1). On the contrary, public health, biodiversity, plant variety and rights of indigenous peoples belong to collective interests that sometimes come into conflict with IP law.

(468) TRIPs may be seen as opening a third phase in intellectual property law, following the first phase consisting of merely territorial regulation (starting from the *privilegia* of the Venetian Republic to nineteenth-century bilateralism) and a second phase of international rules starting with the Paris Convention for the Protection of Industrial Property, March 20, 1883, and the Berne Convention for the Protection of

of global IP model, or at least a unified theoretical means of considering the public interest in this field of law, which may affect the US and European models.

The analysis will cover different and consequential arguments: (i) as TRIPs Agreement just imposes minimum standards and does not set limits on the regulatory competition involving IPR expansionism, it indirectly favors a race to the top of IPR protection. (ii) However, while de facto favoring such a race to the top, TRIPs does not impose any IP model. Indeed, by looking at the rules relating to the public interest, involving access to knowledge for the promotion of progress, it is possible to state that the overall architectural structure of the Agreement favors a neofederalistic approach that can coexist fully both with a utilitarian model and a property-based approach. (iii) There are two potential problems facing such a neofederalistic structure and the ability of the state to address societal interests: firstly, the reduction of antidotes to IP expansion at the level of states, and secondly, the formalism of WTO panels.

Literary and Artistic Work, September 9, 1886, which were intended to replace bilateralism with a certain level of harmonization, until the Rome Convention (1961), the WIPO Treaty (1996), and the Geneva Treaty on International Patents (2000). See P. DRAHOS, *The Universality of Intellectual Property Rights: Origins and Development* (1998) (available at www.wipo.int/tk/en/hr/paneldiscussion/papers/pdf/drahos.pdf), supporting this three-pronged division and discussing in detail the legislative evolution of international IP. The reasons why this third phase was established are as follows: (i) strong US and European negotiating power in the GATT-WTO system, (ii) the possibility of inducing developing countries to enter the system by holding out the prospect of entrance into the WTO and global market, (iii) the availability of an effective GATT litigation-style system. A member state's failure to comply with a TRIPs requirement may lead to trade sanctions by other members following binding dispute resolution proceedings. See R.C. DREYFUSS, A.F. LOWENFELD, *Two Achievements of the Uruguay Round: Putting TRIPs and Dispute Settlement Together*, 37 *Va. J. Int'l L.*, 275, 277 (1997) stating that for the first time member states have a binding venue to resolve intellectual property disputes as continued membership of WTO is conditional upon compliance with TRIPs. See also for a review of the changes produced by TRIPs J.H. REICHMAN, *The TRIPs Agreement Comes of Age: Conflict or Cooperation with Developing Countries?*, 32 *Case W. Res. J. Int'l L.*, 441 (2000). For the draft history and the interests involved see D. GERVAIS, *The TRIPs Agreement, Drafting History and Analysis*, 2nd ed., Sweet and Maxwell, London, (2003).

The present analysis excludes two further aspects: (i) although TRIPs and WTO establish the framework for a new international intellectual property system, the international intellectual property scene is now characterized by a series of new actors whose role won't be considered in the present analysis: some institutions play an essential role in the internationalization of intellectual property practices of multinational information industry players (469), while others are better suited to addressing developing countries' interests through the so-called regime shifting phenomenon (470); (ii) in terms of substantive law, this analysis does not consider the role of competition rules, at TRIPs level, that may indeed have a substantial impact in reducing the negative implications of IPR overprotection and enhancing the protection of public interests (471).

(469) These are ISPs, developers of technology operating without regard to territory, such as DRMs, national courts' development of international intellectual property through the development of private international law, transnational networks of nongovernmental organizations, see G.B. DINWOODIE *The International Intellectual Property Law System: New Actors, New Institutions, New Sources*, in *Proceedings of the 98th Annual Meeting of the American Society of International Law*, 213 (2004), considering the wide set of new actors contributing to the development of international intellectual property law.

(470) These are the Convention on Biological Diversity, the Food and Agriculture Organization, the World Health Organization and the United Nations. On the regime shifting issue see L.R. HELFER, *Regime Shifting: the TRIPs Agreement and New Dynamics of International Intellectual Property Lawmaking*, 29 *Yale J. Int'l L.*, 1 (2004), analyzing the strategy followed by developing countries and NGOs, that are dissatisfied with many TRIPs provisions, to undertake a "regime shifting" consisting in shifting "negotiations and hard and soft lawmaking initiatives to four international regimes – those governing biodiversity, plant genetic resources, public health and human rights – whose institutions, actors, and subject matter mandates are more closely aligned with these countries' interests". For consideration of the fact that regime shifting undertaken by developing countries is unlikely to obtain real utility see P. DRAHOS, *Developing Countries*, cit., 765.

(471) See on the point M. RICOLFI, *Is There an Antitrust Antidote Against IP Overprotection within TRIPs?*, 10 *Marq. Intell. Prop. Rev.*, 305 (2006). In particular Article 8(2) states that members may adopt legislation "to prevent the abuse of intellectual property rights by the right holder or resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology". Indeed this is a norm referring to the members' ability to incorporate legal rules that, while pro-

23. The architectural structure of TRIPs renders it incapable of functioning as a filter towards possible IPR overprotection that is the inherent consequence of regulatory competition (472). Indeed TRIPs merely provides minimum standards for IPRs (473) and therefore leaves it to states to provide protection only in excess of these minima as they see fit (474). Therefore its institutional function deter-

competitive in nature, can be both ad hoc and ex post as antitrust intervention but also generalized and ex ante as the typical IP fine-tuning features. However, at the same time, it transpires that within the meaning of societal interests that may potentially conflict with IP rights and that are relevant to the balancing rules of TRIPs there are also the interests of competition not necessarily corresponding to the antitrust rules. See M. RICOLFI, *Is there an Antitrust Antidote against IP overprotection within TRIPS?*, cit., at 329, arguing that the disjunctive “or” clarifies that “adverse impact on international transfer of technology may be a sufficient basis for legislation controlling IP abuse or dealings”; see also on the same point, H. ULLRICH, *Expansionist Intellectual Property Protection and Reductionist Competition Rules*, 7 *J. Int’l Econ. L.* 401, 406 (2004).

(472) The expression “regulatory competition” is conventional and does not carry a binding value. In this work it is used to describe the competition between different legal systems in providing higher IPR protection due to different incentives, and it is analyzed in the present paragraph. The expression may also be used to describe a neutral (or even positive) phenomenon – the competition between different jurisdictions in providing different legal solutions to a problem and having the positive implications of (i) becoming a sort of “laborator[y] experimenting with different legal rules” (see dissenting opinion delivered by J. Brandeis J. in *State Ice Corp. v. Liebmann*, 285 US 262, 311, 1932), or (ii) allowing the adoption of specific models that are more convenient for a particular economic, cultural, and legal environment (under a Jeffersonian model of a multi-center law-making structure as opposed to a Hamiltonian harmonized system of rules guaranteed by strong central regulation). This positive meaning will be analyzed when referring to the so-called neofederalistic reading of the TRIPs agreement. For a reference to the meaning and implications of regulatory competition see M. RICOLFI, *Is there an Antitrust Antidote against IP overprotection within TRIPS?*, cit.

(473) Such minima are specified in Part II of TRIPs containing the “Standards Concerning the Availability, Scope and Use of Intellectual Property Rights” referring to copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits, and protection of undisclosed information.

(474) See Art. 1 (1) TRIPs: “Members may, but shall not be obliged to, implement more extensive protection in their law than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement”, see

mines that complaints before WTO dispute resolutions may just invalidate measures that reduce the level of IP protection, but never those that increase such protection (475). Furthermore, Article 4, by introducing “the most favored nation” (476) principle, requires

e.g. J.H. REICHMAN, *Universal Minimum Standards of Intellectual Property Protection under the TRIPs Component of the WTO Agreement*, in C.M. CORREA, A. YUSUF (eds.), *Intellectual Property and International Trade: the TRIPs Agreement*, Kluwer, London-Boston (1998); see on this point also G.B. DINWOODIE, R.C. DREYFUSS, 7 *International Intellectual Property Law and the Public Domain of Science*, *J. Int'l Econ. L.*, 431 (2004); see also P. SAMUELSON, *Intellectual Property Arbitrage: How Foreign Rules Can Affect Domestic Protections*, 71 *U. Chi. L. Rev.*, 223 (2003). Before, the TRIPs minimum standard of IP protection at international level could be found only in the Paris Convention for the Protection of Industrial Property, March 20, 1883, Art 10bis, UST. 1583, 828 U.N.T.S. 305, and the Berne Convention for the Protection of Literary and Artistic Works, September 9, 1886, Arts. 2(5), 5, 6bis, 11bis, 25 UST. 1341, 828 U.N.T.S. 221. See M. RICOLFI, *Is there an Anitrust Antidote against IP overprotection within TRIPS?*, cit., at 331, accounting for what the implications of such an approach are with considerations that affect not only the stated purpose of his argument, which verifies this approach of positive mandates for determining to what extent TRIPs authorizes IP-interfacing competition rules to consider non-IP interests.

(475) Part V regulates dispute settlement by applying Articles XXII and XXIII of Gatt 1994 as applied by the Dispute Settlement Understanding.

(476) Article 4 states “[w]ith regard to the protection of intellectual property, any advantage, favor, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members”. While the origin of international rules of IP law since the Berne and Paris Conventions was an attempt to go beyond nineteenth century bilateralism, following TRIPs, the USA and Europe have continued to engage in a new form of bilateralism for the purpose of obtaining higher standards of IPR protection and the effect of which over IP expansionism is allowed by the most favored nation principle, see R. OKEDIJI, *Back to Bilateralism?*, cit., 127. Indeed, the USA and Europe have often managed to impose higher protection than the TRIPs requirement through the negotiation of agreements, the so-called “TRIPs plus” bilateral agreements with developing countries: for an analysis of this phenomenon see Genetic Resources Action International, *“TRIPs-plus” Through the Back Door: How Bilateral Treaties Impose Much Stronger Rules for IPRs on Life than the WTO* (July 2001) at www.grain.org. These agreements have been strongly criticized by the UN Commissioner for Human Rights on the basis of human rights violations, see *Intellectual Property Rights and Human Rights: Report of the Secretary-General, Escor Sub-Comm’n. On the Promotion and Protection of Human Rights. 52nd Sess., Provisional Agenda Item 4 at 27*, U.N. Doc. E/CN.4/Sub.2/2001/12 (2001); see also P. DRAHOS, *BITs and*

that any higher protection, recognized by a state under a bilateral agreement, should be extended to all other members as well. Because of this architectural conformation, TRIPs provides a further incentive to nations to modify norms benefiting user groups for the purpose of complying with the Agreement, while leaving protection-enhancing provisions (477): thus fueling the existing tendencies of regulatory competition toward higher protection (478), and resulting in a race to the top of intellectual property protection, often under the shield of harmonization.

While I share the same “methodological” caution in supporting the conclusion that such a race to the top should result in overprotection (479), there are several reasons to agree with the descriptive

BIPs: Bilateralism in Intellectual Property, 4 *J. World Intell. Prop.*, 791 (2002); see also *Grain in cooperation with SANFEC, “TRIPs plus” Through the Back Door – How Bilateral Treaties Impose Much Stronger Rules for IPRs on Life than the WTO*, 2001 (available at www.grain.org), discussing the effect of secrecy in the adoption and content of bilateral agreements.

(477) See G.B. DINWOODIE, R.C. DREYFUSS, *TRIPs and the Dynamics of Intellectual Property Lawmaking*, 36 *Case W. Res. J. Int’l L.* 95, 100 (2004), at 100.

(478) The point is underlined by M. Ricolfi: “Indeed, regulatory competition, inducing sovereigns to engage in a race to the top and imitate whatever increase in protection is noted in other jurisdictions, gives a quite straightforward account of the reasons why dual calls for hybrid regimes and upstream protection have been heeded rather than disregarded on either side of the Atlantic and apparently also in Japan”, see M. RICOLFI, *Is there an Antitrust Antidote against IP overprotection within Trips?* cit., at 309.

(479) Marco Ricolfi has noted that “[t]he very idea that we are in a phase of overprotection in IP is theoretically questionable and empirically disputable. In fact we should be ready to acknowledge that it is, in principle, dubious to talk about overprotection – as well as of underprotection – of IP once we admit that determining the optimal rate of innovation implies a conceptual impossibility”, see M. RICOLFI, *Is there an Antitrust Antidote against IP overprotection within TRIPS?*, cit., at 307 footnote 5. Recent economic literature demonstrates that at a national level countries tend to protect their technology at a lower level than would be globally optimal. Therefore, international standardization of intellectual property should result in a higher protection and this tends to a better and more efficient shaping of intellectual property, see P. MCCALMAN, *National Patents, Innovation and International Agreements*, 11 *J of Int’l Trade & Develop.*, 1 (2002). Without entering the discussion about conflicting models of protection in the international scene, it is indisputable that the heightening of IP rights at an international level is particularly sensitive to the interests of developing countries. I share

part of the argument that there are strong incentives for higher protection, which are independent from those due to merely internal reasons of a given legal system, such as specific conditions of the innovation market (480) and public choice reasons (481), and are a result of competition between different legal systems.

(i) States having national interest in high IP protection (482)

Jerome Reichman's arguments that the rise of legal monopolies and related entry barriers resulting from IP minimum standards "could consign the poorest countries to a quasi-permanent status at the bottom of the technology and growth ladder", see K.E. MASKUS, J.H. REICHMAN, *The Globalization of Private Knowledge Goods and the Privatization of Global Public Goods*, 7 *J. Int'l Econ. L.*, 279 (2004).

(480) Internal incentives to higher protection emerge when the innovative domestic sector makes it convenient to have stronger protection in order to recoup R&D investments and the nation is not predominantly a user or net importer of products embedding protected innovation, see P. SAMUELSON, *Intellectual Property Arbitrage*, cit.

(481) See P. SAMUELSON, *Intellectual Property Arbitrage*, cit., noting that "[h]igher protection rules may also be manifestations of public choice problems with IP legislation insofar as innovative industries are well-organized, well-funded, and well-situated to benefit significantly from higher protection rules, making it reasonable to invest in legislation to increase protection to higher levels. Because of the distributed costs of higher-protection rules, collective action problems may prevent those who will bear those costs to organize effectively to block higher-protection legislation"; see also, for the European context, H. LADDIE, *Copyright: Over-Strength, Over-Regulated, Over-Rated?*, 18 *EIPR*, 253, 259 (1996); P.M. GERHART, *Why Lawmaking for Global Intellectual Property is Unbalanced*, 22 *EIPR*, 309, 310 (2000); A. QUAAEDVLIEG, *Copyright's Orbit Round Private, Commercial and Economic Law – The Copyright System and the Place of the User*, 29 *IIC*, 435 (1998); C. GEIGER, *Constitutionalizing Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in Europe*, 37 *IIC*, (2006), at 379, arguing that intellectual property legislation has recently been keen to follow private interests due to the pressure of strong lobby groups.

(482) The US, Europe and Japan fall within this category but subject to the niceties that will be explained further when discussing the hybrid system. It is interesting to recall that until the United States predominantly became an importer of intellectual property it was obviously not supportive of IP rights and went through a period of blatant piracy until it began to provide federal statutory protection to foreign works under the Act of March 3, 1891, ch. 565, 26 Stat. 1106. See on the evolution of US approaches, B.A. RINGER, *The Role of the United States in International Copyright – Past, Present, and Future*, 56 *Geo. L. J.*, 1050 (1968); see also L. LESSIG, *Free Culture*, The Penguin Press, New York (2004), discussing the early disapplication of patent law in California and its influence in the development of the film industry.

may be provoked to further heighten their protection so as not to be left behind once a competing country has done so. This need comes from the consideration that providing lower protection would discourage authors and inventors from obtaining protection in their legal system and shifting to another one. So country A may decide to raise the level of protection in order to be harmonized to the greater protection provided by country B. The point was clearly used in the *Eldred* decision where the Court acknowledged that copyright term extension was a rational decision because “Congress sought to ensure that American authors would receive the same copyright protection in Europe as their European counterparts” (483).

(ii) The race to the top is not reduced by the mere fact that one country has an opposite interest in maintaining limited IPR protection when it is mainly a user and net importer of innovation products (484), or aspires to incentivize investments in follow-on innovation (485). The race in country A might be caused by country B being unwilling to accept country A’s product infringing B’s IPRs, resulting in it becoming very difficult to ban imports of pro-

(483) *Eldred v. Ashcroft*, 537 U.S. 186, (2003), 188.

(484) See on this point P. SAMUELSON, *Intellectual Property Arbitrage*, cit., at 2. It is very difficult to generalize regarding countries that are complete reductionists of intellectual property. Developing countries are generally net importers of intellectual property and therefore support lower protection as, for example, the policy of access to essential medicines. However, it has to be remembered that they are, on the contrary, supporters of intellectual property rights extensions, e.g. in relation to traditional knowledge and local germoplasm. The strong dependence of IP policymaking on contingent interests demonstrates the arbitrariness of a strong ideological weight on intellectual property protection as opposed to the benefit of society. So what at times appears to be the ideology of utilitarianism, should not be that IPRs tend to conflict with the public interest, but rather that the regulation of IPRs (including in certain circumstances their extension) must serve the benefit of society.

(485) The follow-on innovator is referred to here as the (natural or legal) person who contributes to innovation both vertically, by improving an existing innovation, or horizontally, by supplying a component that is necessary for the innovation to be used in the market, see B.A. KEMP, *The Follow-on Development Process v. Conventional Patent Protection for Cumulative Systems Technology*, 94 *Colum. L. Rev.*, 2674 (1994).

ducts made with the help of domestic patented inventions (486). In these cases state B will decide to exert unilateral pressure upon country A to heighten its IPR protection (487), or negotiate an agreement providing higher protection than required by TRIPs. Obviously, pressure does not always work (488) and complaints do not always succeed (489), but these initiatives have undoub-

(486) A nation could ban the importation of products made with the help of domestically patented inventions, see on this point DAN L. BURK, *Patents in Cyberspace: Territoriality and Infringement on Global Computer Networks*, 68 *Tulane L. Rev.*, 1 (1993), referring to the highly controversial adoption of 35 USC. sec. 271(g) forbidding the sale of products made from US-patented processes; see P. SAMUELSON, *Intellectual Property Arbitrage*, cit. at 8, considering the possibility of a nation banning importation of products made with the aid of domestically patented research tools. The difficulty of banning this type of importation is inherent in the nature of some goods incorporating vertically-integrated patented inventions as the same product may derive from different and alternative use of different inventions. See R.S. EISENBERG, *Technology Transfer and the Human Genome Project: Problems with Patenting Research Tools*, 5 *RISK – Health, Safety & Environment*, 163 (1994).

(487) The US has been the most aggressive in applying unilateral pressure on countries having IP laws it evaluated as deficient, see for several examples on US unilateral pressure, K. NEWBY, *The Effectiveness of Special 301 in Creating Long-Term Copyright Protection for US companies Overseas*, 21 *Syracuse J. Int'l L. & Com.*, 29, 39 (1995). Such unilateral pressure over matters covered by TRIPs may be inconsistent with TRIPs obligations (see J.H. REICHMAN, *The TRIPs Agreement Comes of Age*, cit., 441, 454); or at least, it undermines incentives for voluntary compliance with TRIPs: “[i]f nations experience equally relentless unilateral pressure after TRIPs as before it, they may believe they have been denied a key benefit of the bargain they believed they struck when agreeing to TRIPs”, see P. SAMUELSON, *Intellectual Property Arbitrage*, cit.; see also on this point, P.M. GERHART, *Reflections: Beyond Compliance Theory – TRIPs as a Substantive Issue*, 32 *Case West. Res. J. Int'l L.*, 357, 370 (2000).

(488) See P. SAMUELSON, *Intellectual Property Arbitrage*, cit., 10, referring to the high level of opposition the US encountered in response to their action to prevent certain developing countries from adopting a compulsory licensing scheme for essential medicines. Many specific examples on the point are in S.K. SELL, *Private Power, Public Law: The Globalization of Intellectual Property Rights*, Cambridge University press, Cambridge (2003), at 148-150 and 155-158.

(489) The success of a complaint against countries reducing the protection of their IP laws, depends greatly on the interpretative approaches chosen by WTO panels; see on this point G.B. DINWOODIE, R.C. DREYFUSS, *International Intellectual Property Law and the Public Domain of Science*, cit., investigating the interpretative approaches of WTO panels. They also investigate whether the panels would allow

tedly started a new era of bilateralism in intellectual property.

(iii) One should also consider the existence of hybrid situations where a legal system is characterized by asymmetric incentives. However, in these cases the described phenomena simply shift from a single country's general IP policy to a consideration of more specific innovation markets. Divergences may arise due to different companies' interests: in the field of software some companies, such as Microsoft, would support amendments to US copyright law favoring enforcement of license restrictions on reverse engineering, while the same amendments may be opposed by firms, such as Sun Microsystems, which support reverse engineering (490). Divergences may further emerge due to different levels of evolution characterizing different innovative markets within the legal system. This asymmetry seems to have often characterized the European intellectual property agenda and IPR design. Indeed where the European Union was a producer of intellectual creations, such as in copyright law, it supported "race to the top" protection. One example is the extension of copyright duration under the so-called Copyright Term Harmonization Directive (491). The law resulted from regulatory competition within the European Union and the shared interest in higher protection in the field of copyright law. The existence of a 70-year limit provided under German law convinced the European legislator that extension and harmonization were essential to guarantee the competitiveness of the internal market. The link between higher protection and harmonization was incorporated

member states to keep their law attuned to their own needs and to the needs of science without falling foul of the TRIPs Agreement by considering hypothetical legislation referring to the exclusion of certain discoveries from the protection of eligible patents and the creation of a statutory exemption that gives courts the discretion to permit unauthorized uses of sufficient social significance.

(490) See on the point J. BAND, M. KATOH, *Interfaces on Trial: Intellectual Property and Interoperability in the Global Software Industry*, Westview Press, Oxford (1995), at 31ff and 332ff; see also P. SAMUELSON, *Intellectual Property Arbitrage*, cit. at 2.

(491) Council Directive 93/98/EEC of 29 October 1993 Harmonizing the Term of Protection of Copyright and Certain Related Rights, O.J. (L. 290) 9-13.

at Recital 2 of the directive stating: “[t]here are consequently differences between the national laws governing the terms of protection of copyright and related rights, which are liable to impede the free movement of goods and freedom to provide services, and to distort competition in the common market; whereas therefore with a view to the smooth operation of the internal market, the laws of the Member States should be harmonized so as to make terms of protection identical throughout the Community” (492). On the other hand, the European Union has demonstrated a desire to adopt restrictive IPR protection where the incentives for a specific sector suggested a lower protection. In the case of computer software, the European Software Directive (493) allowed software reverse engineering for interoperability purposes and left license restrictions on reverse engineering unenforceable (494). The rule was meant to allow software developers to reverse engineer US software to make compatible products and market it in both Europe and the US, provided it did not infringe US copyrights. Such rules were consistent with a system of a net importer of software and second comer into the software market and involved firms that wanted to engage in follow-on innovation. This was in fact the situation of the European software market when the directive was adopted (495). The European Union shared a similar minimalist approach to biotechnology

(492) The same language was then repeated in Recital number three of Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the Term of Protection of Copyright and Certain Related Rights (codified version) O.J. (L. 372) 12-18.

(493) Council Directive 91/250 on the Legal Protection of Computer Programs, 1991 O.J. (L 122) 42.

(494) See software Directive art. 6(1) and 9(1).

(495) For the rationale behind the adoption of the EU Software Directive see T.C. VINJE, *The Legislative History of the EC directive*, in MICHAEL LEHMAN, COLIN TAPPER (eds.), *A Handbook of European Software Law*, Oxford: Oxford University Press (1993) at 39ff and 61ff. For an analysis of the economics behind the protection of information platforms and behind enforcement of license restrictions on reverse engineering see P. SAMUELSON, S. SCOTCHMER, *The Law & Economics of Reverse Engineering*, 111 *Yale L. J.*, 1575, 1607-1630 (2002).

patents as compared to the US. Indeed, in Europe, reduced protection is consistent with the different advancements between the two systems in the international biotech market where, with Europe being a second comer, it supports a reading of biotech patents that makes it more difficult to allow the appropriation of the early results of biotech research (496).

24. The analysis now turns to the various provisions designed to address the interest of accessing knowledge for the public interest in the production and dissemination of progress: those that have been defined here as ontologically in tension with IPRs (497).

(496) See D.M. GITTER, *Led Astray by the Moral Compass: Incorporating Morality into European Union Biotechnology Patent Law*, 19 *Berkeley J. Int'l L.*, 1, 22 (2001), discussing why the European Union has lagged behind the United States for years in the biotechnology sector and attributing this deficit to deficient, confusing, and overlapping patent rights; see also D.G. SCALISE, D. NUGENT, *Patenting Living Matter in the European Community: Diriment of the Draft Directive*, 16 *Ford. Int'l L. J.*, 990, 991 (1993), describing the European disadvantage in the biotechnology field as “approaching perilous dimensions”; see A. OTTOLIA, *Riflessioni sulla brevettabilità delle sequenze parziali di geni EST*, 6 *Riv. dir. ind.*, 457, 473 (2005), describing how different levels of entry to the biotechnological market have influenced different rules of patent protection between Europe and the US.

(497) In terms of the public interest protection provided by TRIPs, the paramount distinction adopted in the present work excludes from the analysis those provisions devoted to specific public interests that are not ontologically related to progress, but which in this work have been defined as the second and third group of public interests (see para. 1). These further interests are cited and their protection suggested by a number of rules: see Article 8.1 allowing Members to adopt measures “necessary to protect public health and nutrition”; Article 27.2 allowing Members to exclude from patentability “inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment”; Article 27.3 (a), stating that Members may exclude from patentability “therapeutic and surgical methods for the treatment of humans or animals” or (under Article 27.3 (b)) “plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes”; Article 39.3 allowing Members to disclose information on chemicals – required as a condition of approving the marketing of pharmaceutical or of agricultural chemical products – where necessary to protect the public. It should be noted that these rules involve interests whose relevance

This network of rules, which vary in their binding effect, comprises a system that is essentially neutral toward any individual member's intellectual property model: (i) Recital 5 to the Preamble provides that "Members recognize the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives". The phrase refers to intellectual property not as an end in itself but in a functional way (498), as it recognizes each Members' design of such functionality. It is compatible both with a system where protection of the public interest is a one-size-fits-all justification for the property right (so that it is "internalized" into the protection of exclusive rights), and a system where such public interest while not being a mere justification is rather a "condition" of legitimacy of the IP law. As a result, the nature of such instrumentality remains at the level of Members. (ii) Recital 6 addresses the interests of developing countries by recognizing the need for more flexible choices: "[r]ecognizing also the special needs of the least developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base". This rule's practical effect is likely to be highly reduced owing to the increasing use of bilateral agreements. It provides for a general flexibility so as to include external interests or the internal interest in keeping protection as low as possible when this favors national innovation. (iii) Article 7 recognizes that IPRs are means intended to achieve various goals (499). Their protection "should contribute to the promotion of

may undoubtedly emerge in cases of conflict, and whose regulation reproduces the typical conflict between exclusive rights and fundamental interests and occupies a relevant part of the discussion over the Agreement. However, such conflicts cannot be solved within the typical IP discourse, but on the basis of a deterministic evaluation of the players involved. Obviously sometimes these areas may overlap, as in the case of biodiversity.

(498) See M. RICOLFI, *Is there an Anitrust Antidote against IP overprotection within TRIPS?*, cit., at 324.

(499) "[T]he protection and enforcement of intellectual property rights *should*

technological innovation”, and to “the transfer and dissemination of technology”, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations. This provision designs the widest potential set of conceptual tools able to address societal interests in accessing knowledge both for its use and for further innovation (500). However, it is again not a founding model clause. Although it envisages a function, the expression “should contribute” is less than a mandate or a condition: it is just a suggested goal for Members. It constitutes a recommendation, rather than a binding requirement (501) a goal rather than a condition. (iv) Article 8.1 states that “Members may, in formulating or amending their laws and regulations, adopt measures necessary to (...) promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement”: this article is broad in its coverage.

From the textual reading of these provisions it is clear that they do not build a new intellectual property model: the evident underlying compromise has reached the form of a declaration of the widest

contribute to the *promotion of technological innovation* and to the *transfer and dissemination* of technology, to the mutual advantage of *producers and users* of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations” (emphasis added).

(500) See K.J. ARROW, *Economic Welfare and the Allocation of Resources for Invention*, in *The Rate and Direction of Inventive Activity: Economic and Social Factors*, 615 (1962); on this point see also M. RICOLFI, *Is there an Antitrust Antidote against IP overprotection within TRIPS?*, cit. at 324.

(501) A different view was expressed by third parties in the Canada case; Brazil and Canada inferred from Article 7 and 8 that intellectual property rights are built on a balance between private rights. The Appellate Body in the Canada case noted: “[o]ur findings in this appeal do not in any way prejudice the applicability of Article 7 or Article 8 of the TRIPs Agreement in possible future cases with respect to measures to promote the policy objectives of the WTO Members that are set out in those Articles. Those Articles still await appropriate interpretation”, Doc. WT/DS170/AB/R September 18, 2000. See also Colombia’s position stating that the wording of Article 7 means that protection of IP rights “must” contribute to the promotion of technology innovation.

potentials of IP law within an open architecture whose central decision-making power remains at the level of Members (502). Two further arguments confirm this neofederalistic (or narrow) reading of the TRIPs Agreement (503): (i) the general purpose of the Agreement is not to provide a harmonized (theoretical and substantial) platform of intellectual property but rather to reduce distortions and impediments to international trade as stated in Article 1 of the Preamble (504); (ii) since incentives that are necessary to balance the interests of IPR holders and third parties (505) in order to maximize social value vary significantly between the economies of different states (506) and overlap with the IP protection justifica-

(502) This is obviously true for the IP system considered in the present analysis: i.e. US and Europe. Indeed, I would not subscribe to the same statement with regard to developing countries for which open architecture bears little significance, as their room to maneuver is significantly reduced by the effects of bilateralism.

(503) The neofederalistic reading could also be well defined as a “narrow view” of the TRIPs Agreement (the expression is used in P. SAMUELSON, *Intellectual Property Arbitrage*, cit.), as opposed to a “broad view” that the objective of TRIPs is to harmonize IPR legislation, reducing nations’ discretion in following a different incentive to IP protection, and enabling innovators to recoup R&D investments on a global basis. For this latter view see J. GINSBURG, *International Copyright: From a Bundle of National Copyright Laws to a Supranational Code?*, 47 *J. Copy. Soc’y*, 265, 284 (2000), arguing that “international uniformity of substantive norms favors the international dissemination of works of authorship. If the goal is to foster the world’s largest possible audiences for authors in the digital age, then one might conclude that national copyright norms are vestiges of the soon-to-be bygone analog world”.

(504) Article 1 TRIPs Preamble: “Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to trade”.

(505) G.B. DINWOODIE, *The International Intellectual Property Law System: New Actors, New Institutions, New Sources*, 10 *Marq. Intell. Prop. L. Rev.*, 205 (2006).

(506) While markets tend to be global, the territoriality of intellectual property protection tends to strengthen the differences in the state of evolution of each country in a given field, see P. SAMUELSON, *Implications of the Agreement On Trade-Related Aspects of Intellectual Property Rights for Cultural Dimensions of National Copyright Laws*, 23 *J. Cultural Econ.*, 95 (1999).

tion under positive law (507), the main purpose of international intellectual property policymakers is to find “the balance between universal norms and the national autonomy necessary to legislate a substantive balance appropriate to each nation-state” (508). Such balance is rendered possible by this open architecture.

A consideration of such open architecture leads to several conclusions: (i) this legal framework is dedicated to the interface between IPRs and the public interest and, while not mandating a regu-

(507) While the “incentive to progress” characterizes the economic reading of intellectual property law, the specific application and implication of such principle – the functionalizing of private rights for the sake of the public interest – depends greatly on the positive law of each legal system. As has been emphasized, while this scope and implication certainly characterize the US model, the same could not be said for the European Union, particularly in light of the Lisbon Treaty.

(508) G.B. DINWOODIE, *The International Intellectual Property Law System*, cit. The fact that the problem of maintaining sub-regulation flexibility characterizes the international intellectual property discourse is not completely true: the same issue was underlined by Justice Brandeis within the US legal system in two famous dissenting opinions referring to the need to maintain diversity within the same federal system, and considering different competing jurisdictions as laboratories experimenting with different legal rules that better fine-tune the balance between conflicting interests. See on this point *State Ice Corp. v. Liebmann*, 285 US 262, 311 (1932). The point is discussed in M. RICOLFI, *Is there an Antitrust Antidote against IP overprotection within TRIPS?*, cit. In his dissenting opinion, J. Brandeis states with an ontological argument that competition may be positive in the sense of encouraging experimentation. The case was *State Ice Corp. v. Liebmann*, 285 US 262, 311 (1932). In dissenting, J. Brandeis refers to a certain ontological convenience of such competition: “[t]he discoveries in physical science, the triumphs in invention, attest the value of the process of trial and error. In large measure, these advances have been due to experimentation. In those fields, experimentation has, for two centuries, been not only free, but encouraged” (at 285) and then he applies it to the values of federalism: “[i]t is one of the happy incidents of the federal system that a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country. This Court has the power to prevent an experiment. We may strike down the statute which embodies it on the grounds that, in our opinion, the measure is arbitrary, capricious, or unreasonable. We have power to do this, because the due process clause has been held by the Court applicable to matters of substantive law as well as to matters of procedure. However, in the exercise of this high power, we must be ever on our guard lest we erect our prejudices into legal principles. If we would guide by the light of reason, we must let our minds be bold”.

lative model, it constitutes a fundamental interpretative tool for the rest of the TRIPs Agreement (509): it gives guidance on the interpretation of open clauses of the Agreement, having regard to individual Members' autonomy and specific IP models. It also informs the actions of individual states in the regulative areas that remain free from harmonization. However, it plays a more controversial role where the interpretation of specific provisions is at stake, as will be discussed later. (ii) From a descriptive point of view, I would agree with Dinwoodie and Dreyfuss, who state that "a decision to allow WTO Members to create a larger public domain by one method or another may be a product not of an intellectual property balance that the TRIPs Agreement mandates, but rather a consequence of the conferral of autonomy on national governments" (510). Such

(509) Indeed under Article 3.2 of the DSU, panels have to interpret the covered agreements in accordance with customary rules of interpretation of international law and a long strand of jurisprudence interprets this as a reference to the rules contained in the Vienna Convention on the Law of Treaties (see on this point among others, United States – Gasoline, WT/DS2/AB/R, p. 17; Japan – Taxes on Alcoholic Beverages (WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, pp. 10-12); India – Patent Protection for Pharmaceutical and Agricultural Chemical Products (WT/DS50/AB/R, paragraphs 45-46)), stating that "[a] treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose".

(510) See G.B. DINWOODIE, R.C. DREYFUSS, *International Intellectual Property Law and the Public Domain of Science*, cit., at 448. The authors have analyzed possible legislative proposals that, while consistent with US utilitarianism as designed to reduce substantially the impact of patents on upstream innovation, would still be compatible with the TRIPs framework: they refer to (i) subject matter exclusions in areas affecting progress and relating either to cases where the blocking value of a patent would exceed its utility value, according to a convincing scheme provided in R.A. EPSTEIN, *Steady on the Course: Property Rights in Genetic Material*, in F.S. KIEFF (ed.), *Perspectives on Proprieties of the Human Genome Project*, Elsevier Academic Press, St. Louis, USA (2003), at 168, or cases where the chilling effects on innovation would be acute (according to the reading provided by J.H. BARTON, *United States Law of Genomic and Post Genomic Patents*, 33 IIC, 779 (2002); (ii) the creation of exemptions such as fair use, allowing certain activities in upstream innovation without authorization by the patent holder and through payment of a fee; (iii) or by immunizing certain uses from liability in the field of research, according to the proposals provided in R. NELSON, *The Market Economy and the Scientific Com-*

reading is fully consistent with the absence of a mandated model and the configuration of an architecture of flexibility. This implies – not for any contingent reason but consistently with the nature of the Agreement – that the balance has to be chosen at national level, and that at this level substantive IP norms and the institutional constraints allowing or limiting that balance are to be taken seriously. (iii) The neofederalistic reading of TRIPs also gives nations broad discretion to adopt national rules to better assess their domestic needs, in line with the different incentives toward higher or lower protection rules. However, this does not just result in regulatory competition. Indeed, such asymmetries favor intellectual property arbitrage consisting of a series of mechanisms by which the maintenance of higher IPR protection rules in one legal system is impaired because market participants can take advantage of lower-protection rules elsewhere, allowing the supranational effects of rules promoting research uses, interoperability, the public domain, users' rights, and also reducing the negative consequences of public choice problems in high-protection jurisdictions (511).

25. However, this reading of the TRIPs Agreement is reduced in its neofederalistic potential by a wide set of phenomena that, rather than being structurally related to TRIPs, are mostly due to contingent reasons.

25.1. The first phenomenon is a reduction of national antidotes incorporating public interest concerns. This issue has been fully analyzed during this work. Where an internal balance is not undertaken because of an incorrect interpretation of institutional constraints (as

mons, 33 *Research Policy*, 455 Elsevier, (2004); see also G.J. MOSSINGHOLF, *Remedies under Patents on Medical and Surgical Procedures*, 78 *J. Pat. & Trade Off. Soc'y*, 789 (1996).

(511) See P. SAMUELSON, *Intellectual Property Arbitrage*, cit.; see also M.A. FROMKIN, *The Internet as a Source of Regulatory Arbitrage*, in B. KAHIN, C. NESSEN (eds.), *Borders in Cyberspace: Information Policy and the Global Information Infrastructure*, Mit Press, Cambridge, MA, 12-54 (1997).

in the US system) or for the IP model itself (as in Europe), this will lead to alternative interests being addressed by other tools, such as antitrust law or human rights.

25.2. These interpretative phenomena involve the WTO panels' interpretation of the three-step test, in a way that has amplified the already normal effect of such a rule significantly reducing the national room to maneuver (512). With regard to Article 13 (513), WTO panels have adopted an interpretation that is inconsistent with the use of general clauses that are the typical instrument of utilitarianism. The WTO panel in the decision of June 15, 2000 on section 110(5) of the US Copyright Act (514) interpreted the first prong of

(512) The test was first introduced in the 1967 Stockholm Conference for the revision of the Berne Convention, when, together with the newly recognized reproduction right, it was seen as necessary to have a framework for permissible copyright limitations; see on this point M. SENFTLEBEN, *Copyright, Limitations and the Three-Step Test*, The Hague; New York: Kluwer Law International (2004). The test was then introduced in the TRIPs Agreement (Article 13) and other types of test were introduced for trademarks (Article 17), designs and models (Article 26.2), and patents (Article 30); it was then incorporated – with slight asymmetries – into the WIPO Copyright Treaty (Article 10), WIPO Performances and Phonograms Treaty (Article 16), and into Directive 2001/29/EC of the European Parliament and of the Council of May 22, 2001 on the harmonization of certain aspects of copyright and related rights in the Information Society, (Article 5.5) designed to incorporate the WIPO Treaty into the Community. This work is not meant to provide a full analysis of the different critical aspects arising from the test, see on this point C. GEIGER, *The Role of the Three-Step Test in the Adaptation to the Information Society*, *e-Copyright Bulletin* (2007), regarding whether the test is to be applied by the national judiciary when interpreting a copyright limitation, see C. GEIGER, *From Berne to National Law, via the Copyright Directive: The Dangerous Mutations of the Three-Step Test*, 29 *EIPR*, 486 (2007).

(513) Article 13 TRIPs: “Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder”.

(514) The decision concerned a US law exonerating commercial establishments, such as bars and restaurants, from paying copyright under certain conditions. For a comment on the case, see B.C. GOLDMANN, *Victory for Songwriters in WTO Music-Royalties Dispute Between US and EU – Background of the Conflict over the Extension of Copyright Homestyle Exemption*, 32 *IIC*, 412 (2001); see also J. OLIVER,

the test as requiring that the exemption had to be framed in limited circumstances, thus endangering the validity of copyright exemptions embedded in general clauses such as fair use (515). Some have rather suggested a possible qualitative reading of the provision as referring to special cases involving the public interest in a way that would save typical utilitarian interpretative tools (516), while others have underlined that the meaning of the first step of the provision should be derived “from texts on fundamental rights to which signatory states are also bound” (517). I concur with the Geiger reading of the provision in the sense of building it in a manner compatible with its historical determinants (518) and with the circumstances of its conclusion: both elements carry a binding role in TRIPs interpretation (519). However, I would add that since the

Copyright in the WTO: The Panel Decision on the Three-Step Test, 25 *Colum. J. of Law & the Arts*, 119 (2002), M. SENFTLEBEN, *Towards a Horizontal Standard for Limiting Intellectual Property Rights – WTO Panel Reports Shed Light on the Three-Step Test in Copyright Law and Related Tests in Patents and Trademark Law*, 4 *IIC*, 407 (2006).

(515) The incompatibility of such a reading with fair use is raised in H. COHEN-JEHORAM, *Restrictions on Copyright and Their Abuse*, 27 *EIPR*, 359 (2005).

(516) See on this point M. SENFTLEBEN, *Copyright*, cit., at 324; see also S. RICKETSON, *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986*, Kluwer, London (1987), arguing that the term “special” should mean that “the exception must be justified by some clear reason of public policy or some other exceptional circumstance”.

(517) The point is raised in C. GEIGER, *The Role of the Three-Step Test in the Adaptation to the Information Society*, cit., at 5, and in C. GEIGER, *Constitutionalizing Intellectual Property Law?*, cit., at 371, also explaining that the first step would require the exemption to be generally determinable.

(518) Geiger has underlined that the WTO’s reading of the first step should not be inconsistent with fair use and with the diplomatic premises that preceded the adoption of the test, see C. GEIGER, *The Role of the Three-Step Test in the Adaptation to the Information Society*, cit.

(519) Indeed, it is useful to recall that under Article 32 of the Vienna Convention on the Law of Treaties, regarding supplementary means of interpretation: “Resort may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of Article 31, or to determine the meaning

TRIPs Agreement is not meant to form a complete, definitive system of intellectual property (520), but recognizes national intellectual property policy, even the interpretation of the three-step test should be consistent with such a neofederalist approach and allow for both proprietarian and utilitarian models: in this sense the meaning of “special” should more neutrally refer to “special reasons” and should be read according to the internal meaning given by the legal system. Furthermore, the second prong of the test – requiring the limitation not to conflict with a normal exploitation of the work – has been interpreted as referring to any kind of possible use of copyrighted work (521) instead of selecting just the uses that are likely to be of considerable economic importance (522). This latter

when the interpretation according to Article 31: (a) leaves the meaning ambiguous or obscure; or (b) leads to a result which is manifestly absurd or unreasonable”.

(520) As noted above, Article 1 of the TRIPs Preamble states that the main purpose of the Agreement is to reduce distortions and impediments to international trade, while the need to promote effective and adequate protection of intellectual property rights are just “taken into account”. This provision confirms the “horizontal” nature of the Agreement as designed to reduce barriers to trade and not to incorporate a new intellectual property meta-model. The rule should help in reading the rest of the Agreement, given that the preamble builds the “context” of the Agreement, which according to Article 31.1 of the Vienna Convention on the Law of Treaties must be taken into consideration when interpreting a treaty; see on this point Panel Report, United States – Section 110(5) of the US Copyright Act, WT/DS160/R (June 15, 2000) “that the text of the treaty must of course be read as a whole. One cannot simply concentrate on a paragraph, an article, a section, a chapter or a part”.

(521) See Panel Rep. of 15 June 2000 §6.180 where “normal exploitation” is read as including both exploitation that currently generates income for the author and that which is likely to generate income in the future. It is quite evident that such interpretation renders the three-step test the founding layer of an intellectual property model, where all possible uses of the creation are assumed as included in the exclusive right, and from such inclusion very modest space is left to exemptions. This reading is totally incompatible with US utilitarianism where, once technology allows the possible exploitation of certain uses that were previously uncontrollable, such change does not per se lead to the inclusion of those uses in the exclusive right of the IP holder. On the contrary, the system seems quite consistent with legal systems where all potential economic uses are assumed to be part of the exclusive right (e.g. the Italian system, under Article 12.2 of Copyright Law No. 633/41).

(522) See M. SENFTLEBEN, *Copyright*, cit., at 324.

reading is in fact contained in the panel interpretation of Article 30 (523) containing the three-step test relating to patents. The WTO panel in *Canada – Pharmaceutical Products* (524) considered “normal exploitation” to include just what is “essential to the achievement of the goals of patent policy” (525). The expression would be consistent with the need to respect policies and purposes that are peculiar to national intellectual property models (526).

However, even if this latter reading were accepted, there are further elements of rigidity in the provision that would be difficult to avoid. Firstly, Geiger has underlined how the test would in any case constitute a relevant ban on the introduction of statutory licenses other than those already provided in international texts (527);

(523) Article 30 TRIPs: “Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with the normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties”.

(524) *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R (Report of WTO Dispute Settlement Panel, 2000) (“*Canada – Pharmaceutical Products*”). The decision regarded the challenge of two exemptions under Article 30 of TRIPs: (i) the regulatory exemption, permitting the use or manufacture of a patented invention for the sole purpose of obtaining regulatory approval, so facilitating the market entry of the generic product once the proprietary product has expired, and (ii) the so-called stockpiling exemption, enabling the generic industry to manufacture a patented product within the last six months of its validity and to sell it after expiration of the term.

(525) See on the point M. SENFTLEBEN, *Towards a Horizontal Standard for Limiting Intellectual Property Rights*, cit., and C. GEIGER, *The Role of the Three-Step Test in the Adaptation to the Information Society*, cit.

(526) In this sense I agree with the arguments of Dinwoodie and Dreyfuss regarding the *Canada* WTO’s interpretation of the second prong of Article 30: “while this understanding should take account of national practices (...) normalcy is ultimately a normative question – it depends on a vision of the just balance between proprietary rights and public access interests (...)”, see G.B. DINWOODIE, R. COOPER DREYFUSS, *International Intellectual Property Law and the Public Domain of Science*, cit.

(527) See on this point C. GEIGER, *The Role of Three-Step Test in the Adaptation to the Information Society*, cit. This point is quite interesting as it shows the practical difficulty of introducing liability rule models in the technology market, a solution that has been suggested by several authors, see N.W. NETANEL, *Impose a*

furthermore, with reference to the interpretation of Article 30, in Canada – Pharmaceutical Products, the WTO Panel stated that Article 7 does not provide the object and purpose of Article 30 but just its context, from which the interpreter can discern the basic meaning of Article 30: “[A]rticle 7 and 8 referring to promoting technological innovation to the mutual advantage of producers and users, and of protecting public health and promoting the public interest, cannot be used to rebalance the scheme drawn by Article 30” (528). In Shrimps, the Appellate Body defined the meaning of “object” and “purpose” of the relevant Agreement, stating that it is in the textual words of the relevant provision, read in the context, that the purpose and object has to be first sought. So, only if “the meaning imparted by the text itself is equivocal or inconclusive, or where confirmation of the correctness of the reading of the text itself is desired, light from the object and purpose of the treaty as a whole may usefully be sought” (529). Therefore, the first recital of the Preamble, and Articles 1.1 and 7 are to be considered as contextual guides to the meaning of Article 30, and not as expressions of

Noncommercial Use Levy to All Free Peer-to-Peer File Sharing, 17 *Harv. J. Law & Tech*, 1, 19 (2003); W.T. FISHER, *Promises to Keep, Technology, Law and Future of Entertainment*, Stanford University Press, Stanford, CA (2004), at 199.

(528) See Canada – Pharmaceutical Products WT/DS114R Report of WTO Dispute Settlement Panel 2000, 7.69. The interpretative role of context as to the meaning of the three-step test in the TRIPs Agreement is indeed a controversial issue that international law scholars are better suited to explore; therefore, I shall limit my arguments to a few minimal considerations. Article 31.1 of the Vienna Convention on the Law of Treaties states that “a treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose”. According to the WTO Panel, Canada claimed to interpret Article 30 using Article 1.1. and Article 7 as its context, but in reality the two articles were used to build the scope and object of Article 30. The distinction between using Article 7 as “context” and “object and purpose” is quite ambiguous as the article indeed sets out the “Objectives” of intellectual property rights, so even when taken as a context, it would be difficult not to consider its content (i.e. objectives) as authoritative statements informing the interpretation of the rest of the Agreement.

(529) See United States – Import Prohibition of Certain Shrimp and Shrimp Products (WT/DS58/AB/R), paragraph 114-117.

object and purpose that are to be inferred from the (textual and contextual) reading of Article 30. The panel decision in the Canada case does not constitute the last word on the issue as its interpretative impact is very limited as clarified by the Appellate Body: “[o]ur findings in this appeal do not in any way prejudge the applicability of Article 7 or Article 8 of the TRIPs Agreement in possible future cases with respect to measures to promote the policy objectives of the WTO Members that are set out in those Articles. Those Articles still await appropriate interpretation” (530).

25.3 A further issue is the rise of a new formalism in WTO panels’ methods of interpretation. This latter aspect has been analyzed in detail in IP literature with the particular purpose of verifying whether and how specific application of TRIPs substantive law in WTO panels may reduce or even crystallize what has been described as the neofederalistic structure of the Agreement (531). Institutional mechanics at the level of TRIPs also has perverse effects, where the mandate of minima (resulting in the need for members to increase protection while not constraining them to look after IP users’ rights) merges with panels’ practice of considering IP legislation as discrete reform and not allowing for the “packaging phenomenon”, under which certain liberal provisions are adopted in intellectual property legislation in exchange for the adoption of more protectionist provisions. IP holders bargain for a necessary strengthening of their rights in exchange

(530) Doc. WT/DS170/AB/R September 18, 2000.

(531) The neofederalistic structure of TRIPs has been analyzed in general by R.C. DREYFUSS, G.B. DINWOODIE, R.C. DREYFUSS, *International Intellectual Property Law and the Public Domain of Science*, cit., at 447; for a similar qualification relating to TRIPs competition rules, see M. RICOLFI, *Is there an Anitrust Antidote against IP overprotection within TRIPS?*, cit. The author suggests that such nature derives from the open-ended language used in the TRIPs agreement through enabling provisions, and the consequent avoidance of detailing the limits over municipal jurisdictions. See contra, for the view that TRIPs provides “rules of containment for national competition policy rather than as a norm informing the proper development of such policy” see H. ULLRICH, *Expansionist Intellectual Property Protection and Reductionist Competition Rules*, cit at 414.

for certain sacrifices, knowing that while any reduction may be struck down as violating the international agreement, any extension will only be scrutinized at national level: but the judiciary may be unequipped to invalidate such legislation.

These phenomena firstly imply a reduction of national freedom in terms of legislative discretion, reducing it solely to the restrictive regulation of IPRs. Even if user groups or third parties challenge legislation that increases protection before domestic courts, such challenges may encounter several limitations depending on the judiciary's deference toward the legislature (532). So where deference is present (as in the Eldred approach), the growing application of international law constraints over national intellectual property legislation (533) would make it more likely that such legislation would be successfully challenged for not being protected enough than for being too protective (534). Furthermore, in the specific case of package legislation, (i.e. legislation providing a tradeoff between liberal components reducing IPR protection and protectionist components), it is not just the case that the liberal components may be challenged before the WTO. When such a challenge is raised, the panels do not take into consideration that the liberal components have been introduced as a tradeoff against protectionist norms.

25.4. A final phenomenon against the recognition of Trips open

(532) See on this point G.B. DINWOODIE, R.C. DREYFUSS, *TRIPs and the Dynamics of Intellectual Property Lawmaking*, cit., at 100; according to the authors, if such a challenge in United States “invoked the same level of scrutiny that the WTO gives to reductions in protection, the systematic effect would be correct”.

(533) It is however relevant to note that International Agreements are generally not directly enforceable in US courts. The Supreme Court might uphold legislation that is inconsistent with the treaties. On the other hand, the WTO could authorize US trading partners to impose economic sanctions until Congress amended a certain piece of legislation. See P. GOLDSTEIN, *International Copyright: Principles, Law, and Practice*, Oxford University Press, New York (2001): noting the general, though not universal, view that the Berne Convention is not self-executing in the United States.

(534) See R.A. REESE, *Copyright Term Extension and the scope of Congressional Power – Eldred v. Ashcroft*, 7 *J. World Intell. Prop.*, 5, 31 (2004).

architecture is what may be referred to as the ideology of harmonization. Indeed, while harmonization represents an essential means of promoting international trade, it often engages in divergent relations with intellectual property law. Such relations result in a sometimes difficult cohabitation – at TRIPs level – between the free-trade goals of the General Agreement on Tariffs and Trade (GATT) and the WTO, and the goal of providing adequate protection for intellectual property (535). The goal of harmonizing intellectual property is basically independent from the purpose of finding a substantial balance between the conflicting interests characterizing intellectual property, and for this reason the harmonizing laws may underestimate third-party interests (536), resulting in a “barely discernible” balance in TRIPs provisions (537). The divergence between the two purposes can be reinforced by the influence of certain interest groups in the process of re-regulation of world markets whose interests and efforts “are largely detached from the traditional goal of domestic IP systems to strike a balance between commercial profitability and public-interest concerns” (538): the example of a bilateral agreement is quite emblematic.

(535) Both the purposes are contained in Article 1 of the TRIPs Preamble. However, as noted previously, the prevailing purpose is the reduction of “distortions and impediments to international trade” where the promotion of “effective and adequate protection of intellectual property rights” is said to be taken into account.

(536) In some cases the purpose of harmonization and intellectual property protection may lead to the opposite tendency of conflicting with IP owners’ interests. This is the case of exhaustion of IP rights: international trade would benefit from international exhaustion of intellectual property rights, as this allows goods to flow freely in the global market, while intellectual property owners would support a national exhaustion of intellectual property rights in order to recover R&D expenses, see on the point R.C. DREYFUSS, A.F. LOWENFELD, *Two Achievements of the Uruguay Round*, cit., 275, 280; see also J. GINSBURG, *International Copyright: From a Bundle of National Copyright Laws to a Supranational Code?*, 47 *J. Copyright Soc’y*, 265 (2000).

(537) See G.B. DINWOODIE, R.C. DREYFUSS, *TRIPs and the Dynamics of Intellectual Property Lawmaking*, cit., at 448.

(538) See K.E. MASKUS, J.H. REICHMAN, *The Globalization of Private Knowledge Goods and the Privatization of Global Public Goods*, 7 *J. of Int’l Econ. L.*, 279 (2004).

However, the divergence between harmonization and intellectual property regulation is obviously not ontological: the two do conflict where – as the market is global and therefore ripe for harmonization – important aspects of intellectual property remain territorial. These are (i) the existence of different levels of development in the innovation markets in certain countries (so that they maintain different interests in the design of IPRs); (ii) the existence of different intellectual property models that inevitably constrain the interplay between property rights and the public interest to still strong specificities.

The purpose of finding the optimal balance of intellectual property can cohabit with harmonization only in certain cases: (i) where one legal system takes over regulation by exporting its own policies (this is basically the idea proposed by some authors stating that harmonization of intellectual property law could even be considered as a means to foster US constitutional “Progress of useful arts” under the US Constitution, insofar as certain national conditions are embedded in such harmonization (539)), (ii) where the need to create a uniform market supersedes the interest in maintaining individual differences, which may be a future tendency in the European Union (540); (iii) or where the purpose of positive integration is not the creation of a uniform substantive intellectual property law, but the creation of a system which – once minimum standards of protection are agreed – allows expansive reading of legislative powers retained by Members. I would therefore agree here with the neofederalistic reading suggested by Din-

(539) See S. PERLMUTTER, *Participation in the International Copyright System as a Means to Promote the Progress of Science and Useful Arts*, 36 *Loy. L.A. L. Rev.*, 323 (2002).

(540) Indeed, as European intellectual property is a harmonization system, relevant breathing space is left to national legislature. However, the need to reinforce the internal market by creating a greater level of harmonization could be a valuable argument to reduce interpretative approaches that tend to go in the opposite direction by reinforcing asymmetries: e.g. this would be a valuable policy argument against the use of the counter-limits theory according to which the European law primacy is superseded by national fundamental values.

woodie, Dreyfuss, and Ricolfi (541), according to whom TRIPs itself is not a harmonization tool, but is merely meant to minimize trade barriers, including those arising from intellectual property (542). This seems to be consistent with its position at the WTO, which justifies the regulation of intellectual property not for the purpose of creating a consistent architecture of global harmonization in terms of policies, but to solve the interaction between IP and trade.

If this reading is correct, some of the solutions proposed for dealing with IPR expansionism somehow “assume”, or rather surrender, to the evolution of the TRIPs framework into a system of harmonization giving rise to a sort of intellectual property meta-model. Instead of underlying interpretative solutions, designed to

(541) Dreyfuss and Dinwoodie have analyzed in a number of articles the reading of what they name the neofederalistic dimension of the TRIPs Agreement and the implication for the growing need of nations to “have the flexibility to modify their intellectual property rules to readjust the balance between public and private rights”, see, inter alia, G.B. DINWOODIE, R.C. DREYFUSS, *International Intellectual Property Law and the Public Domain of Science*, 7 *J. Int’l E.L.*, 431 (2004), where the authors identify interpretative approaches that would allow member states to maintain sufficient autonomy allowed by the Agreement; G.B. DINWOODIE, R.C. DREYFUSS, *TRIPs and the Dynamics of Intellectual Property Lawmaking*, cit., where they include in the analysis the dynamics of legislative process and ask whether certain dynamics, like packing legislation, should be taken into account by the WTO panels. While the two authors refer to the neofederalistic structure mainly in connection with IP rules, Ricolfi shifts this reading to the interface between IP rules and competition law. With this latter and more limited group of legal rules (the author considers Article 40, Article 8(2), Article 31(k) and also Articles 67 and 66(2)), the neofederalistic reading seems even clearer as TRIPs reserves competition rules to Members’ sovereign competition policy: the concession was made by the industrialized countries in response to an earlier effort by developing countries to enact a Code of Conduct for the Transfer of Technology, see H. ULLRICH, *Expansionist Intellectual Property Protection and Reductionist Competition Rules*, cit. However Ullrich has a partially different reading on the role of TRIPs competition law rules, considering Articles 8.2 and 40 not as a further element of the neofederalistic architecture but as “rule[s] of containment for national competition policy rather than as a norm informing the proper development of such policy”.

(542) See on the characterization of TRIPs not as a harmonization system, H. ULLRICH, *Expansionist Intellectual Property Protection and Reductionist Competition Rules*, cit., at 408 and 414; the thesis is shared by M. RICOLFI, *Is there an Anti-trust Antidote against IP overprotection within TRIPS?*, cit., at 326.

foster a neofederalistic reading of the Agreement, instruments are sought that tend toward a harmonized system. Petersmann has proposed solving some of the issues of a harmonized but imbalanced intellectual property system through the use of human rights (543) and a sort of constitutionalization of competition rules at international level with the effect of prioritizing property and free trade over other values. I refer to these proposals not to go into their merits (544), but rather to make a more methodological observation. Petersmann's arguments imply a certain reading of TRIPs' positive integration as inevitably leading to global intellectual property harmonization: consistent with this view, he looks at the case of European integration as a positive example. However, it is worth noting that while harmonization is the main purpose of the European Union – and the elimination at this level of certain national asymmetries may even be welcomed in the interests of fostering a harmonized internal European innovation market – the purposes of TRIPs should be read differently: in the words of Marco Ricolfi “minimum standards are not a mandate for absolute uniformity in all Members' IP laws, because total uniformation in IP protection is certainly not the goal of TRIPs. Rather, the core of protection as

(543) This view has been expressed by Petersmann in a wide range of works, see inter alia E.U. PETERSMANN, *Constitutionalism and International Adjudication: How to Constitutionalize the U.N. Dispute Settlement System?*, 31 *NYU J. Int'l L. & Pol.*, 753 (1999); E.U. PETERSMANN, *From negative to positive integration in the WTO: Time for Mainstreaming Human Rights into the WTO Law?*, 37 *CMLR*, 1363 (2000); E.U. PETERSMANN, *The WTO Constitution and Human Rights*, 3 *JIEL*, 19 (2000); E.U. PETERSMANN, *Human Rights and International Economic Law in the 21st Century*, 4 *JIEL*, 3 (2001); E.U. PETERSMANN, *Time for Integrating Human Rights into the Law of Worldwide Organizations*, Jean Monnet Working Paper of New York University School of Law 7/01 (2001); E.U. PETERSMANN, *European and International Constitutional Law: Time for Promoting “Cosmopolitan Democracy”*, in the *WTO*, in G. DE BÚRCA, J. SCOTT (eds.), *The EU and the WTO*, Hart Publishing, Oxford (2001); E.U. PETERSMANN, *From Negative to Positive Integration in the WTO: the TRIPs Agreement and the WTO Constitution*, in T. COTTIER, P.C. MAVROSID (eds.), 3 *World Trade Forum, Intellectual Property: Trade Competition and Sustainable Development*, 33-40, (2003).

(544) See P. ALSTON, *Resisting the Merger and Acquisition of Human Rights by Trade Law: A Reply to Petersmann*, 13 *Europ. J. Int'l L.*, 815 (2002).

envisaged by TRIPs should be curtailed” (545). If this is true, Petersmann-type solutions, while extremely interesting, should be read not as solutions to the inevitable and ontological problems of contemporary intellectual property, but rather to the (probably avoidable) malfunctioning of what should be the TRIPs neofederalistic infrastructure.

26. This work suggests an alternative call for a growing neofederalistic reading of the TRIPs framework and for the better use of national antidotes (when available) at the level of national intellectual property models. However, such reading needs a further and final note. If the policymaking in a still bottom-up model of intellectual property regulation is to be performed on a national level, this should not be taken as a *carte blanche* justifying any legislative solution and qualifying judicial intervention – even where possible – as an “interference” in the executive’s and legislatures’ capacity to conduct foreign relations. Indeed, some authors have suggested this latter reading (546) with the argument that flexibility should correspond to the availability of a freer means available to a legal system to impose its view regardless of alternative limitations (547). My point is quite different: in the context of providing minimum standards and reducing barriers to trade, intellectual property law *should*

(545) Cit. 330.

(546) See S. PERLMUTTER, *Participation in the International Copyright System*, cit., at 330.

(547) Perlmutter’s reading of intellectual property harmonization corresponds to a call for judicial deference toward the legislature: this conclusion is then confirmed, in the author’s reasoning, when the author recognizes that such a model is consistent with the prevalence of the US model over Progress: “[f]uture benefits are nice, but policy makers are primarily concerned about their existing rightholders’ present interests (protection for the country’s entire stockpile of cultural heritage and creative product). This is the source of the economic and political pressure that is needed in most countries to provide the impetus for treaty ratification”, cit., at 334. Perlmutter explains that international engagement “has enabled the United States to act as a leader in shaping the balance of the international copyright system to further those policies we believe to be advisable”.

address balances when this is still allowed: it should not be reduced to the ancillary role of serving the “smooth functioning of the market”. The neofederalistic reading should be accompanied by a better use of legal tools (internal to individual intellectual property models) that would not only allow the fine-tuning of different solutions, consistent with different needs and different intellectual property specificities, but also realize a Jeffersonian model of a decentralized system of decision-making.

This confirms the relevance of the assessment of IP balance at the level of national systems and of the use of available antidotes, either in the form of institutional competition or a better design of legislative choices.

CHAPTER VIII

CONCLUSION AND PERSPECTIVES

SUMMARY: 27. Conclusion and perspectives.

27. A number of conclusions can be drawn from the analysis of the specific implications of intellectual property models for private rights expansionism, both in the European system and in the US.

In general, the present work has suggested that for the purpose of defining intellectual property models, the issue of institutional relations and the evaluation of the specific role of the judiciary in interpreting intellectual property, play an essential role in evaluating the ability of a given system to address public interest concerns via *ex post* fine tuning. Such judicial balance of interests requires both (i) apical norms functionalizing exclusive rights in intellectual creations to public interest and (ii) interpretative rules and general clauses allowing courts to undertake such fine tuning.

Firstly, the work has proposed a more complex definition of US intellectual property utilitarianism, where the benefit for society is a condition of legitimacy for IPRs. Here the instrumentality of exclusive rights is not only defined by a constitutional provision, but substantially allowed by rules regulating institutional competition between the judiciary and the legislature. Furthermore, such a model, due to its constitutional foundation, repeats the same mechanism in the interpretation of substantive intellectual property rules (e.g. fair use and Article 35 U.S.C. § 283). Further considerations derive from this principle: (i) when other systems want to acquire or obtain the

same effects of IP utilitarianism they should look carefully at the existence of similar founding elements (apical norms functionalizing IPRs to the public interest and not merely referring to it, and rules allowing for institutional competition). (ii) At least as far as the US IP model is concerned, notwithstanding that the system is often the origin of economic powers devoted to global support of IPR expansionism, it, on the contrary, also has more internal antidotes than others to face that expansion: indeed courts and scholarly debate should play greater attention to the use of such internal antidotes and the rules of institutional competition than to legal reforms. (iii) The intellectual property clause does not just embed economic regulation, but a consideration of the fundamental value of societal access to innovation that is the very core of progress. This principle is not just a good argument to support heightened standards of scrutiny in judicial review cases, but is also an interpretative tool that draws a clear distinction between the use of the IP Clause (that is indeed the tool by which such a fundamental should be considered) and the use of the First Amendment, which can receive little application in the area of intellectual property insofar as it is clear that such fundamental interest is not just internalized by the exclusive right but is always at the center of the balance created by the IP Clause and linked provisions.

Secondly, in the European IP model, due to the nature of exclusive rights, the public interest – while embedded in the choices of the legislature – does not allow a continuous functionalization of IPRs, and the relationship with fundamental rights is either one of incorporation (some rights are considered already internalized by property protection) or conflict (in some specific cases). However, since the protection of access to knowledge is of pivotal importance, as law and economics demonstrates, legal discussion should continue in the research of tools of balance. Again, few specifications are necessary: (i) since constitutional norms do not functionalize IPRs the “rhetoric” of the public domain may play a very small role to support such balances of a utilitarian nature. The public domain acquires a utilitarian dimension when IPRs are functionalized in a legal system, but it can theoretically coexist with a system of

strong property rights, so it does not have autonomous conceptually qualifying strength as far as intellectual property rights are concerned. (ii) Since the pivotal moment in relation to the consideration of alternative interests is the *ex ante* regulation provided by the legislature, this institution should have more interaction with the world of science and its decision-making process made more transparent. (iii) It would be important in any case to find minimal instruments of flexibility left to the judiciary by intellectual property. However, where discretionary tools emerge in favor of national courts, such discretion could not *per se* be interpreted as a tool of utilitarianism: it is significant that when the US Supreme Court had to reform CAFC jurisprudence concerning Article 35 U.S.C. § 283 in a more utilitarian sense, it had to root it over the IP constitutional clause. Since Europe lacks a similar apical legal rule, it should be carefully analyzed how such discretionary powers can be used. One way to embed the overall consideration of benefits could be derived from the reading of European intellectual property as a tool to “foster the internal market” of innovation, which potentially involves considering how the innovation and knowledge market work.

Third and finally, this work has tried to argue that both the international human rights framework and the TRIPs Agreement do not propose a meta-model of intellectual property and can be read as providing (in terms of national room to maneuver) a neofederalistic framework. It has been noted that such a bottom-up system, that would allow national particularities and foster, when available, the use of individual IP model solutions, may be substantially reduced in two ways: on the one hand, national systems may reduce the impact of their internal antidotes to IP overprotection (as happens with US institutional deference); on the other hand, interpretative approaches adopted by WTO panels seem to reduce the neofederalistic nature of the Agreement (e.g. in the reading of the three-step test). If these two tendencies are not symmetrically shielded by scholarly analysis and interpretative initiatives, it is likely that the overall system will not only continue to move in the direction of IPR expansionism, but will venture toward a global harmonization

characterized by a growing level of rigidity and crystallization. In this context, future intellectual property, while still able to avoid macroscopic inequalities (e.g. by the use of human rights), may gradually lose its traditional ability to address the issue of fine-tuning property rights with the public interest. This may sometimes be apparently unproblematic for those IP models that mostly leave these choices to the legislature, but may, on the other hand, reduce the ability to access knowledge and endanger the interests of future generations.

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