

# EXTENDING TORT LIABILITY TO CREATORS OF FAKE PROFILES ON SOCIAL NETWORKING WEBSITES

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## Abstract

In today's world, social media has become ubiquitous. While social media provides opportunities for networking, there are also opportunities for exploitation. Courts and legislatures have provided remedies for some wrongs that can occur on social networking websites. However one area remains neglected- false profiles made for real people.

In present day tort law, using another person's name or likeness can open the offender to liability for either misappropriation of name or likeness or a violation of right of publicity. This Note argues that these causes of action should be extended to false profiles made on social networking websites. This Note begins by discussing the two causes of action, how they are applied to actions over the Internet, how courts should apply the actions to false profiles, and possible defenses to the causes of action.

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## Introduction

In 2009, users of the website Twitter.com were shocked to read what St. Louis Cardinals manager Tony La Russa had to say on the his Twitter profile. La Russa made many crude statements to his followers, often insulting his team or players. For instance, one time he said, “Lost 2 out of 3, but we made it out of Chicago without one drunk driving incident or dead pitcher.”<sup>1</sup> As it turns out, La Russa was as surprised about the comments as anybody. Somebody had used La Russa’s identity to create a fake profile and was passing himself off as Tony La Russa. La Russa ultimately settled his suit against Twitter.com,<sup>2</sup> however one wonders what cause of action he would have used against the profile’s creator.

A Social Networking Service (SNS) allows users to be part of an online community with other users. SNSs have been defined as websites that that allow users to: “(1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system.”<sup>3</sup> Most SNSs also provide their users with a forum for communicating with fellow users. For example, Facebook.com lets a user write messages on another user’s profile, MySpace.com provides weblogs on which its users can write, and Twitter.com lets a user post short messages for others to read. Although there are a number of active SNSs, in this note I will limit the discussion to the three most popular SNSs: Facebook.com (Facebook), MySpace.com (MySpace), and Twitter.com (Twitter).

The connections to other users make these SNSs an open forum on which users can communicate with large numbers of people at once.<sup>4</sup> The ease of communicating with large numbers of people has led to emerging legal issues that were non-existent less than a decade ago. This note will discuss the particular problem that has arisen in recent years of users creating profiles pretending to be other people or entities.

Some profiles are obviously fake such as the Facebook profiles for Planet Earth<sup>5</sup> and the cartoon character Captain Planet.<sup>6</sup> However when a fake SNS profile is purported to be a real

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<sup>1</sup> Phillip Matier & Andrew Ross, *Air Board pays \$75K for Columnist’s Speech*, SAN FRANCISCO CHRONICLE, May 10, 2009, <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/05/10/BA8517HE1E.DTL#ixzz0bfzaKwLT>.

<sup>2</sup> Due to the anonymity policies of the website, La Russa was forced to sue Twitter.com to get a court order compelling the website to disclose the name of the user who created the profile before suing the profile’s creator. Douglas MacMillan, *La Russa vs. Twitter Tests Web Anonymity*, Business Week, June 10, 2009. [http://www.businessweek.com/technology/content/jun2009/tc2009069\\_767898.htm](http://www.businessweek.com/technology/content/jun2009/tc2009069_767898.htm).

<sup>3</sup> Danah M. Boyd & Nicole B. Ellison, *Social Network Sites: Definition, History, and Scholarship*, 13 J. COMPUTER-MEDIATED COMMUNC’N, 11 (2007), <http://jcmc.indiana.edu/vol13/issue1/boyd.ellison.html>.

<sup>4</sup> *Id.*

<sup>5</sup> Facebook.com, <http://www.facebook.com/profile.php?id=547935507>, last visited May 9, 2010.

person it is impossible for other users to determine whether that person actually created the profile.

While creating fake SNS profiles can be innocuous, a maliciously created fake profile can cause personal and economic harm. As a few defendants are finding out, this problem is no longer hypothetical. Multiple cases have been filed in different states over damage done by a person creating a fake SNS profile (in addition to suits against the SNSs to force them to provide user information to be used in a future lawsuit against the user). In Texas, an assistant principal sued two students over a MySpace profile that falsely depicted her as a promiscuous lesbian with a sex problem, listed her phone number and her place of employment, and contained obscene comments, pictures and graphics.<sup>7</sup> In Pennsylvania, four students created a profile for their high school's principal which claimed that the principal participated in vulgar and illegal activities.<sup>8</sup>

The most extreme case to date is *United States v. Drew*.<sup>9</sup> This case involved a 49-year-old woman who created a fake SNS profile to bully a 13-year-old girl.<sup>10</sup> Lori Drew created a fake profile on MySpace pretending to be a 13-year-old boy.<sup>11</sup> Drew used the profile to befriend, date and then break up with Megan Meier.<sup>12</sup> Afterwards Drew continued to bully the girl until Megan committed suicide.<sup>13</sup> A California jury found the defendant guilty, but the judge vacated the judgment because the statute she was convicted under was unconstitutionally vague.<sup>14</sup> Although the guilty verdict was vacated for procedural reasons, *Drew* shows that courts and juries are willing to hold people accountable for actions that take place on SNS websites.

Unfortunately legal remedies for victims of fake profiles are limited because tort law has been slow to adapt to acts committed over the Internet. In *Draker*, an assistant principal tried to sue two of her students because they created a fake profile with her as the subject.<sup>15</sup> Draker filed multiple amended complaints alleging a variety of claims.<sup>16</sup> It is obvious that she could not find a cause of action that protected her from the type of harm she suffered. Even the Texas Court of Appeals acknowledged the lack of a proper cause of action to redress Draker and affirmed the district court's grant of summary judgment.<sup>17</sup> In the court's words, "there is, in fact, no remedy for [her] damages."<sup>18</sup>

In addition to causing embarrassment, people are also figuring out ways to profit from using programs that hijack other peoples' profiles. This problem is very common and becoming

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<sup>6</sup> Facebook.com, <http://www.facebook.com/pages/Captain-Planet-and-the-Planeteers/113691108641684?ref=ts>, last visited May 9, 2010.

<sup>7</sup> *Draker v. Schreiber*, 271 S.W.3d 318, 324 (Tx. App. 2008).

<sup>8</sup> *Layshock v. Hermitage Sch. Dist.*, 496 F. Supp. 2d 587, 590-91 (W.D. Pa. 2007).

<sup>9</sup> 259 F.R.D. 449 (C.D. Cal. 2009).

<sup>10</sup> *Id.* at 452.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> See Jennifer Steinhauer, *Verdict In MySpace Suicide Case*, N.Y. TIMES, Nov. 26, 2008, <http://www.nytimes.com/2008/11/27/us/27myspace.html?ref=us>.

<sup>14</sup> *Drew*, 259 F.R.D. at 468.

<sup>15</sup> 271 S.W.3d at 321.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 327 (Stone, J., Concurring).

<sup>18</sup> *Id.*

more prevalent since more people are using SNSs. Twenty-one percent of SNS users claim they have been the targets of malicious programs that hijack their profiles.<sup>19</sup> Additionally, a Russian security firm claims that on some days one in 500 links posted on Twitter contain such malicious programs.<sup>20</sup> Many times having a SNS profile hijacked results in damaged hard drives and embarrassment.<sup>21</sup> The hijacker's acts on behalf of the SNS user are instantaneously public for the user's friends and family to see. Security experts say SNSs are prime targets for profile hijackers because people implicitly trust the messages they receive from friends.<sup>22</sup>

Profile hijackers often profit from the referral fees they get for directing people to e-commerce websites using false links.<sup>23</sup> The links the perpetrators place on the profile can be purely spam that leads to websites that pay referral fees for traffic, or they can include viruses that damage or destroy hard drives when clicked.<sup>24</sup>

Many victims of fake profiles do not know what legal remedies are available to address this problem.<sup>25</sup> Although the law is still struggling to catch up to this recent development of fake profiles on SNSs, the courts can rely on the tools that have been a part of the American jurisprudence for many years to provide legal remedy to victims of fake profiles. This note will argue that courts should extend traditional misappropriation of likeness or name and violation of right of publicity causes of action to provide an adequate remedy to the person injured by a fake profile.

Part I of the note discusses the background of the SNSs and current law for misappropriation of likeness or name and right of publicity. Part II of the note discusses how courts should extend the causes of action to the SNS context and what defenses may be available. Part II also discusses the rationale and policy reasons behind extending these causes of action to SNS issues. And, finally, the Conclusion provides summary of the argument that the traditional causes of action could be adapted to redress the victims of fake profiles on SNSs.

## I. Background

### A. *What are SNSs?*

A SNS is a social networking website that allows a user to create a profile for himself. The user can then connect his profile to other users' profiles and see the information on the other users' profiles. A person can join a SNS by creating a profile that usually consists of general information about the user, a photo of the user, a place to see the user's friends, and other applications depending on the SNS. Most SNS websites are free to join. SNSs originally started as a way to connect with friends and meet new people with similar interests.<sup>26</sup> The original SNS

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<sup>19</sup> Brad Stone, *Viruses That Leave Victims Red in the Facebook*, 2009 WLNR 25151685 (Dec. 14, 2009).

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*; See *Draker*, 271 S.W.3d at 327 (Stone, J., concurring) (stating there is often little to no "civil remedy for the injured targets of these internet communications").

<sup>26</sup> Boyd, *supra* note 3, at 3.

creators adapted the idea of user profiles from dating websites.<sup>27</sup> Most SNSs feature profiles that its users can create for free.

SNSs are becoming more and more popular every month. At the time of writing this article, the three most popular SNSs are Facebook, which was created in 2004, MySpace, which was created in 2002, and Twitter, which was created in 2006.<sup>28</sup> Facebook attracted over 100 million new users in the first 9 months of 2009, which brings its number of regular users worldwide to over 300 million (roughly the same population as the United States of America).<sup>29</sup> The number of SNSs currently operating on the Internet is enormous (one author has compiled over 350 sites on a single list<sup>30</sup>).

Facebook and MySpace revolve around a profile that the user creates. This profile is created by answering questions include descriptors such as age, location, interests, and an "about me" section.<sup>31</sup> These profiles may also encourage users to upload a profile photo. A user's profile is then linked to other users by becoming "friends" with the other users. Twitter allows its users to become "microbloggers."<sup>32</sup> Users utilize the website to let their followers know what they are doing.

While each SNS has a different policy regarding the privacy of a user's profile, all SNSs have a way to view the profile of another user. With such a large number of users on the most popular SNSs and so many ways for the users to express themselves, it is easy to disseminate information to other people who are viewing the users' profile.

### *B. What law should be applied?*

In 1977, the American Law Institute published the second edition of its Restatement of Torts. Included in the Restatement (Second) of Torts was § 652A, which distinguished between four categories of invasion of privacy. These four categories were delineated in exactly the same way as in a famous article by Dean William Prosser.<sup>33</sup> The categories are: right of privacy,<sup>34</sup> misappropriation of name or likeness,<sup>35</sup> right of publicity,<sup>36</sup> and publicity that unreasonably places another in a false light.<sup>37</sup> This note will focus on the tort of misappropriation of name or likeness, and the tort of violation of right of publicity.

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<sup>27</sup> *Id.*

<sup>28</sup> Caroline McCarthy, *Whee! New Numbers on Social Network Usage*, [http://news.cnet.com/8301-13577\\_3-10160850-36.html](http://news.cnet.com/8301-13577_3-10160850-36.html) (February 10, 2009) (The monthly visits for each website are: Facebook.com- 1,191,373,339; Myspace.com- 810,153,536; Twitter.com- 54,218,731).

<sup>29</sup> Steven Carroll, *Rapidly Expanding Facebook Notches up 300 million Users*, <http://www.irishtimes.com/newspaper/frontpage/2009/0917/1224254727462.html> (Sept. 17, 2009).

<sup>30</sup> Daksh Sharma, *Social Networking God: 350+ Social Networking Sites*, <http://mashable.com/2007/10/23/social-networking-god> (Oct. 23, 2007).

<sup>31</sup> Boyd, *supra* note 3, at 3.

<sup>32</sup> See Twitter About Page, <http://twitter.com/#about> (defining microblogging as updating followers on what the user is doing in a limited amount of characters) (last visited May 9, 2010).

<sup>33</sup> Prosser, *Privacy*, 48 CAL. L. REV. 383, 389 (1960).

<sup>34</sup> RESTATEMENT (SECOND) OF TORTS § 652B (1977).

<sup>35</sup> *Id.* at § 652C.

<sup>36</sup> *Id.* at § 652D.

<sup>37</sup> *Id.* at § 652E.

These two causes of action are similar and easily confused.<sup>38</sup> This is partially because of the similarity in proof required to establish both claims.<sup>39</sup> As the court in *Berosini* held:

The distinction between these two torts is the interest each seeks to protect. The appropriation tort seeks to protect an individual's personal interest in privacy; the personal injury is measured in terms of the mental anguish that results from the appropriation of an ordinary individual's identity. The right to publicity seeks to protect the property interest that a celebrity has in his or her name . . . .<sup>40</sup>

Therefore, this note will distinguish between the causes of action. Both these causes of action are state law claims and may differ from state to state. I will discuss and use the majority view and mention noteworthy minority views.

### C. *What is Misappropriation of Name or Likeness?*

Misappropriation of Name or Likeness is a cause of action that protects an individual from unauthorized use of his identity. Originally this was not a separate tort but rather was a part of invasion of privacy.<sup>41</sup> Dean Prosser differentiated Misappropriation from other forms of invasion of privacy in his article "Privacy."<sup>42</sup> The California Court of Appeals adopted Dean Prosser's elements for establishing a misappropriation of name or likeness claim in *Eastwood v. Superior Court*.<sup>43</sup> These elements are: "(1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury."<sup>44</sup>

#### 1. Use of Plaintiff's Identity

The defendant cannot use the plaintiff's identity. While this concept is obvious when applied to the plaintiff's name or picture, allusions to the plaintiff may be protected as well. The Minnesota district court has upheld protection for a plaintiff's pseudonym as long as it clearly identifies the plaintiff.<sup>45</sup> Other courts have held that a prima facie case for misappropriation can be established if the name used clearly identifies the wronged person.<sup>46</sup> In *Hirsch*, the defendant advertised a women's shaving gel and called it "Crazylegs."<sup>47</sup> Crazy Legs is the well-known

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<sup>38</sup> See *People for the Ethical Treatment of Animals v. Berosini*, 895 P.2d 1269, 1283 (Nev. 1995).

<sup>39</sup> Kathryn Riley, *Misappropriation of Name or Likeness Versus Invasion of Right of Publicity*, 12 J. CONTEMP. LEGAL ISSUES 587, 588 (2001).

<sup>40</sup> *Berosini*, 895 P.2d at 1283.

<sup>41</sup> Prosser, *supra* note 45.

<sup>42</sup> *Id.*

<sup>43</sup> 149 Cal. App. 3d 409, 417 (1983).

<sup>44</sup> *Id.* at 417. See also Prosser, LAW OF TORTS § 117 (4th ed. 1971); *Newcombe v. Adolf Coors Co.*, 157 F.3d 686 (9th Cir. 1998) (applying California law).

<sup>45</sup> *Faegre & Benson, LLP v. Purday*, 367 F. Supp. 2d 1238, 1248 (D. Minn. 2005); see also, *McFarland v. Miller*, 14 F.3d 912, 922 (3d Cir. 1994) (holding a person cannot appropriate a name if the plaintiff can demonstrate his identification with that name).

<sup>46</sup> *Hirsch v. S.C. Johnson & Son, Inc.*, 280 N.W.2d 129, 137 (Wis. 1979).

<sup>47</sup> *Id.* at 382.

nickname for the plaintiff, former professional football player Elroy Hirsch.<sup>48</sup> Although the defendant did not use Hirsch's nickname for a commercial advantage, the Wisconsin Supreme Court held the plaintiff had a property right in his identity and the plaintiff's identity includes his nickname.<sup>49</sup>

Protection of a person's identity is not confined to the person's name or nickname. An image that identifies a person may also be protected from unauthorized use.<sup>50</sup> In *Motschenbacher*, the plaintiff was a professional racecar driver.<sup>51</sup> Every professional driver customized the look of his car to be recognizable his fans.<sup>52</sup> Motschenbacher's car stood out among other cars because his racing number was the only one set in an oval instead of a circle.<sup>53</sup> The defendants made an advertisement using racecars including plaintiff's car.<sup>54</sup> The defendants changed some aspects of the plaintiff's car, but not the color, pinstripes and distinctive oval of the plaintiff's car.<sup>55</sup> The 9<sup>th</sup> Circuit noted that "these markings were not only peculiar to the plaintiff's cars but they caused some persons to think the car in question was the plaintiff's and to infer that the person driving the car was the plaintiff."<sup>56</sup> These distinctive features were enough to allow the plaintiff to succeed on a claim for misappropriation of likeness.<sup>57</sup>

Since this cause of action is a state claim, state legislatures can limit what constitutes a plaintiff's identity. For example, the New York cause of action covers only name, portrait, or picture;<sup>58</sup> the California action covers only name, voice, signature, photograph, or likeness;<sup>59</sup> and the Massachusetts action covers only name, portrait, or picture.<sup>60</sup> However, most courts will permit a misappropriation cause of action if the defendant "pass[es] himself off as the plaintiff or otherwise seek[s] to obtain for himself the values or benefits of the plaintiff's name or identity."<sup>61</sup>

## 2. Use must be for defendant's advantage

For a successful claim of misappropriation of name or likeness, the plaintiff must prove the defendant has gained in some way. When the defendant uses the plaintiff's identity to gain economically it is easy for the court to determine that this element has been satisfied. For example, in *Michaels v. Internet Entertainment Group, Inc.*, the defendant distributed an adult video starring musician Brett Michaels.<sup>62</sup> The defendant was an Internet website that sold subscriptions to customers.<sup>63</sup> The subscription service had approximately 100,000 members and

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<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 130.

<sup>50</sup> *Motschenbacher v. R.J. Reynolds Tobacco Co.*, 498 F.2d 821, 827 (9th Cir. 1974).

<sup>51</sup> *Id.* at 822.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at 827.

<sup>57</sup> *Id.*

<sup>58</sup> N.Y. CIV. RIGHTS LAW § 51 (2009).

<sup>59</sup> CAL. CIV. CODE § 3344(a) (1997).

<sup>60</sup> MASS. GEN. LAWS h. 214, § 3A (2005).

<sup>61</sup> RESTATEMENT (SECOND) OF TORTS § 652C.

<sup>62</sup> 5 F. Supp. 2d 823, 840 (C.D. Cal. 1998).

<sup>63</sup> *Id.* at 828.

its president estimated that up to one-third of the members would cancel their subscriptions if not for the video containing the plaintiff.<sup>64</sup> The court determined the enticement to continue paying a monthly membership fee was enough to satisfy the advantage element of the cause of action.<sup>65</sup>

Courts will still allow the plaintiff to recover under a misappropriation cause of action even if the defendant uses the plaintiff's identity for non-commercial benefit. The defendant only has to act for his own benefit even if the benefit sought is not a pecuniary one.<sup>66</sup> In *Felscher v. University of Evansville*, the defendant was a former professor at the University of Evansville.<sup>67</sup> A few years after his termination, the defendant created websites and email accounts pretending to be the University's President, Vice President for Academic Affairs, and Dean of the College of Arts and Sciences.<sup>68</sup> The defendant used these websites and email accounts for various purposes; each time he pretended to be the official for whom the account was created. Because of these websites and emails, people thought the university officials were supporting Felscher's view on certain issues.<sup>69</sup> The court held the use of the plaintiffs' names and reputations was to the defendant's advantage because it enabled him to pursue a personal vendetta.<sup>70</sup>

Courts have recognized some limits to the benefit element of the misappropriation cause of action. For instance, a Massachusetts district court held that using the name and picture of a person for the purpose of expressing an opinion about that person is not enough of a benefit to sustain a misappropriation claim.<sup>71</sup> The plaintiff in *McMann* was a real estate developer.<sup>72</sup> An unknown person created a website with McMann's picture and the creator's negative opinion of the plaintiff.<sup>73</sup> The court reasoned that stating an opinion of somebody is not enough of a benefit for the speaker to constitute misappropriation of name or likeness.<sup>74</sup> Thus, although there are a few limits on what is considered a benefit, courts have construed the advantage element for this cause of action broadly.

### 3. Lack of Consent

For liability in a misappropriation action, the plaintiff must prove that he did not consent to the defendant using the plaintiff's identity.<sup>75</sup> Even if the plaintiff can establish that a prohibited use has occurred, the court will not allow recovery if it believes the plaintiff consented

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<sup>64</sup> *Id.* at 837.

<sup>65</sup> *Id.* at 838.

<sup>66</sup> RESTATEMENT (SECOND) OF TORTS § 652C.

<sup>67</sup> 755 N.E.2d 589 (Ind. 2001).

<sup>68</sup> *Id.* at 590.

<sup>69</sup> *Id.* at 591.

<sup>70</sup> *Id.* at 600.

<sup>71</sup> *McMann v. Doe*, 460 F. Supp. 2d 259, 269-70 (D. Mass. 2006); *see also* *Albright v. Morton*, 321 F. Supp. 2d 130, 139-40 (D. Mass. 2004).

<sup>72</sup> *Id.*

<sup>73</sup> *McMann*, 460 F. Supp. 2d at 270.

<sup>74</sup> *Id.* at 268.

<sup>75</sup> *See Tollefson v. Price*, 430 P.2d 990, 992 (Ore. 1967); *Cason v. Baskin*, 20 So. 2d 243, 248 (Fla. 1944).



to the use of his identity.<sup>76</sup> This consent can be expressly given by the plaintiff or implied from the plaintiff's actions.<sup>77</sup>

In *National Football League*, the plaintiff had a contract with several cable television stations giving them permission to telecast football games.<sup>78</sup> The agreement provided that any not-sold-out games would not be shown within a 75-mile-radius of the home club's stadium.<sup>79</sup> The defendants used satellite dishes and other technology to intercept the satellite signals of the not sold-out games, and broadcast them in their restaurants and bars (which were within a 75-mile-radius of the stadium).<sup>80</sup> The court held that the broadcast of the intercepted signal was a prohibited use of the signal.<sup>81</sup> However, because the plaintiffs consented to their likenesses being broadcast by the television stations plaintiffs waived their right to sue for misappropriation even though they did not consent to the defendant's use of their images.<sup>82</sup> Therefore a person's consent to the use of his name or likeness may bar a claim even if a person who did not get express consent uses the name or likeness.

#### 4. Resulting Injury

The final element the plaintiff must establish for a claim of misappropriation of name or likeness is that the defendant's actions resulted in an injury.<sup>83</sup> The plaintiff does not have to allege that a certain amount of injury occurred or make an "estimate in dollars and cents [of] the extent of plaintiff's suffering."<sup>84</sup> In *Kunz*, the defendant took a picture of the plaintiff without her knowledge to use as an advertisement for defendant's business.<sup>85</sup> The trial court dismissed the plaintiff's complaint principally because the plaintiff failed to prove any actual harm.<sup>86</sup> The Kansas Supreme Court reversed the trial court's dismissal of the complaint because the showing of an injury is possible without the showing of a specific loss.<sup>87</sup>

The California Appeals Court adopted *Kunz* by holding that any invasion of a legal right is an injury, although without proof of material harm the plaintiff may only be entitled to nominal damages.<sup>88</sup> The court in *Fairfield* held "special damages need not be charged or proven, and if the proof discloses a wrongful invasion of the right of privacy, substantial damages for mental anguish alone may be recovered."<sup>89</sup> The defendant in *Fairfield* distributed to potential

<sup>76</sup> *Natl. Football League v. The Alley, Inc.*, 624 F. Supp. 6, 10 (S.D. Fla. 1983).

<sup>77</sup> See *Bell v. Birmingham Broad Co.*, 96 So. 2d 263, 269-70 (Ala. 1957); *Johnson v. Boeing Airplane Co.*, 262 P.2d 808, 813-14 (Kan. 1953); *Pavesich v. New Eng. Life Ins. Co.*, 50 S.E. 68, 68 (Ga. 1905); *Earp v. Detroit*, 167 N.W.2d 841, 846 fn. 5 (Mich. Ct. App. 1969); *Smith v. WGN, Inc.*, 197 N.E.2d 482, 484 (Ill. App. Ct. 1964); *Cont'l Optical Co. v. Reed*, 86 NE.2d 306, 309 (Ind. App. 1949).

<sup>78</sup> 624 F. Supp. at 10.

<sup>79</sup> *Id.* at 8.

<sup>80</sup> *Id.* at 9.

<sup>81</sup> *Id.*

<sup>82</sup> *Id.*

<sup>83</sup> *Eastwood v. Superior Court*, 149 Cal. App. 3d 409, 417 (1983); Restatement (Second) of Torts § 652C.

<sup>84</sup> *Kunz v. Allen*, 172 P. 532, 532 (Kan. 1918).

<sup>85</sup> *Id.* at 532.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.* at 533.

<sup>88</sup> *Fairfield v. Am. Photocopy Equip. Co.*, 291 P.2d 194, 198 (Cal. Dist. Ct. App. 1955).

<sup>89</sup> *Id.* at 199 (quoting *Reed v. Real Detective Pub. Co., Inc.*, 162 P.2d 133, 139 (Ariz. 1945)).

clients a list of satisfied customers of its photocopying equipment.<sup>90</sup> The plaintiff was among the list even though he had already returned the product because he was dissatisfied with it.<sup>91</sup> The court held that any violation should be recoverable even if the injury was mental and subjective.<sup>92</sup> The unauthorized use of a person's name is an actionable invasion of the plaintiff's rights even if the injury was slight.<sup>93</sup>

The Washington Supreme Court has held that a plaintiff may use the courts to protect the use of his name.<sup>94</sup> In *Hinkle*, a group of people organized a convention in support of a candidate for the 1924 United States Presidential election and called their political party the "La Follette State Party."<sup>95</sup> Mr. La Follette was a candidate for the Progressive party and was not affiliated with the defendants' political party.<sup>96</sup> Mr. La Follette sued to enjoin the use of his name by the defendants' political party.<sup>97</sup> The Court held that other people have no right to use someone else's name without their consent.<sup>98</sup> The Court reasoned that a person's reputation and character are inseparably connected with that person's name.<sup>99</sup> Therefore when a person's name is used the court will generally presume an injury resulted from the usage.

While it is necessary to show that harm resulted from the defendant's action, proving harm in a misappropriation of name action can be easy. Many states hold that as long as the plaintiff can prove an unauthorized use of his name, it is not necessary that "it be alleged or proved that such unauthorized use will damage him."<sup>100</sup> In situations where a person's name was misappropriated, the court will generally presume the harm. Thus courts will generally presume harm when a person's name is misappropriated.

#### D. *What is the Right of Publicity?*

Simply put, the right of publicity is the inherent right in every person to control the commercial use of his identity.<sup>101</sup> This right is generally treated as a property right that a person has in his identity. Although many corporations have SNS profiles, a corporation generally does not have the same right to protect itself from the unauthorized use of its identity.<sup>102</sup> Thomas McCarthy determined that there are three elements that make up the prima facie case of a

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<sup>90</sup> *Id.* at 85.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* at 197.

<sup>93</sup> *Id.*

<sup>94</sup> *State v. Hinkle*, 229 P. 317, 317 (Wash. 1924).

<sup>95</sup> *Id.* at 817.

<sup>96</sup> *Id.* at 318.

<sup>97</sup> *Id.*

<sup>98</sup> *Id.* at 319.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*; *See e.g.*, *Steding v. Battistoni*, 208 A.2d 559, 561 (Conn. Cir. Ct. 1964) (Connecticut); *James v. Dr. P. Phillips Co.*, 155 So. 661, 663 (Fla. 1934) (Florida); *Ryan v. Holm*, 52 N.W.2d 406 (Minn. 1952) (Minnesota); *Schlessman v. Schlessman*, 361 N.E.2d 1347, 1349 (Ohio App. 6th Dist. 1975) (Ohio); and *Hinish v. Meier & Frank Co.*, 113 P.2d 438, 445 (Or. 1941) (Oregon).

<sup>101</sup> 5 J. Thomas McCarthy, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION*, § 1:3 (4th ed., 2010).

<sup>102</sup> *See Bear Foot, Inc., v. Chandler*, 965 S.W.2d 386, 389 (Mo. Ct. App. 1998). A corporation may have several copyright or trademark causes of action.

violation of someone's right of publicity. These elements are: a) Validity; b) Infringement; and c) Damage.<sup>103</sup>

## 1. Validity

The validity element requires the plaintiff to prove that the defendant used or is using the plaintiff's identity without permission. According to McCarthy, this element is established when "either [the] plaintiff's own identity is in issue or that plaintiff is an assignee or exclusive licensee of someone else's right of publicity."<sup>104</sup> Courts have characterized and protected a person's identity as his property.<sup>105</sup>

In *Presley's Estate*, famous entertainer Elvis Presley's estate successfully brought a right of publicity action against the defendant.<sup>106</sup> Presley worked hard to make sure people identified him by his mannerisms, clothing, symbol, and facial expressions.<sup>107</sup> After his death, Presley's estate continued to make money from licenses and royalties from his songs and endorsements.<sup>108</sup> The defendant made money by hiring an Elvis impersonator and developing a show copying an actual Elvis Presley stage show.<sup>109</sup> During the copied stage show, the defendant's performer wore the same type of clothing and hairstyle as Presley and had all of the same mannerisms as Presley.<sup>110</sup>

The *Presley's Estate* court defined the right of publicity as "the right of an individual, especially a public figure or a celebrity, to control the commercial value and exploitation of his name and picture or likeness and to prevent others from unfairly appropriating this value for their commercial benefit."<sup>111</sup> The court said the underlying concept was the right to control the commercial exploitation of one's name and likeness.<sup>112</sup>

## 2. Infringement

To establish this element, the plaintiff must prove that the defendant used the plaintiff's identity without the plaintiff's consent.<sup>113</sup> The infringement of the right of publicity is an invasion of the plaintiff's substantial property interest. This infringement can be in the plaintiff's entire act,<sup>114</sup> his likeness, or even his style.<sup>115</sup>

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<sup>103</sup> McCarthy, *supra* note 101, at § 28:7.

<sup>104</sup> *Id.* at fn. 1.

<sup>105</sup> *Presley's Estate v. Russen*, 513 F. Supp. 1339, 1372 (D. N.J. 1981).

<sup>106</sup> *Id.* at 1345.

<sup>107</sup> *Id.*

<sup>108</sup> *Id.* at 1348.

<sup>109</sup> *Id.*

<sup>110</sup> *Id.* at 1348-1349.

<sup>111</sup> *Id.* at 1353.

<sup>112</sup> *Id.*; *See also Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562, 575-78 (1977).

<sup>113</sup> McCarthy, *supra* note 101, at § 28:7.

<sup>114</sup> *See Zacchini*, 433 U.S. at 575-578.

<sup>115</sup> *Presley's Estate*, 513 F. Supp. at 1353.

Additionally, courts have held that a defendant does not need to know that its use was without the plaintiff's consent to be liable for a violation of the plaintiff's right of publicity.<sup>116</sup> In *Welch v. Christmas*, the court held that knowledge, malice and recklessness were not elements of a violation of someone's right of publicity.<sup>117</sup>

### 3. Damages

The right of publicity protects people from losing the benefit of their work put into creating a marketable image.<sup>118</sup> A person can seek a court order to protect and control the commercial value in his or her name or likeness.<sup>119</sup>

The plaintiff in a violation of right of publicity action does not need to show that the defendant made money from the plaintiff's name or likeness.<sup>120</sup> In *Henley v. Dillard Dept. Stores*, the plaintiff was a well-known musician named Don Henley. The defendant was a department store that created a line of clothing named after the plaintiff without his consent or knowledge.<sup>121</sup>

The defendant argued that plaintiff's right of publicity claim must fail because the defendant did not generate sufficient revenue to cover the costs of the advertisements.<sup>122</sup> However, the court determined that the plaintiff only has to prove that defendant received a commercial benefit from use of plaintiff's name or likeness that he would not have received without the plaintiff's name or image.<sup>123</sup>

Similar to the misappropriation cause of action, the Illinois Court of Appeals held that courts will presume damages if someone infringes another's right to control his identity, so claimant does not need to prove actual damages.<sup>124</sup> In *Ainsworth*, the plaintiff agreed to appear in an instructional video.<sup>125</sup> However, the defendants also used clips of the plaintiff in a television commercial, which the plaintiff did not agree to.<sup>126</sup> The court held that even if the plaintiff cannot prove actual damages from the defendant's use of the plaintiff's identity, the court would presume damages from an unauthorized use.<sup>127</sup> Since the plaintiff could not prove actual damages, the court awarded only nominal damages. However, since courts will generally presume damages from the unauthorized use of a person's identity, nominal damages are sufficient to satisfy the damage element.

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<sup>116</sup> 440 N.E.2d 1317, 1319 (N.Y. 1982).

<sup>117</sup> *Id.* at 1319.

<sup>118</sup> *Bear Foot, Inc. v. Chandler*, 965 S.W.2d 386 (Mo. Ct. App. 1998).

<sup>119</sup> *Eagle's Eye, Inc. v. Ambler Fashion Shop, Inc.*, 627 F. Supp. 856, 862 (E.D. Pa. 1985).

<sup>120</sup> *Henley v. Dillard Dept. Stores*, 46 F. Supp. 2d 587, 597 (N.D. Tex. 1999).

<sup>121</sup> *Id.* at 589.

<sup>122</sup> *Id.* at 595-96.

<sup>123</sup> *Id.* at 597.

<sup>124</sup> *Ainsworth v. Cent. Supply Co.*, 693 N.E.2d 510, 514-15 (Ill. App. Ct. 1998); *Petty v. Chrysler Corp.*, 799 N.E.2d 432, 441-42 (Ill. App. Ct. 2003).

<sup>125</sup> *Ainsworth*, 693 N.E.2d at 512.

<sup>126</sup> *Id.*

<sup>127</sup> *Ainsworth*, 693 N.E.2d at 514.

*E. How are the Misappropriation and Right of Publicity Claims Distinguished?*

The interests these two torts are designed to protect can distinguish the causes of action from one another.<sup>128</sup> The Nevada Supreme Court in *Berosini* court made a distinction between the two torts by recognizing “the difference between the personal, injured-feelings quality involved in the appropriation, privacy tort and the property, commercial value quality involved in the right of publicity tort.”<sup>129</sup> The *Berosini* court simplified the process of making a distinction between the torts. The Court held that generally celebrities have a claim for right of publicity while private persons only have a claim for misappropriation of name or likeness.<sup>130</sup> The private person’s typical injury from an invasion of privacy will be mental anguish and embarrassment because of the unwanted use of his name.<sup>131</sup> A celebrity, on the other hand, is concerned about the commercial loss that is inherent in other people using the celebrated name or identity.<sup>132</sup>

A celebrity is more likely to have a property right in his identity than a private individual, since a private person’s identity is not likely to be commercially valuable.<sup>133</sup> The right of publicity is the cause of action that is designed to protect a commercial interest in a person’s name or identity. This principle was recognized as far back as 1953.<sup>134</sup> *Haelan Laboratories* has been recognized as the first case to develop the right of publicity. The judge in *Haelan Laboratories* held the right of publicity was not a cause of action for bruised feelings, but rather for a deprivation of money that can be received for authorizing advertisements.<sup>135</sup>

A violation of a celebrity’s right of publicity is properly viewed as a commercial tort.<sup>136</sup> Courts may hold rigidly to the distinction between the two causes of action. For instance, in *Berosini* the plaintiff was a public figure and celebrity who sued with a misappropriation claim.<sup>137</sup> However, the plaintiff was interested in recovering the money that was gained through the use of his name.<sup>138</sup> The Court did not allow the plaintiff to recover because he pled misappropriation of likeness and not right of publicity.<sup>139</sup>

*F. How has traditional tort law been adapted to torts committed over the Internet?*

The Internet has only been in existence for a few decades, but it has already changed the way people interact. Numerous legal problems have evolved because of acts committed over the Internet. In many areas, the common law has been slow to catch up to the new problems that have arisen with advent of the Internet. The first case in which the court ruled that a tort was

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<sup>128</sup> Facebook.com, *supra* notes 5-6.

<sup>129</sup> *Berosini*, 895 P.2d at 1283 (emphasis omitted).

<sup>130</sup> *Id.* at 1284.

<sup>131</sup> *Id.*

<sup>132</sup> *Id.*

<sup>133</sup> *Id.* at 1284.

<sup>134</sup> *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866, 866 (2nd Cir. 1953).

<sup>135</sup> *Id.* at 868.

<sup>136</sup> *Berosini*, 895 P.2d at 1284 (quoting McCarthy, THE RIGHTS OF PUBLICITY AND PRIVACY § 10.02, 10-6).

<sup>137</sup> *Id.*

<sup>138</sup> *Id.*

<sup>139</sup> *Id.* at 1285.

committed using the Internet was in Australia in *University of West Australia in Rindos v. Hardwick*.<sup>140</sup>

Internet torts are considerably different from the “bricks and mortar world of traditional civil litigation in which family law and personal injury tort cases predominate.”<sup>141</sup> A major difference between traditional tort claims and Internet tort claims is the nature of injuries suffered by the plaintiffs.<sup>142</sup> Most cases involving the Internet involve financial loss.<sup>143</sup> Also, ninety-seven percent of Internet torts are intentional torts while traditional torts are predominately negligence.<sup>144</sup>

Scholars have recognized that most torts committed using the Internet are publication or informational torts.<sup>145</sup> This is because a person can use chat rooms, web pages, newsgroups, and other technological innovation to make his voice heard.<sup>146</sup> It was recognized, even before SNSs became mainstream, that these technological innovations created the potential for widespread invasions of privacy.<sup>147</sup>

Although the substance of a tort claim is the same for a traditional tort as it is for an Internet tort, there are differences in the two actions.<sup>148</sup> Among the differences are type of remedy sought (predominately money for traditional tort cases but equitable relief in Internet cases) and types of damage (predominately personal injury in traditional cases but economic loss for Internet torts).

Another difference between traditional causes of action and Internet torts is anonymity. To avoid chilling expression, courts generally promote anonymity for people posting on the Internet.<sup>149</sup> Going back to the Tony La Russa example, the identity of the creator of La Russa’s fake profile was unknown because Twitter refused to release the name of the profile’s creator.<sup>150</sup> This causes plaintiffs additional legal hurdles because the person must first sue the SNS to receive a declaratory judgment that the website is required to provide the name and information of the creator.<sup>151</sup> The plaintiff cannot sue the SNS user without his name and address.<sup>152</sup>

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<sup>140</sup> 940164 (Sup. Ct. W. Austl. March 31, 1994), available at <http://www.law.auckland.ac.nz/research/cases/Rindos.html> (last visited Nov. 2, 2003) (unreported judgment).

<sup>141</sup> Michael L. Rustad & Thomas H. Koenig, *Cybertorts and Legal Lag: An Empirical Analysis*, 13 S.CAL. INTERDISC. L.J. 77, 87 (2003).

<sup>142</sup> *Id.* at 93.

<sup>143</sup> *Id.*

<sup>144</sup> *Id.*

<sup>145</sup> *Id.* at 92.

<sup>146</sup> See *Reno v. ACLU*, 521 U.S. 844, 870 (1997).

<sup>147</sup> Rustad, *supra* note 141.

<sup>148</sup> For a complete list of the differences see Rustad, *supra* note 141.

<sup>149</sup> Lyriisa Barnett Lidsky, *Silencing John Doe: Defamation & Discourse in Cyberspace*, 49 DUKE L.J. 855, 896 (2000).

<sup>150</sup> See MacMillian, *infra* note 220.

<sup>151</sup> See *Archdiocese of Indianapolis v. Doe*, No. 49D12-0805-CT-20682 (Ind. Super. Ct. 2008); *Dominick v. MySpace*, No. 2008L005191 (Ill. Cir. Ct. 2008).

<sup>152</sup> Although this problem is outside of the scope of this Note, this additional legal hurdle it is worth noting.

*G. What Defenses to the Misappropriation and Right of Publicity Causes of Action Exist?*

Defendants in both misappropriation and publicity claims can use defenses to justify their behavior. This section will discuss several common law defenses to the two torts. However, courts need to be able to keep up with the challenges the lightning speed development of the internet poses for common-law adjudicative process.<sup>153</sup> This includes adapting defenses from traditional tort actions to acts committed over the Internet.<sup>154</sup>

1. The First Amendment and Free Speech

The First Amendment to the United States Constitution protects a citizen's right to free speech.<sup>155</sup> The advent of the Internet has created many new problems in First Amendment jurisprudence because the Internet allows anyone with a computer to "become a town crier with a voice that resonates farther than it could from any soapbox."<sup>156</sup> The guarantee of free speech has been extended to communication over the Internet.<sup>157</sup>

In *Doe v. Cahill* the Delaware Supreme Court was asked to limit free speech for people who posted information on a website.<sup>158</sup> The plaintiff, a town councilman, sued four anonymous Internet users for information they posted on a website's chat room. The Delaware Supreme Court decided that undue limits would chill free speech.<sup>159</sup> The Court did determine that Internet posters do not receive First Amendment protection for defamatory speech.<sup>160</sup>

In a misappropriation or right of publicity cause of action, the defendant can argue that his use of the plaintiff's identity or name was free speech. In *Pooley v. National Hole-In-One Ass'n*, the plaintiff was a professional golfer who hit a hole-in-one during a golf tournament.<sup>161</sup> The defendant used a video of the hole-in-one and the plaintiff's name for a promotion without plaintiff's consent.<sup>162</sup> When Pooley sued for a violation of his right of publicity, the defendant claimed the use of the video and name was an exercise of freedom of speech.<sup>163</sup> The Arizona district court held that "when the purpose of using a person's identity is strictly to advertise a product or a service, as it is here, the use is *not* protected by the First Amendment."<sup>164</sup>

However the *Pooley* court did acknowledge that non-commercial use of another's name or likeness may be protected by the First Amendment.<sup>165</sup> Indeed, courts have held that violation of right to privacy claims (including right of publicity and misappropriation) can be overridden by

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<sup>153</sup> *Name.Space, Inc. v. Network Solutions*, 202 F.3d 573, 584 (2d Cir. 2000).

<sup>154</sup> *See id.*

<sup>155</sup> U.S. CONST. amend. I.

<sup>156</sup> *Reno v. ACLU*, 521 U.S. 844 (1997).

<sup>157</sup> *Id.* at 870 (holding there here is "no basis for qualifying the level of First Amendment scrutiny that should be applied to [the internet].").

<sup>158</sup> 884 A.2d 451, 455 (Del. 2005).

<sup>159</sup> *Id.* at 457.

<sup>160</sup> *Id.* at 456 (citing *Chaplinsky v. N.H.*, 315 U.S. 568 (1942)).

<sup>161</sup> 89 F. Supp. 2d 1108, 1109 (D. Ariz. 2000).

<sup>162</sup> *Id.* at 1109.

<sup>163</sup> *Id.* at 1114.

<sup>164</sup> *Id.* at 1113 (emphasis in original).

<sup>165</sup> *See id.*

constitutional concerns raised by the First Amendment's protection of artistic speech.<sup>166</sup> “Courts have been consistently unwilling to recognize the right of publicity cause of action where the plaintiff's name or picture was used in connection with a matter of public interest, be it news or entertainment”.<sup>167</sup>

## 2. Creative Works

Courts and state legislatures generally protect a person's right to use an otherwise protected attribute when used in a creative fashion.<sup>168</sup> In *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, the court looked at whether a product containing a celebrity's likeness is “so transformed that it has become primarily the defendant's own expression rather than the celebrity's likeness.”<sup>169</sup> The plaintiff in *Comedy III Productions* was the registered owner of all rights to The Three Stooges and their comedy act.<sup>170</sup> The defendant was an artist who drew images of The Three Stooges using charcoal and then created lithographic and silkscreen prints for T-shirts, which he later sold.<sup>171</sup> The court decided that when the value of the work comes from the skill, creativity, and reputation of the artist (and not from the fame of the celebrity) the use of the protected image is transformative.<sup>172</sup> The First Amendment protects the reproduction of these transformative images.<sup>173</sup>

The relevant test for an affirmative defense using the United States Constitution's First Amendment guarantee of freedom of speech is whether the challenged work has significant transformative elements or whether the work's value is derived elsewhere apart from the celebrity's fame.<sup>174</sup> The defense is designed to protect original works of art and encourage an artist to create something new and creative.<sup>175</sup> *Comedy III Productions'* transformative defense to a violation of a right of publicity claim should be adapted to the acts committed over the Internet.

## 3. Social Commentary, Criticism, and Parody

Social commentary, criticism, and parody are all defenses to misappropriation and publicity claims. Parody is likely to be the most commonly used defense for the issue this Note is examining.

Parody is a humorous form of social commentary that has been prevalent in literature and culture since the days of ancient Greece.<sup>176</sup> In *Cardtoons, L.C. v. Major League Baseball Players*

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<sup>166</sup> *Rogers v. Grimaldi*, 695 F. Supp. 112, 121 (S.D.N.Y. 1988).

<sup>167</sup> *Id.* at 121.

<sup>168</sup> See 42 PA. CONS. STAT. § 8316(e)(2) and WASH. REV. CODE § 63.60.070(a).

<sup>169</sup> 21 P.3d 797, 809 (Cal. 2001).

<sup>170</sup> *Id.* at 393-394.

<sup>171</sup> *Id.* at 394.

<sup>172</sup> *Id.* at 810.

<sup>173</sup> *Id.*

<sup>174</sup> *Id.*

<sup>175</sup> *Id.* at 804.

<sup>176</sup> Merriam-Webster dictionary defines parody as “a literary or musical work in which the style of an author or work is closely imitated for comic effect or in ridicule” and dates the usage of parodies to 1598 A.D., <http://www.merriam-webster.com/dictionary/PARODY>. (last visited May 9, 2010).



*Ass'n*, the defendant produced trading cards featuring caricatures of professional baseball players.<sup>177</sup> The cards identified the players by using recognizable caricatures to depict them and using similar names, distinctive team colors and commentary about the players.<sup>178</sup> Each of the 130 cards had a statement claiming the cards were parodies and not connected with Major League Baseball.<sup>179</sup>

In ruling for the defendant, the court in *Cardtoons* rejected two arguments made by the plaintiff that are relevant to the discussion in the note. The first was that the speech in the cards were entitled to less protection from the First Amendment because the cards did not use serious commentary and the speech did not inform.<sup>180</sup> The court held that it is too hard to draw a line between speech that informs and speech that entertains and also the First Amendment made a distinction.<sup>181</sup> The second argument was that because the defendant failed to use a traditional medium of expression the speech was entitled to less protection from the First Amendment.<sup>182</sup> The court rejected this argument citing many instances where the U.S. Supreme Court upheld the First Amendment's guarantee of freedom of speech and expression despite the use of nontraditional mediums.<sup>183</sup>

The *Cardtoons* court held that not allowing an exception to the right of publicity cause of action for parodies would amount to an overprotection of intellectual property rights.<sup>184</sup> This overprotection would lead to a monopoly over the raw materials of creative expression and a decrease in the incentive for creative expression.<sup>185</sup>

The causes of action for misappropriation of name or likeness and violation of right of publicity have been extended to acts committed over the Internet. Courts should also extend these causes of action to fake SNS profiles. These causes of action should protect people from the harm that occurs when a person is a victim of a fake profile.

## II. Analysis

SNSs present a new and unique problem for the courts. As Tony La Russa found out, fake SNS profiles can cause real harm to the victims. The victims are often left without any protection or legal recourse. For instance, in *Draker* the defendants created a fake profile for their school's vice principal on MySpace.<sup>186</sup> Because Draker was not able to plead a viable cause of action, the trial court granted the defendants' summary judgment.<sup>187</sup> As the Texas Court of

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<sup>177</sup> 95 F.3d 959, 962 (10th Cir. 1996).

<sup>178</sup> *Id.*

<sup>179</sup> *Id.*

<sup>180</sup> *Id.* at 968-969.

<sup>181</sup> *Id.* at 969 (citing *Winters v. N.Y.*, 333 U.S. 507, 510 (1948)).

<sup>182</sup> *Id.* at 969-970.

<sup>183</sup> *Id.* (citing *Lovell v. Griffin*, 303 U.S. 444, 451-52 (1938) (pamphlets); *Jamison v. Texas*, 318 U.S. 413, 416 (1943) (handbills); *City of Ladue v. Gilleo*, 512 U.S. 43, 47 (1994) (yard signs); *Texas v. Johnson*, 491 U.S. 397, 397 (1989) (flag burning); *Schad v. Mt. Ephraim*, 452 U.S. 61, 61 (1981) (nude dancing); *Cohen v. California*, 403 U.S. 15, 15 (1971) (jacket with explicit message)).

<sup>184</sup> *Cardtoons*, 95 F.3d at 975.

<sup>185</sup> *Id.*

<sup>186</sup> 271 S.W.3d at 321.

<sup>187</sup> *Id.* at 321 (Stone, J., concurring).

Appeals recognizes in *Draker*, “[t]he citizens of Texas would be better served by a fair and workable framework in which to present [similar] claims.”<sup>188</sup> Two traditional causes of action that should be extended to provide this framework are the torts of misappropriation of name or likeness and violation of right of publicity.

*A. How should a court apply the two causes of action to the problem?*

Courts in America have dealt with whether the SNS can be liable for information posted on the website.<sup>189</sup> As can be seen in *Drew*, courts are now starting to hold people who use SNSs responsible for the information they post.<sup>190</sup> The question courts must answer is how they should apply traditional tort actions to SNS users. When a SNS user creates a fake profile, the courts should look at the problem in one of three ways depending on the situation.

1. Clearly Fake Profile

The first situation is when a user creates an obviously fake profile. For example, Facebook profiles exist for the Earth and cartoon Captain Planet.<sup>191</sup> When this situation occurs, the court should dismiss a claim for misappropriation of likeness or a claim for right of publicity.<sup>192</sup> Using McCarthy’s elements of a right of publicity claim<sup>193</sup> and the elements of misappropriation laid out in *Eastwood*,<sup>194</sup> it is clear that no recognizable injury results from the creation of profiles for these entities.<sup>195</sup> Anybody can create a profile for the Earth. Also, there is no recognizable harm since these entities are not real people.

2. Non-celebrity Profile Subject

The second situation occurs when a SNS user creates a fake profile for a non-celebrity. Traditionally non-celebrities have not been allowed to have a viable claim for a violation of right of publicity. Recall that the court in *Haelan Laboratories* distinguished emotional harm from economic harm.<sup>196</sup> Therefore, the plaintiff in a right of publicity claim must show that the defendant’s actions have caused a recognizable commercial loss.<sup>197</sup> It is possible that a non-celebrity could prove commercial loss caused by the use of his image or identity. However it is not very likely that a non-celebrity will have enough of a protectable property interest in his identity. Therefore, courts should apply the traditional tort of misappropriation of name or likeness when a non-celebrity sues because of a fake profile on a SNS.

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<sup>188</sup> *Id.* at 327.

<sup>189</sup> *Doe v. Friendfinder Network, Inc.*, 540 F. Supp. 2d 288, 306-07 (D.N.H. 2008) (finding SNS’s are not liable for information posted on their websites by third party users).

<sup>190</sup> 259 F.R.D. 449, 457 (C.D. Cal 2009).

<sup>191</sup> Facebook.com, *supra* notes 5-6.

<sup>192</sup> Whether a claim for copyright infringement by the cartoon character’s creator would be sustainable is outside the scope of this Note.

<sup>193</sup> McCarthy, *supra* note 103, at § 28:7.

<sup>194</sup> *Eastwood v. Superior Court*, 149 Cal. App. 3d 409, 417 (1983).

<sup>195</sup> For a discussion of the elements of misappropriation and publicity claims refer to Part b. 1 and 2 respectively.

<sup>196</sup> 202 F.2d at 868.

<sup>197</sup> *See* Part b. 2.

Courts should use the same elements that the California court put forth in *Eastwood*.<sup>198</sup> These elements lend themselves to fake profiles created for non-celebrities. When a SNS user creates a fake profile he uses the plaintiff's identity. Most SNSs have profiles that include pictures, interests and an "about me" section where the user can write anything about the person for whom the profile was created.<sup>199</sup> These applications can be used to post information about the subject of the profile.<sup>200</sup>

The appropriation of a plaintiff's name or likeness will be to the defendant's advantage. This advantage can be, but does not have to be, commercial.<sup>201</sup> The SNS user can benefit in many ways from creating a fake profile. One plausible benefit is any enjoyment the user gets out of pretending to be someone else. Additionally, it is possible for some people to make money on SNSs and this money is usually tied to how many people look at the person's profile.<sup>202</sup> Creating a sensational profile for a well-known person can generate many profile views.<sup>203</sup> A profile with many viewers can have links for the viewers to click on which will redirect them to a different website.<sup>204</sup> Some companies pay people to increase traffic on their websites.<sup>205</sup>

The lack of consent to create a fake profile is likely to be an easy element to prove. As a practical matter, a person usually does not give consent for another person to create a fake profile. These fake profiles are commonly used to trick people into thinking that the user was the person for whom the profile is created.<sup>206</sup> Therefore it is difficult to think of a reason why a rational person would give another person consent to create a fake SNS profile.

The final element of a misappropriation claim is that the action results in injury. As previously mentioned, being the victim of a fake SNS profile can cause humiliation and emotional injury.<sup>207</sup> Sometimes, a more concrete injury can result. For example, the plaintiff in *Draker* had significant damage to her personal and profession reputation due to the comments made on the profile.<sup>208</sup> These comments affected her personal and professional life enough so that she decided to sue two of her students.

The elements of a misappropriation claim can and should be applied to situations when fake SNS profiles are created for non-celebrities. The elements from Dean Prosser's Law of Torts are accepted as the elements of a misappropriation of name or likeness claim.<sup>209</sup> The court deciding a misappropriation claim brought by a non-celebrity will have to apply the facts of the specific case to the elements.

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<sup>198</sup> 149 Cal.App.3d at 417.

<sup>199</sup> Boyd, *supra* note 3.

<sup>200</sup> *Id.*

<sup>201</sup> Prosser, *supra* note 44.

<sup>202</sup> See Stone, *supra* note 19.

<sup>203</sup> *Id.*

<sup>204</sup> *Id.*

<sup>205</sup> *Id.*

<sup>206</sup> See generally *Felscher v. University of Evansville*, 755 N.E.2d 589 (Ind. 2001); *supra* Part b. 3.

<sup>207</sup> See Stone, *supra* note 20.

<sup>208</sup> Nancy Morris, *Parental Responsibility*, AMERICAN DAUGHTER MEDIA CENTER, October 17, 2006, available at <http://frontpage.americandaughter.com/?tag=anna-draker> (last visited May 9, 2010).

<sup>209</sup> *Eastwood v. Superior Court*, 149 Cal. App. 3d 409, 417 (1983); Prosser, *supra* note 44.

### 3. Celebrity Profile Subject

The final situation occurs when a fake SNS profile is created for a celebrity. This situation is the most likely to occur and the most likely to upset the victim. Celebrities spend time, money, and energy cultivating their public image. That image can be ruined if people think the celebrity is posting inflammatory material on his SNS profile. Luckily, the elements of a right of publicity apply to this situation. The right of publicity cause of action is the most logical cause of action for celebrities since they are likely to be concerned with the commercial viability of their images. This is the exact interest that the right of publicity protects.<sup>210</sup>

The elements of a right of publicity claim are validity, infringement and damage.<sup>211</sup> When a SNS user creates a fake profile for a celebrity, validity will be relatively easy to prove. This element is proven by the fact that the profile was created but the celebrity did not create it. Proving this element becomes more difficult when the creator of the SNS profile is anonymous.

The infringement element is also relatively easy to prove. The person for whom the profile is created has to prove that the profile's creator used the victim's identity or image in a way that is identifiable to the average person without the plaintiff's consent.<sup>212</sup> Since SNS profiles include pictures, personal information and "about me" sections, the celebrity in the profile should be easily identifiable to the average person. In fact, creating an easily recognizable profile is likely the purpose of creating the fake profile.

The most difficult element for a celebrity to establish in a right of publicity claim in this context is the damages. The celebrity is required to prove that the fake profile will harm the celebrity's marketability.<sup>213</sup> The court in the SNS context will have to determine whether the profile has hurt the commercial value in the celebrity's identity.<sup>214</sup> However, a celebrity cannot sue for a violation of the right of publicity if there was no commercial harm.<sup>215</sup> It will be straightforward to establish this harm if the damage from the profile causes the person to lose commercial advantages, such as advertising contracts or product endorsement deals.

Damage will be more difficult to establish when the celebrity does not lose a tangible commercial advantage. As discussed above,<sup>216</sup> economic harm to a right of publicity plaintiff does not need to be quantifiable.<sup>217</sup> The *Henley* court held that right of publicity plaintiffs do not have to prove a quantifiable economic harm as long as the plaintiffs can prove that the defendant received some economic benefit.<sup>218</sup> Returning to the Tony La Russa example, viewers thought

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<sup>210</sup> McCarthy, *supra* note 103, at § 1:3.

<sup>211</sup> *Id.* at § 28:7.

<sup>212</sup> Welch v. Christmas, 440 N.E.2d 1317, 1319 (N.Y. App. 1982).

<sup>213</sup> Bear Foot, Inc. v. Chandler, 965 S.W.2d 386, 389 (Mo. Ct. App. 1998).

<sup>214</sup> Eagle's Eye, Inc. v. Ambler Fashion Shop, Inc., 627 F. Supp. 856, 862 (E.D. Pa. 1985).

<sup>215</sup> Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866, 868 (2nd Cir. 1953) (stating that the right of publicity is for monetary loss not "bruised feelings").

<sup>216</sup> Part b. 4.

<sup>217</sup> See *Henley v. Dillard Dept. Stores*, 46 F. Supp. 2d 587, 597 (N.D. Tex. 1999).

<sup>218</sup> *Id.*

La Russa was making outrageous comments about players and the team on his profile.<sup>219</sup> La Russa came under fire for these comments, which upset some people within the Cardinals organization.<sup>220</sup> La Russa eventually sued Twitter to shut down the account and give him the name of the profile's creator. La Russa and Twitter settled the matter outside of court.<sup>221</sup>

There are many ways a creator of a fake SNS profile can benefit economically from other SNS users thinking that a celebrity is the person posting the information on the profile.<sup>222</sup> Many fake profile creators receive payment from commerce website operators for increasing traffic on their websites.<sup>223</sup> While it is possible to prove that the fake profile creator was using a program to make money, it will be difficult for a plaintiff to prove damages.

*B. How will the defenses be applied to creators of fake profiles?*

Like defendants in traditional misappropriation and publicity claims, creators of fake profiles will have certain defenses to liability. While defendants to traditional publicity and misappropriation claims have many defenses at their disposal, the fake SNS profile creators will not be able to avail themselves of all defenses.

The first defense available to creators of fake SNS profiles is the free speech that the First Amendment to the U.S. Constitution protects. The SNS user can conceivably argue that the creation of the profile is an expression of their freedom of speech. The court in *Pooley* acknowledged that non-commercial speech is entitled to First Amendment protection.<sup>224</sup> Therefore, a person who is not gaining economically from the fake profile he created can argue that the profile is entitled to heightened First Amendment protection.

Defamatory statements are not entitled to First Amendment protection from the courts.<sup>225</sup> Therefore, if the plaintiff can prove that any statements made on the fake profile were defamatory, the plaintiff's right of publicity or misappropriation claims may not be barred by the First Amendment.

The second defense available to a creator of a fake SNS profile is the creative works doctrine. This doctrine protects people who use otherwise protected information, images or things to create something new.<sup>226</sup> The court must consider whether the challenged work has significant transformative elements or whether the work's value is derived elsewhere than from the original person or creator's fame.<sup>227</sup> Both elements of the *Comedy III Productions* test are

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<sup>219</sup> *La Russa Sues Twitter Over Fake Page*, ESPN.COM, June 5, 2009 available at <http://sports.espn.go.com/mlb/news/story?id=4230602> (last visited May 10, 2010).

<sup>220</sup> Douglas MacMillian, *La Russa vs. Twitter Tests Web Anonymity*, BUSINESS WEEK, June 10, 2009 [http://www.businessweek.com/technology/content/jun2009/tc2009069\\_767898.htm](http://www.businessweek.com/technology/content/jun2009/tc2009069_767898.htm).

<sup>221</sup> *Id.*

<sup>222</sup> See Stone, *supra* note 19.

<sup>223</sup> *Id.*

<sup>224</sup> *Pooley v. National Hole-In-One Ass'n*, 89 F.Supp.2d 1108, 1114 (D. Ariz. 2000).

<sup>225</sup> *Id.*

<sup>226</sup> See *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, 21 P.3d 797, 809 (Cal. 2001).

<sup>227</sup> *Id.* at 810.

relevant in the context of this note.<sup>228</sup> Protected materials or images that are used in connection with a SNS profile will be protected from liability if they are sufficiently transformative. For example, if a fake Facebook account is created for a movie star and the SNS user updates the account with copyrighted images from the star's movies, the defense will likely not apply. However, if the user edits an image or posts original information a court may find that the editing transformed the image sufficiently enough to qualify it for protection from the creative works doctrine.

A SNS user may be liable for creating a profile that is only valuable because of the subject of the profile. However if the creator adds value to the profile that goes beyond the value created by the subject, the creator may be able to use the creative works defense.<sup>229</sup> This can happen for celebrities and non-celebrities alike. For example, if a user creates a Twitter account pretending to be a subject's friend and others read the account because they think the friend is updating the account, the creator may be liable. However if the creator makes interesting and humorous insights on the account and people read the updates to read those insights, the SNS user created the value of the account and not the subject. This creates a tension because the user's insights about the profile's subject will likely be transformative but those insights may increase the subject's desire to sue.

Finally, a SNS user can avail himself of the defense of social commentary, criticism and parody. As discussed above, in the context of a fake SNS profile the defense of parody seems the most likely to be used.<sup>230</sup> The *Cardtoons* court held that an exception to misappropriation and publicity causes of action for parodies is necessary to avoid an overprotection of intellectual property rights.<sup>231</sup> This defense would lead to an incentive for creative expression.<sup>232</sup> Facebook does not have an impersonation or parody policy; the terms of service provide that the user may not "post content or take any action on Facebook that infringes or violates someone else's rights or otherwise violates the law."<sup>233</sup> However, some SNSs actually allow parody profiles to be created. For instance, Twitter does not allow profiles that "[do] or [are] intended to mislead, confuse, or deceive others."<sup>234</sup> Twitter does, however, allow parody accounts that a reasonable person would know is a joke.<sup>235</sup> These policies show that SNS creators contemplated parody profiles and made decisions about whether or not the creator of a fake profile should be punished.

Therefore a SNS user who creates a fake Twitter account can argue that he should escape liability because he is acting within Twitter's own rules. Although Facebook does not have an

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<sup>228</sup> *Id.*

<sup>229</sup> *Id.*

<sup>230</sup> *See Cardtoons*, 95 F.3d at 969.

<sup>231</sup> *Id.* at 975.

<sup>232</sup> *Id.*

<sup>233</sup> Facebook.com, Facebook Terms of Service, <http://www.facebook.com/terms.php?ref=pf>. (last updated Sept. 13, 2010)

<sup>234</sup> Twitter.com, Twitter Rules of Service, <http://twitter.zendesk.com/forums/26257/entries/18311>. (last updated Sept. 13, 2010).

<sup>235</sup> Twitter.com, Twitter Impersonation Policy, <http://help.twitter.com/forums/26257/entries/18366>. (last updated Sept. 13, 2010).

explicit parody defense, a creator of a parody Facebook account should be able to use the parody defense to a misappropriation or publicity claim.

### C. Policy reasons behind extending the law

The victim of a fake SNS profile feels real harm. In the United States, when a victim is harmed by the acts of another person the victim has a right to be made whole again. Therefore the courts need to extend causes of action that protect SNS users because, as the Texas Court of Appeals acknowledged, “[t]here appears to be little civil remedy for the injured targets of these Internet communications.”<sup>236</sup>

In *Drew*, it could be seen that the creation of fake SNS profiles can lead to harmful results.<sup>237</sup> In the 1980’s the United States Congress enacted the Computer Fraud and Abuse Act of 1986, which was used by the court in *Drew* to hold the defendant liable.<sup>238</sup> The Texas State Legislature followed the U.S. Congress’ lead by enacting an online harassment statute.<sup>239</sup> This statute makes it a class three felony to “[use] the name or persona of another person to create website or post message on social networking site.”<sup>240</sup>

However, victims of fake profiles that do not qualify for protection under the Computer Fraud and Abuse Act of 1986 are often left without legal recourse. For instance, the victim in *Draker* was injured and asked the courts for help in redressing her injuries.<sup>241</sup> Left without a suitable cause of action, the plaintiff in *Draker* was unable to sustain a lawsuit against her attackers.<sup>242</sup> The *Draker* court even acknowledged that the plaintiff’s harm is not unique, but there is no remedy for her damages.<sup>243</sup>

Extending the misappropriation of likeness and right of publicity causes of action ensures that victims will be able to recover for their injuries. Extending the causes of action to cover SNS users will create liability for acts that are would be redressable if not committed over the Internet. A person should not be afforded less protection just because his injury occurred over the Internet. Protecting SNS users from unwanted use of their names or likenesses requires an extension of the traditional causes of action of misappropriation of name or likeness and violation of right of publicity to acts committed on SNSs.

### Conclusion

Since its creation, the Internet has revolutionized many areas of everyday life. It has enabled friends to stay connected with the click of a button. The creation of SNSs has enabled people to convey information with friends and large numbers of other people. While these websites have plenty of beneficial purposes, there are also potential liabilities lurking.

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<sup>236</sup> *Draker v. Schreiber*, 271 S.W.3d 318, 327 (Tx. App. 2008) (Stone, J., concurring).

<sup>237</sup> *United States v. Drew*, 259 F.R.D. 449, 457 (C.D. Cal. 2009).

<sup>238</sup> 18 U.S.C. § 1030 (1986).

<sup>239</sup> TEX. PENAL CODE §33.07 (2009).

<sup>240</sup> *Id.*

<sup>241</sup> 271 S.W.3d at 318.

<sup>242</sup> *Id.*

<sup>243</sup> *See id.* at 327 (Stone, J., concurring).

Communication can now reach many people with the click of one button, effectively giving every person with a computer access to a soapbox.<sup>244</sup>

Users of SNSs deserve to have their identities protected in the same way that people deserve such protection in everyday life. However, most jurisdictions do not protect users of SNSs.<sup>245</sup>

Courts and state legislatures should protect the identities of SNS users. These protections can be in common law form or in the form of a statute.<sup>246</sup> Two specific forms of tort protection that should be extended to SNS users are the misappropriation of name or likeness and the right of publicity. Extension of these torts is necessary to protect SNS users from becoming the victim of a hurtful fake SNS profile. The elements of both torts can be adapted to the SNS context. Both causes of action require the defendant to use the plaintiff's name or likeness without the plaintiff's permission. In both causes of action, the act must benefit the defendant in some way. And in both causes of action, the plaintiff must have a recognizable harm or injury because of the defendant's actions.<sup>247</sup>

When a person is the victim of a fake profile, the profile's creator uses the plaintiff's name or likeness as the subject of the profile. The subject of the profile is unlikely to have given consent. The profile creator can benefit from the profile in numerous economic and non-economic ways. Whether it is because of a loss of commercial opportunities or emotional harm, the harm to the victim of the profile is real and often profound.

Simply because the harm occurs using an Internet-based medium does not mean the victim deserves less protection from courts and legislatures. The vice-principal in *Draker* does not deserve to be shut out from the legal system simply because tort law has failed to evolve to the modern world fast enough.<sup>248</sup> Courts and legislatures in the United States should protect SNS users in the same way they protect the victims of misappropriations of name or likeness and right of publicity violations in the traditional context.

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<sup>244</sup> See *Reno v. ACLU*, 521 U.S. 844 (1997).

<sup>245</sup> See *Draker v. Schreiber*, 271 S.W.3d 318 (Tx. App. 2008).

<sup>246</sup> See TEX. PENAL CODE §33.07, *supra* n. 239.

<sup>247</sup> See Part b. 2 and Part b. 3.

<sup>248</sup> 271 S.W.3d at 327 (Stone, J., concurring).



**A DEFINITE CLAIM ON CLAIM INDEFINITENESS:  
AN EMPIRICAL STUDY OF DEFINITENESS CASES OF THE PAST  
DECADE WITH A FOCUS ON THE FEDERAL CIRCUIT AND THE  
INSOLUBLY AMBIGUOUS STANDARD**

Christa J. Laser\*

**Abstract**

This empirical study of patent claim definiteness cases of the past decade makes several novel findings including: (1) slightly more than half of final Federal Circuit definiteness cases hold the asserted claims not indefinite; (2) the percentage of non-Federal Circuit definiteness cases holding claims not indefinite increased approximately 60 percentage points over the ten-year period focused on in this analysis; (3) the Federal Circuit more often held chemical claims not indefinite, but electrical claims indefinite; and (4) the Federal Circuit more often held claims with term clarity issues not indefinite, but claims with means-plus-function issues indefinite. These differences partially result from the Federal Circuit incorporating an evidentiary burden into the “insolubly ambiguous” standard and inconsistently applying the “insolubly ambiguous” standard. After describing other effects of this standard, this Article recommends that the Federal Circuit modify, clarify, or abolish the “insolubly ambiguous” standard.

\* Article won second place in the Marcus B. Finnegan Writing Competition.

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## Introduction

A patent claim must “particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention.”<sup>1</sup> This definiteness requirement has two purposes: primarily, “to provide clear warning to others as to what constitutes infringement of the patent,” and, secondarily, “to provide a clear measure of the invention in order to facilitate determinations of patentability.”<sup>2</sup> This empirical study shows that recent Federal Circuit cases have limited the doctrine of claim indefiniteness, contrary to public policy and to the intent of § 112, ¶ 2.

Section I of this Article provides an introductory background of claim indefiniteness. Section II of this Article reports the results of an empirical study of claim indefiniteness over a one decade period. Part A of Section II analyzes whether the Federal Circuit and other courts more often held claims not indefinite or indefinite. Part B further analyzes indefiniteness decisions in the Federal Circuit by subject-area: biochemical, chemical, electrical, or general and mechanical. Part C analyzes indefiniteness decisions in the Federal Circuit by reason for the court’s indefiniteness determination.

Section III argues that the different percentages of claims found indefinite between these categories are due to the Federal Circuit’s disparate treatment of means-plus-function issues and term clarity issues. This Section shows that when courts find a term clarity issue, they apply the “insolubly ambiguous” standard, which incorrectly incorporates the evidentiary burden of clear and convincing evidence. This incorporation, while it may achieve the desired result in court, ties the hands of the Patent and Trademark Office, requiring the Patent and Trademark Office to apply the incorrect burden of proof in some instances. Furthermore, this Section argues that evidentiary burdens should not be used to modify purely legal standards.

Accordingly, the Federal Circuit should abolish the “insolubly ambiguous” standard or modify it to ensure that it does not incorporate the burden of clear and convincing evidence. Courts should instead adopt a simpler indefiniteness standard: if a party seeking to demonstrate invalidity can show by clear and convincing evidence that the claim does not meet § 112 (by “particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention”) then courts should invalidate the patent for indefiniteness.<sup>3</sup> If the Federal Circuit does not correct this trend soon, a competitor’s ability to accurately determine the metes and bounds of current patents might deteriorate further, leading to possible unintended infringement.

### I. Background: Policy on Claim Indefiniteness

Public policy supports a strict standard for claim indefiniteness. Precision is “essential to warn the industry concerned of the precise scope of the monopoly asserted.”<sup>4</sup> For this reason, unclear metes and bounds of patent claims undermine the very purpose of the patent system, a

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<sup>1</sup> 35 U.S.C. § 112 ¶ 2 (2006).

<sup>2</sup> 3 DONALD S. CHISUM, CHISUM ON PATENTS § 8.03 (2009).

<sup>3</sup> See 35 U.S.C. § 112 ¶ 2.

<sup>4</sup> *Universal Oil Prods. Co. v. Globe Oil & Refining Co.*, 322 U.S. 471, 484 (1944).

system based upon an exchange of information for monopoly rights.<sup>5</sup> The Patent and Trademark Office likewise sees the primary purpose of the definiteness requirement as to inform the public of these metes and bounds.<sup>6</sup> Indeed, indefinite claims can be harmful by: (1) giving the patentee an unreasonably large scope to the detriment of the public; (2) creating risk of uncertainty to other inventors, who then decrease experimentation and invention; and (3) increasing litigation after competitors incorrectly judge the scope of an indefinite patent.<sup>7</sup>

Definite claims serve an additional, “secondary” purpose: to clearly identify the invention to enable easier application of other standards of patentability such as nonobviousness and novelty.<sup>8</sup> Such clarity helps both examiners during the application stage<sup>9</sup> and courts that must make validity determinations during subsequent litigation.<sup>10</sup> Ideally, if patent examiners demand definiteness in claims upfront, that demand reduces litigation later.<sup>11</sup>

However, courts have not extensively incorporated the public policy demand for the clearest possible patents into the requirement of claim indefiniteness.<sup>12</sup> Most recently, the Federal Circuit set forth the “insolubly ambiguous” standard of claim indefiniteness in *Exxon Research and Engineering Co. v. United States*.<sup>13</sup> The court in *Exxon* opined, “We have not insisted that claims be plain on their face in order to avoid condemnation for indefiniteness; rather, what we have asked is that the claims be amenable to construction, however difficult that task may be.”<sup>14</sup> The court admitted it is difficult to find a claim indefinite using such a standard, but stated that the standard was mandated by the statutory presumption of patent validity under § 282.<sup>15</sup>

Yet on other issues of validity, such as obviousness, courts do not alter the doctrine in response to the statutory presumption of validity.<sup>16</sup> Instead, they simply require that a party seeking to demonstrate invalidity do so by clear and convincing evidence.<sup>17</sup> The current Federal

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<sup>5</sup> *See id.*

<sup>6</sup> *See* U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2173 (8th ed. 2008) [hereinafter M.P.E.P.].

<sup>7</sup> *See* *Athletic Alts., Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996).

<sup>8</sup> 3 CHISUM, *supra* note 2, § 8.03.

<sup>9</sup> *Energizer Holdings, Inc. v. International Trade Comm'n*, 435 F.3d 1366, 1369 (Fed. Cir. 2006).

<sup>10</sup> *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942).

<sup>11</sup> *Halliburton Energy Servs., Inc. v. M-I LLC*, 514 F.3d 1244, 1255 (Fed. Cir. 2008) (“We note that the patent drafter is in the best position to resolve the ambiguity in the patent claims, and it is highly desirable that patent examiners demand that applicants do so in appropriate circumstances so that the patent can be amended during prosecution rather than attempting to resolve the ambiguity in litigation.”).

<sup>12</sup> *See, e.g., Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1575-76 (Fed. Cir. 1986) (where a patent on a wheelchair of a size capable of fitting in the back seat of a vehicle was held valid because the claim was “as precise as the subject matter permits”); *Finisar Corp. v. DirecTV Grp, Inc.*, 523 F.3d 1323, 1341 (Fed. Cir. 2008) (citing *Med. Instrumentation & Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1214 (Fed. Cir. 2003)) (stating that the Federal Circuit “does not impose a lofty standard in its indefiniteness cases”).

<sup>13</sup> 265 F.3d 1371, 1375 (Fed. Cir. 2001).

<sup>14</sup> *Id.*

<sup>15</sup> *Id.* (“By finding claims indefinite only if reasonable efforts at claim construction prove futile, we accord respect to the statutory presumption of patent validity.”); 35 U.S.C. § 282 (2006).

<sup>16</sup> *See* *Proctor & Gamble Co. v. Teva Pharm. USA, Inc.*, 566 F.3d 989, 993-94 (Fed. Cir. 2009) (citing *AK Steel Corp. v. Sollac & Ugine*, 344 F.3d 1234, 1238-39 (Fed. Cir. 2003)).

<sup>17</sup> *Id.*

Circuit doctrine on indefiniteness requires a far more rigorous test than that of nonobviousness: a party seeking to demonstrate invalidity must demonstrate that the claims are “insolubly ambiguous, and no narrowing construction can properly be adopted.”<sup>18</sup>

Because the policy arguments seem to differ from the current standard set forth by the Federal Circuit, one might hope that the Supreme Court would grant certiorari in a claim indefiniteness case. However, in the last fifty years, the Supreme Court has only once tangentially addressed claim indefiniteness, in the case of *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*<sup>19</sup> The Court noted that claim indefiniteness policy requires a balance between clarity and flexibility.<sup>20</sup> In support of clarity, the Court noted:

The [patent] monopoly is a property right; and like any property right, its boundaries should be clear. This clarity is essential to promote progress, because it enables efficient investment in innovation. A patent holder should know what he owns, and the public should know what he does not. For this reason, the patent laws require inventors to describe their work in “full, clear, concise, and exact terms,” 35 U.S.C. § 112, as part of the delicate balance the law attempts to maintain between inventors, who rely on the promise of the law to bring the invention forth, and the public, which should be encouraged to pursue innovations, creations, and new ideas beyond the inventor’s exclusive rights.<sup>21</sup>

However, the Court also noted that patent claims are necessarily imprecise because an invention is a “tangible” thing, with its verbal description merely an “afterthought written to satisfy the requirements of patent law.”<sup>22</sup> As the *Festo* Court explained, “[t]hings are not made for the sake of words, but words for things.”<sup>23</sup>

The courts must weigh these competing interests. On one hand, if competitors are uncertain about a patent’s breadth, they may be deterred from engaging in legitimate activities outside its limits, or they may invest by mistake in competing products that are within the patent’s scope. In addition, competitors may engage in wasteful litigation that a stricter rule might prevent.<sup>24</sup> On the other hand, the Court acknowledged that this lack of clarity is a necessary evil of ensuring incentives for innovation, and literalism leaves the patent unsecured from copiers who seek to exploit the limits of language.<sup>25</sup>

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<sup>18</sup> *Exxon*, 265 F.3d at 1375.

<sup>19</sup> 535 U.S. 722 (2002). See 3 CHISUM, *supra* note 2, § 8.03. Before *Festo*, the last case on claim indefiniteness was *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 55 USPQ 381 (1942)). This case was about the doctrine of equivalents, and thus the U.S.P.Q. did not index it under 115.1109, but the same policy espoused by the Court applies to claim indefiniteness.

<sup>20</sup> *Festo*, 535 U.S. at 722.

<sup>21</sup> *Id.* at 730-31.

<sup>22</sup> *Id.* at 731.

<sup>23</sup> *Id.* (quoting *Autogiro Co. of Am. v. United States* 384 F.2d 391, 397 (Ct. Cl. 1967)).

<sup>24</sup> *Id.* at 732.

<sup>25</sup> *Id.* at 732 (citing *Winans v. Denmead*, 56 U.S. 330, 15 How. 330, 343, 14 L. Ed. 717 (1854) (“The exclusive right to the thing patented is not secured, if the public are at liberty to make substantial copies of it, varying its form or proportions.”)).

## II. Results

### A. *Slightly More Than Half of Final Federal Circuit Decisions on Claim Indefiniteness Hold the Claim Not Indefinite*<sup>26</sup>

During the period from December, 1998 to December, 2008,<sup>27</sup> the Federal Circuit heard forty-eight<sup>28</sup> cases that contained a claim indefiniteness issue.<sup>29</sup> Over the same period of time, the Federal Circuit heard a total of 1,171 cases on intellectual property issues.<sup>30</sup> Thus, claim indefiniteness issues appeared in 3.84% of Federal Circuit intellectual property cases.<sup>31</sup>

In those forty-eight cases, the Federal Circuit found claims definite in thirty-two cases but indefinite in sixteen cases. In other words, 66.67% of all Federal Circuit claim indefiniteness cases found claims definite and 33.33% of cases found claims indefinite.

Table 1 shows how many and what percentages of Federal Circuit indefiniteness cases were held definite and indefinite each year. Figure 1 shows how the percentage of Federal Circuit indefiniteness cases that held claims definite decreased slightly from 1998 to 2008.<sup>32</sup>

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<sup>26</sup> “Definite” will be used in text, graphs, and tables to mean “not indefinite.” This alteration is designed to make the data easier to understand for readers not familiar with patent law’s technically correct double negatives and to make tables fit more easily onto the page.

<sup>27</sup> The time period was measured from volume 49 to volume 88 of the second edition of U.S.P.Q. (BNA), inclusive. Volume 49 contains some cases from late December 1998, while volume 88 excludes some cases from late December 2008.

<sup>28</sup> One case, *SmithKline Beecham Corp. v. Apotex Corp.*, 365 F.3d 1306 (Fed. Cir. 2004), is excluded from all of this Article’s data; due to procedural issues, including a rehearing en banc, its inclusion would have caused data from the same situation to be counted twice. Also note that the data labeled as “all Federal Circuit indefiniteness cases” or any data not otherwise noted includes cases of all procedural types, including reversals of summary judgment, which operate by a different standard than, for example, reversal of the district court’s judgment of indefiniteness.

<sup>29</sup> Cases that contained a claim indefiniteness issue, for the purposes of this paper, are those indexed in the U.S.P.Q. (BNA) under 115.1109, “claim indefiniteness.” The following data only account for the particular claim of the particular patent with definiteness issues. Some cases were remanded for issues with other patents or other claims discussed in the case. While some cases contained multiple claims with definiteness issues, in the particular cases in this study, the court either held all claims with definiteness issues definite or all such claims indefinite, typically because the contested language appeared in all such claims. Therefore, it was unnecessary to separate data according to total number of claims held definite or indefinite, although such an inquiry might produce valuable insights.

<sup>30</sup> This is the number of Federal Circuit cases reported under volumes 49 to 88, inclusive, of the U.S.P.Q.

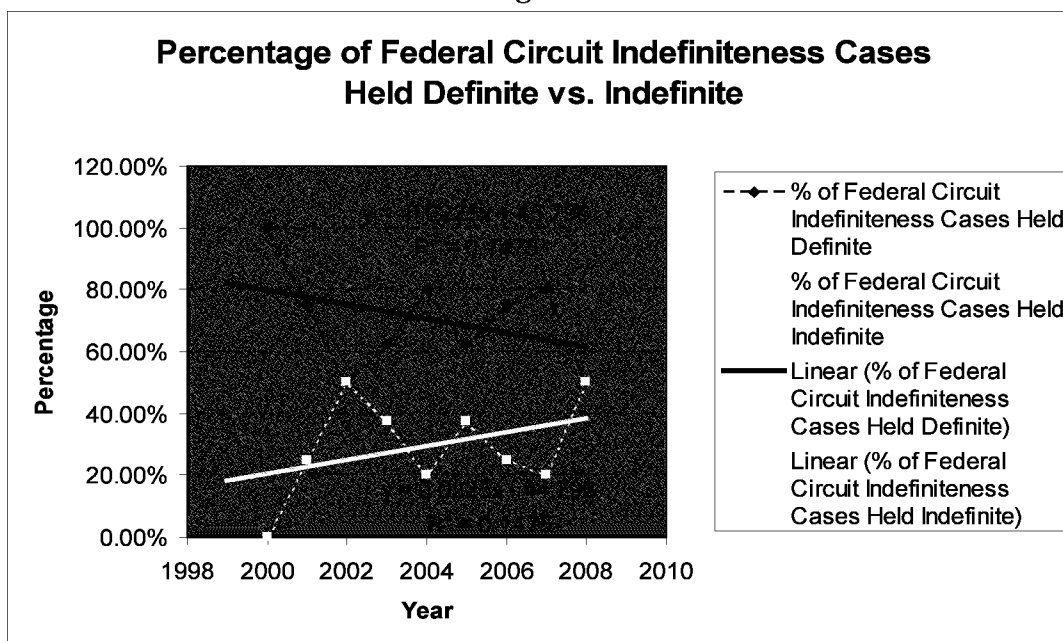
<sup>31</sup> A valuable inquiry might ask how many Federal Circuit intellectual property cases were patent cases in order to determine what percentage of Federal Circuit patent cases contained a claim indefiniteness issue.

<sup>32</sup> Where  $y=mx+b$ ,  $m$  is the slope of the trendline. A negative slope indicates a decrease and the more negative, the more severe the decrease. Here, the slope is  $-0.0225$ , or, in other words, each year the percentage of Federal Circuit indefiniteness cases that held claims definite decreased by 2.25%. Over the ten year period of the study, that percentage decreased from approximately 82% to approximately 60%. The R squared value here, however, is 0.1475, where 1.0 is a trendline that perfectly overlaps each data point. R squared values should be considered in the context of the study, because some contexts are more predictable than others. Litigation statistics are somewhat unpredictable, so an R squared value this low might still mean that the trendline is a relatively accurate representation of the data points given the field. To serve the most certain value, the accuracy of the trendlines used in this study should be considered relative to other trendlines in this study. Note that all of the graphs in this Article exclude data points that are non-real numbers, such as those that occur when a percentage of zero cases is determined; this adjustment allows trendlines to be plotted and does not decrease the accuracy of the data.

**Table 1**

<b>Federal Circuit Cases in U.S.P.Q. (BNA) on Subject of Claim Indefiniteness (Index Number 115.1109)</b>					
Year	Indefiniteness Cases <sup>33</sup>	Held Definite	% Definite	Held Indefinite	% Indefinite
2008	8	4	50.00%	4	50.00%
2007	5	4	80.00%	1	20.00%
2006	4	3	75.00%	1	25.00%
2005	8	5	62.50%	3	37.50%
2004	5	4	80.00%	1	20.00%
2003	8	5	62.50%	3	37.50%
2002	4	2	50.00%	2	50.00%
2001	4	3	75.00%	1	25.00%
2000	2	2	100.00%	0	0.00%
1999	0	0	N/A	0	N/A
<b>Total:</b>	48	32	66.67%	16	33.33%

**Figure 1**



These forty-eight cases, however, include a variety of procedural scenarios; only thirty-three were final decisions on the issue of claim indefiniteness.<sup>34</sup> For example, some cases

<sup>33</sup> “Indefiniteness cases” in tables and charts means those cases that are indexed in 115.1109 of the U.S.P.Q. (BNA).

<sup>34</sup> For purposes of this Article, “final” means that the Federal Circuit performed one of the following actions with regard to the claim indefiniteness issue: affirmed a judgment of indefiniteness, affirmed a judgment of definiteness, reversed a judgment of indefiniteness, affirmed a judgment of indefiniteness, affirmed a summary judgment of indefiniteness, or affirmed a summary judgment of definiteness. “Final” does not include cases where, with regard to the claim indefiniteness issue, the Federal Circuit later reheard en banc, reversed or vacated summary judgment of indefiniteness, reversed or vacated summary judgment of definiteness, affirmed a preliminary injunction, or vacated and remanded a judgment of definiteness or indefiniteness.

reversed a lower court's grant of summary judgment and therefore might reach a different conclusion once all of the facts are determined. Another case merely affirmed a preliminary injunction.

In these thirty-three final cases, the Federal Circuit found claims definite in eighteen cases but indefinite in fifteen cases. In other words, 54.55% of all final Federal Circuit claim indefiniteness cases found claims definite and 45.45% of final cases found claims indefinite.

Table 2 shows how many and what percentages of final Federal Circuit indefiniteness cases were held definite and indefinite each year. Figure 2 shows the percentage of final Federal Circuit indefiniteness cases that held claims definite increased slightly from 1998 to 2008.<sup>35</sup>

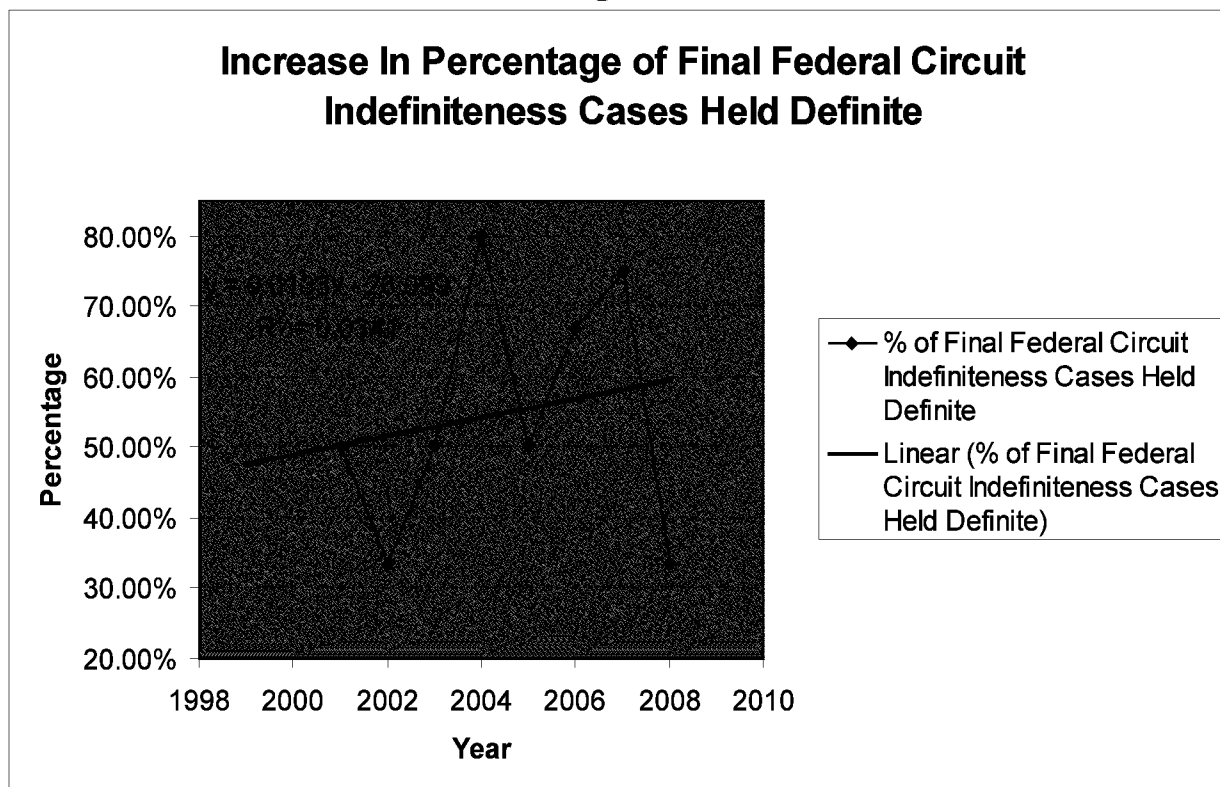
**Table 2**

<b>Final Federal Circuit Cases in U.S.P.Q. (BNA) on the Subject of Claim Indefiniteness (Index Number 115.1109)</b>					
<b>Year</b>	<b>Final Federal Circuit Indefiniteness Cases</b>	<b>Final Federal Circuit Indefiniteness Cases Held Definite</b>	<b>% of Final Federal Circuit Indefiniteness Cases Held Definite</b>	<b>Final Federal Circuit Indefiniteness Cases Held Indefinite</b>	<b>% of Final Federal Circuit Indefiniteness Cases Held Indefinite</b>
2008	6	2	33.33%	4	66.67%
2007	4	3	75.00%	1	25.00%
2006	3	2	66.67%	1	33.33%
2005	6	3	50.00%	3	50.00%
2004	5	4	80.00%	1	20.00%
2003	4	2	50.00%	2	50.00%
2002	3	1	33.33%	2	66.67%
2001	2	1	50.00%	1	50.00%
2000	0	0	N/A	0	N/A
1999	0	0	N/A	0	N/A
<b>Total:</b>	33	18	54.55%	15	45.45%

<sup>35</sup> Here, the slope is positive 0.0133, or, in other words, the percentage of final Federal Circuit indefiniteness cases that held claims definite increased from approximately 46% to approximately 59% over the period of study. The R squared value here is 0.0341, meaning the data points varied widely from this trendline.



Figure 2



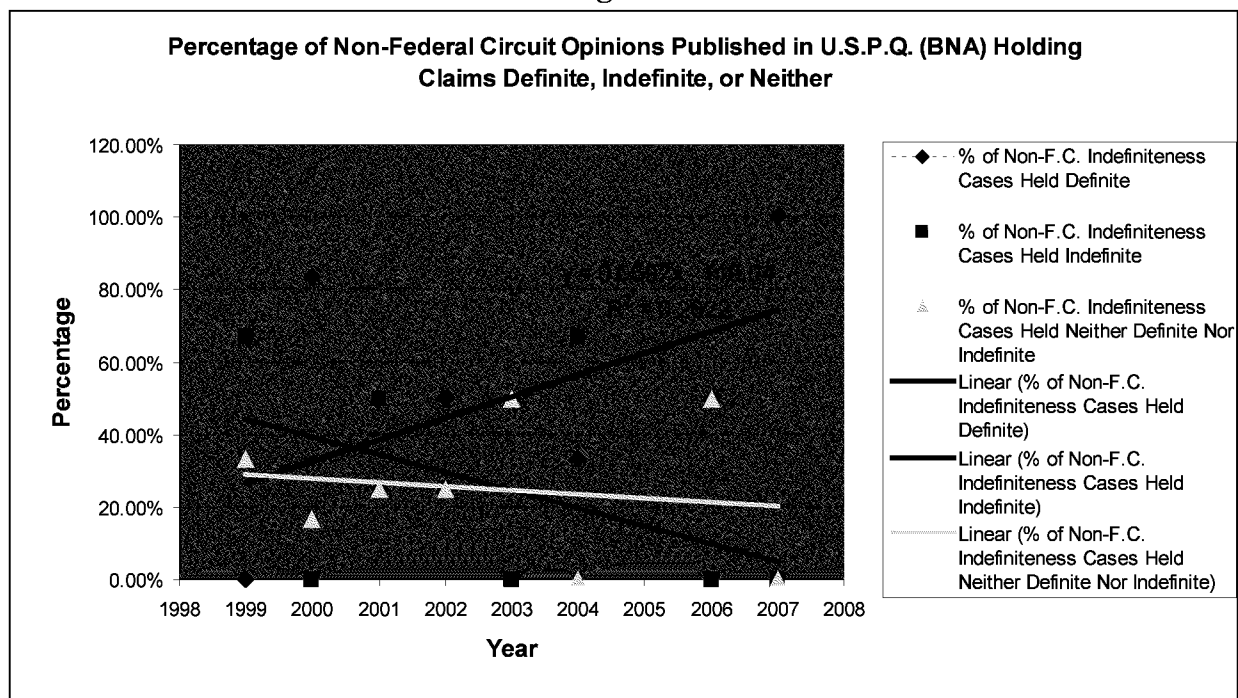
However, the percentage of non-Federal Circuit cases<sup>36</sup> holding claims definite increased dramatically. As shown in Figure 3, the trendline indicates that non-Federal Circuit cases holding claims definite increased by approximately 60 percentage-points over the ten-year period from December 1998 to December 2008.<sup>37</sup> Table 3 shows how many and what percentages of non-Federal Circuit indefiniteness cases were held definite, indefinite, or neither<sup>38</sup> per year.

<sup>36</sup> Non-Federal Circuit cases used in this study only include those published in U.S.P.Q. (BNA). U.S.P.Q. (BNA) does not publish all lower-court decisions, as it does with all precedential Federal Circuit decisions. Therefore, the significance of this data is not certain because not only does it not include all cases but it is not likely to be a representative sample. The Supreme Court did not hear any cases on indefiniteness during this period. Other circuits do not hear patent invalidity appeals. This data only includes cases from various district courts, the US Court of Federal Claims, and the Board of Patent Appeals and Interferences (which hears the case before the patent is issued and therefore does not apply the statutory presumption of validity granted only to issued patents).

<sup>37</sup> Here, the slope is positive 0.0597, or, in other words, each year the percentage of all non-Federal Circuit indefiniteness cases that held claims definite increased 5.97%. Over the ten year period of study, this percentage increased from approximately 24% to approximately 84%. The R squared value here is 0.2822. As discussed in footnote 32, a perfect R squared value is 1.0. However, R squared values should be considered in the context of the study, because some contexts are more predictable than others. Litigation statistics are somewhat unpredictable, so this R squared value might still mean that the trendline is a relatively accurate representation of the data points given the field. This R squared value of 0.2822 means that, relative to other trendlines in the study, this trendline did not vary widely from the data points, and therefore should be considered reliable.

<sup>38</sup> "Neither" here means that the court did not make a determination on the issue of definiteness, usually because some other issue in the case was more dispositive.

**Figure 3**



**Table 3**

<b>Non-Federal Circuit Indefiniteness Cases Published in U.S.P.Q. (BNA)</b>								
Year	Total Non-F.C. IP Cases	Total Non-F.C. Indefiniteness Cases	Held Definite	% Held Definite	Held Indefinite	% Held Indefinite	Held Neither Definite Nor Indefinite	% Held Neither
2008	360	0	0	N/A	0	N/A	0	N/A
2007	390	2	2	100.00%	0	0.00%	0	0.00%
2006	372	2	1	50.00%	0	0.00%	1	50.00%
2005	374	0	0	N/A	0	N/A	0	N/A
2004	379	3	1	33.33%	2	66.67%	0	0.00%
2003	354	2	1	50.00%	0	0.00%	1	50.00%
2002	379	4	2	50.00%	1	25.00%	1	25.00%
2001	386	4	1	25.00%	2	50.00%	1	25.00%
2000	434	6	5	83.33%	0	0.00%	1	16.67%
1999	504	3	0	0.00%	2	66.67%	1	33.33%

*B. Chemical Cases More Often Contained Claims Held Not Indefinite; Electrical Cases More Often Contained Claims Held Indefinite*

The forty-eight Federal Circuit decisions on claim indefiniteness covered four subject-areas<sup>39</sup>: biochemical, chemical, electrical, and general and mechanical. Table 4 shows how many and what percentages of all Federal Circuit indefiniteness cases were held definite and indefinite by subject area.

**Table 4**

<b>All Federal Circuit Decisions on Indefiniteness by Subject Area from 1998-2008</b>					
Subject Area	Case Total	Held Definite	% Definite	Held Indefinite	% Indefinite
Biochemical	1	1	100.00%	0	0.00%
Chemical	14	10	71.43%	4	28.57%
Electrical	16	10	62.50%	6	37.50%
General and Mechanical	17	11	64.71%	6	35.29%

Because non-final decisions often apply different standards than final decisions, the following statistics on final decisions should be considered more relevant than the statistics on non-final decisions. Table 5 shows how many and what percentages of final Federal Circuit indefiniteness cases were held definite and indefinite by subject area. Chemical claims and general and mechanical claims were more often held definite than indefinite, while electrical claims were more often held indefinite than definite. The only biochemical case held the claim definite.

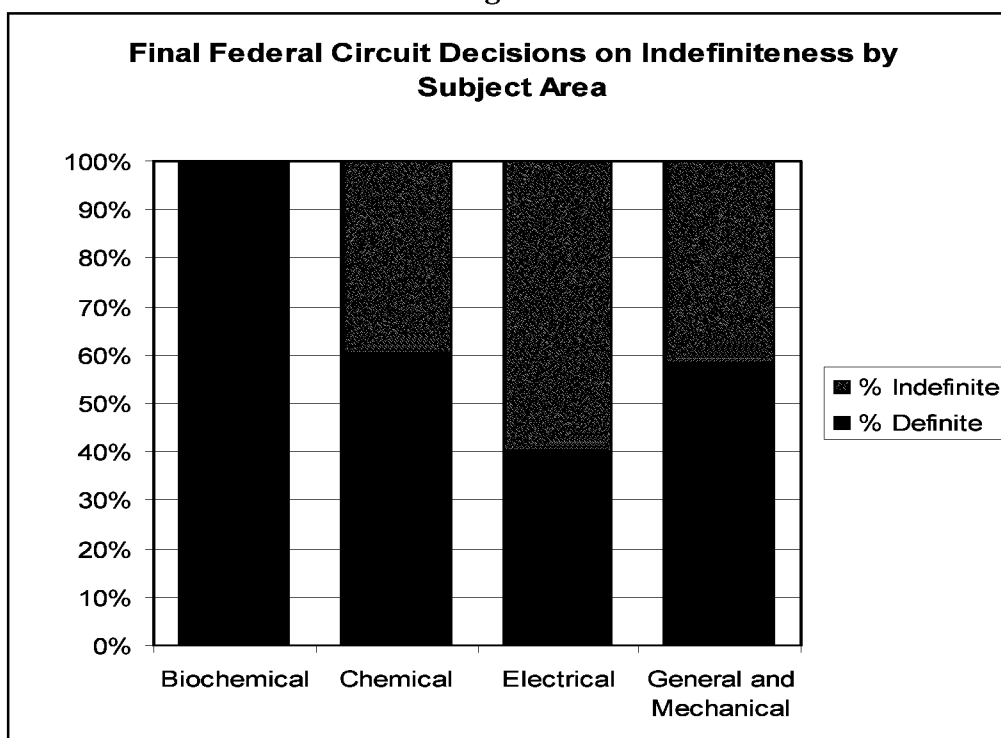
Figure 4 shows these comparisons graphically. Note that prior studies have also analyzed indefiniteness cases by subject area.<sup>40</sup>

<sup>39</sup> Subject-areas used in this Article are those defined by the U.S.P.Q. (BNA) for each patent. The U.S.P.Q. also provides sub-subject-areas, and for the cases used in this Article the subject areas included some of the following sub-subject-areas: for biochemical--transformable cells; for chemical--antidepressants, antibiotics, immunoassays, and heart surgery solution; for electrical-- defibrillator, internet processing of credit card transactions, voice recognition technology, and a computer network and user interface; for general and mechanical-- air mattress, feline surgical method, and geosteering wells.

<sup>40</sup> John R. Allison and Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 194, 209, 221 (1998) (From 1989 to 1996, of 239 total Federal Circuit and District Court patent cases involving 299 patents, eight, or 5.8% of invalid patents (139 total) were held invalid on claim indefiniteness grounds. Of 23 cases with claim indefiniteness issues, eight, or 34.8% held the patent invalid. Of biotech patents with claims definiteness issues, one, or 25% was held invalid. Of chemical patents with claims definiteness issues, three, or 9.4% were held invalid. Of computer-related patents with claims definiteness issues, two, or 22.2% were held invalid. Of electrical patents with claims definiteness issues, two, or 7.4% were held invalid. Of general patents with claims definiteness issues, three, or 3.8% were held invalid. Of pharmaceutical patents with claims definiteness issues, zero were held invalid. Of software patents with claims definiteness issues, zero were held invalid.) Note that the cited article uses different standards for its empirical research and thus cannot be accurately compared to the current data.

**Table 5**

<b>Final Federal Circuit Decisions on Indefiniteness by Subject Area</b>					
Subject Area	Case Total	Held Definite	% Definite	Held Indefinite	% Indefinite
Biochemical	1	1	100.00%	0	0.00%
Chemical	10	6	60.00%	4	40.00%
Electrical	10	4	40.00%	6	60.00%
General and Mechanical	12	7	58.33%	5	41.67%

**Figure 4**

The result that chemical claims and general and mechanical claims were more often held definite than indefinite, while electrical claims were more often held indefinite than definite, may be related to inherent differences in the nature of the subject matter. For example, chemical inventions of a particular molecular structure can be sufficiently definitely claimed by simply listing the proper chemical name in the claim and including the corresponding structure in the specification.<sup>41</sup> Electrical inventions, on the other hand, may involve user interfaces where subjective terms are necessary<sup>42</sup> or may involve longer, more complicated claims or means-plus-function claims, which, as shown below, are more often held indefinite. Different judicial treatment likely also influences these results, and is addressed in Section IV.

<sup>41</sup> See *SmithKline Beecham Corp. v. Apotex Corp.*, 365 F.3d 1306, 1328 (Fed. Cir. 2004).

<sup>42</sup> *Datamize LLC v. Plumtree Software Inc.*, 417 F.3d 1342 (Fed. Cir. 2005).

C. *Claims with Means-Plus-Function Issues Are More Often Held Indefinite, While Claims with Term Clarity Issues Are More Often Held Not Indefinite.*

This study separates claim indefiniteness issues into three categories: (1) clerical or semantic error; (2) means-plus-function; and (3) term clarity.<sup>43</sup> These categories are based on those suggested by *Chisum*<sup>44</sup> and *Halliburton Energy Services, Inc. v. M-I L.L.C.*<sup>45</sup> The clerical or semantic error category will be referred to in the tables and charts as “Error;” likewise, the term clarity category will be referred to in tables and charts as “Terms.” Term clarity is the broadest category and includes terms that are not easily understood, measurements that are unclear, and *Chisum*’s category of “words of degree, relational terms, and ranges.”

Table 6 and Table 7 show how many and what percentages of non-final and final Federal Circuit indefiniteness cases were held definite or indefinite, and by what category. Of final Federal Circuit decisions, claims with means-plus-function issues were slightly more often held indefinite than not indefinite. Claims with term clarity issues were held not indefinite more than two-thirds of the time, the most frequent of any category. Figure 5 shows these comparisons graphically.

**Table 6**

<b>All Federal Circuit Decisions on Indefiniteness by Reason</b>					
Reason	All F.C. Cases	Held Definite	% Definite	Held Indefinite	% Indefinite
Error	6	2	33.33%	4	66.67%
Means-plus-function	16	9	56.25%	7	43.75%
Terms	28	23	82.14%	5	17.86%

**Table 7**

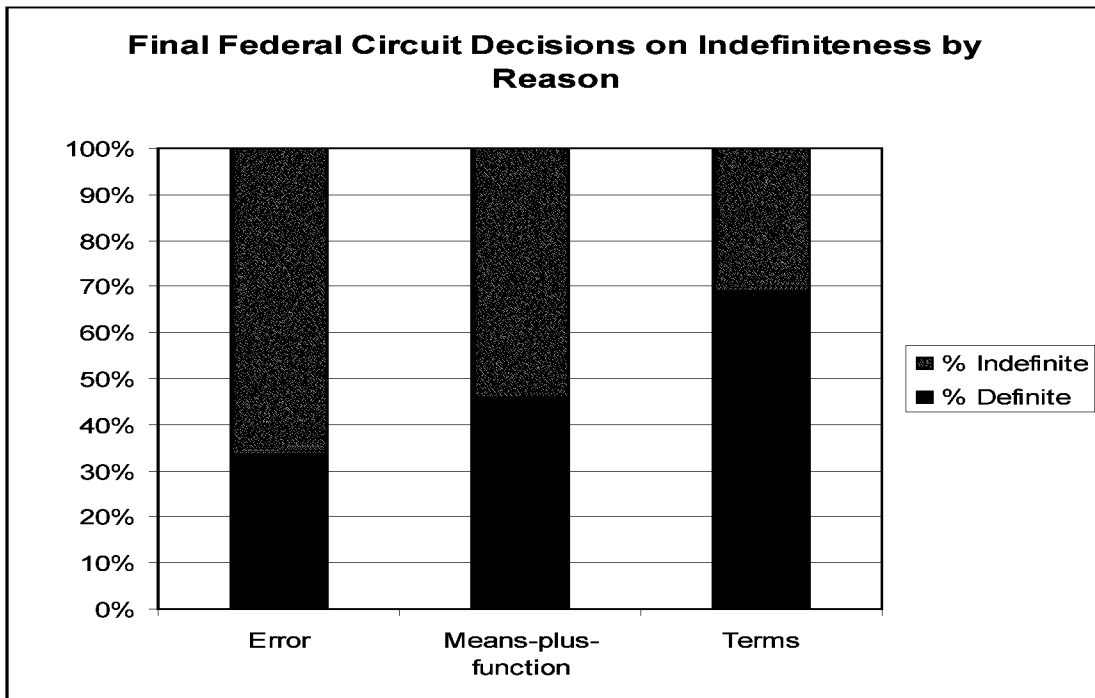
<b>Final Federal Circuit Decisions on Indefiniteness by Reason</b>					
Reason	Final F.C. Cases	Held Definite	% Definite	Held Indefinite	% Indefinite
Error	6	2	33.33%	4	66.67%
Means-plus-function	11	5	45.45%	6	54.55%
Terms	16	11	68.75%	5	31.25%

<sup>43</sup> Some cases in the non-final decisions data fell into both means-plus-function and terms categories because multiple claims had indefiniteness issues for different reasons.

<sup>44</sup> 3 CHISUM, *supra* note 2, § 8.03.

<sup>45</sup> 514 F.3d 1244, 1249 (Fed. Cir. 2008).

Figure 5



### III. Discussion

#### A. *The “Insolubly Ambiguous” Standard Incorporates the Burden of Clear and Convincing Evidence*

Section 112 requires that claims “particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention.”<sup>46</sup> However, § 282 gives issued patents a presumption of validity.<sup>47</sup> Therefore, courts must consider both the requirement that claims be clear to be valid and the presumption of validity.

The Federal Circuit in *Exxon Research and Engineering Co. v. United States* set forth the “insolubly ambiguous” standard for indefiniteness.<sup>48</sup> This standard incorporates the statutory presumption of validity.<sup>49</sup> The likely reason that the *Exxon* court joined the two standards is that it is easier, faster, and more concise for a court to apply the “insolubly ambiguous” standard than it would be for the court to explicitly apply both § 112’s requirement for clarity and § 282’s presumption of validity.<sup>50</sup> However, as shown *infra*, problems arise when courts do not clearly delineate the legal standard from the presumption of validity.

<sup>46</sup> 35 U.S.C. § 112.

<sup>47</sup> 35 U.S.C. § 282.

<sup>48</sup> 265 F.3d 1371, 1375 (Fed. Cir. 2001).

<sup>49</sup> A. Meaghin Burke, Comment, *New Approaches to Pharmaceutical Patent Law: Why Current Patent Jurisprudence is Inappropriate as Applied to the Unique Characteristics of Chemical Compounds*, 75 MISS. L.J. 1143, 1150 n.38 (2006).

<sup>50</sup> See generally, 35 U.S.C. §§ 112, 282.

The *Exxon* court's opinion provides ample evidence that the "insolubly ambiguous" standard incorporates the presumption of validity. The *Exxon* court stated the following when formulating the "insolubly ambiguous" standard: "By finding claims indefinite only if reasonable efforts at claim construction prove futile, we accord respect to the statutory presumption of patent validity and we protect the inventive contribution of patentees, even when the drafting of their patents has been less than ideal."<sup>51</sup> Note that the indefiniteness issue in *Exxon* was in the term clarity category.<sup>52</sup> Because courts often apply those rules that other courts developed in cases with similar fact patterns, courts more often apply *Exxon*'s "insolubly ambiguous" standard to cases where the indefiniteness issue is in the term clarity category.<sup>53</sup>

*B. Means-Plus-Function Claims Are More Often Held Indefinite Because the Federal Circuit Does Not Apply the "Insolubly Ambiguous" Standard to Them*

One significant problem that arises when courts do not clearly differentiate the legal standard of claim indefiniteness from the statutory presumption of validity is that later courts do not seem to remain aware of the parts that make up the hybrid "insolubly ambiguous" standard. Sometimes, when a court does not recognize that the "insolubly ambiguous" standard already incorporates the presumption of validity, it applies a double burden on those seeking to invalidate the patent on grounds of claim indefiniteness.<sup>54</sup> In other words, some courts will incorrectly require that the party challenging the patent must overcome the presumption of validity by presenting clear and convincing evidence that the claim is "insolubly ambiguous."<sup>55</sup>

If this double-burden theory is correct, courts that apply the "insolubly ambiguous" standard would be less likely to find claims indefinite than courts that do not apply the "insolubly ambiguous" standard. Not surprisingly, this is precisely the result that this empirical study demonstrates. As shown *supra* in Section III C, claims with indefiniteness issues in the means-plus-function category are more often held indefinite than definite. On the other hand, claims with indefiniteness issues in the term clarity category were more often held definite than indefinite.

This result is significant because the Federal Circuit applies the "insolubly ambiguous" standard to claims with indefiniteness issues in the term clarity category. But on the other hand, the court never applies the "insolubly ambiguous" standard to claims with indefiniteness issues

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<sup>51</sup> *Exxon Research and Eng'g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001) (citations omitted).

<sup>52</sup> *Id.*

<sup>53</sup> In the current study, the words "insolubly," "insoluble," and other variants were found regularly in term clarity cases.

<sup>54</sup> *See, e.g., Tech. Patents LLC v. Deutsche Telekom AG*, No. 07-3012, 2010 U.S. Dist. LEXIS 88534, at \*78-79 (D. Md. Aug. 25, 2010) ("[T]here must be clear and convincing evidence that some insoluble ambiguity exists."); *ACQIS LLC v. Appro Int'l, Inc.*, No. 09-148, 2010 U.S. Dist. LEXIS 77548, at \*28 (E.D. Tex. Aug. 2, 2010) ("Defendants have not shown by clear and convincing evidence that the terms . . . are insolubly ambiguous."); *Media Queue, LLC v. Netflix, Inc.*, 672 F. Supp. 2d 1022, 1032 (N.D. Cal. 2009) ("[D]efendants have not provided clear and convincing evidence that the claim terms are insolubly ambiguous."); *VDP Patent, LLC v. Welch Allyn Holdings, Inc.*, 623 F. Supp. 2d 414, 429-30 (S.D.N.Y. 2008) ("They have failed to demonstrate by clear and convincing evidence that the language of the claim is insolubly ambiguous, and their motion must fail.")

<sup>55</sup> *Id.*

in the means-plus-function category. None of the cases in this study designated as mean-plus-function cases ever mention the term “insoluble,” “insolubly,” or any other derivative of the word. Some means-plus-function cases do not even mention the presumption of validity or the burden of clear and convincing evidence.<sup>56</sup> But those cases that do mention the burden of proof differentiate the burden of proof from the legal standard, saying, for example, “[A] challenge to a claim containing a means-plus-function limitation as lacking structural support requires a finding, by clear and convincing evidence, that the specification lacks disclosure of structure sufficient to be understood by one skilled in the art as being adequate to perform the recited function.”<sup>57</sup>

One possible explanation for why means-plus-function cases are more often held not indefinite is precisely because courts do not always mention the presumption of validity. However, particularly in means-plus-function cases, courts may not mention the presumption of validity or the burden of clear and convincing evidence. Rather, the patent itself may provide the quantum of evidence that is necessary to invalidate the patent for indefiniteness—for example, a means that lacks a corresponding structure.

In mean-plus-function cases, a claim is definite only if the claimed function corresponds to a structure that performs the claimed function and the specification clearly associates the two, from the perspective of a person having ordinary skill in the art.<sup>58</sup> But if the specification discloses no corresponding structure at all, then the claim containing the function can be held indefinite without additional external evidence.<sup>59</sup> This is because for means-plus-function claims, a lack of a structure is all that is required to show indefiniteness, so a patent without a structure would, itself, provide the quantum of evidence necessary to meet the burden of clear and convincing evidence (here, evidence of a lack of a structure).<sup>60</sup>

Nonetheless, the reason that means-plus-function cases more often hold claims indefinite is that in means-plus-function cases the courts do not alter the legal standard of claim indefiniteness to incorporate the presumption of validity. Instead, means-plus-function cases define the standard for indefiniteness using language similar to the standard proposed by this Article: if a party seeking to demonstrate invalidity can show by clear and convincing evidence that the claim does not meet § 112 (by “particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention”)<sup>61</sup> then courts should invalidate the patent for indefiniteness.

In cases where the indefiniteness issue is in the term clarity category, however, the court applies the “insolubly ambiguous” standard nearly every time, particularly in the more recent cases.<sup>62</sup> And some term clarity cases apply the “insolubly ambiguous” standard and, separately,

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<sup>56</sup> See, e.g., *Aristocrat Technologies Austl. Pty Ltd. v. Int’l Game Tech.*, 521 F.3d 1328 (Fed. Cir. 2008).

<sup>57</sup> *Intellectual Prop. Dev., Inc. v. UA-Columbia Cablevision of Westchester Inc.*, 336 F.3d 1308 (Fed. Cir. 2003).

<sup>58</sup> *Cardiac Pacemakers Inc. v. St. Jude Med. Inc.*, 296 F.3d 1106 (Fed. Cir. 2002).

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

<sup>61</sup> 35 U.S.C. § 112.

<sup>62</sup> See e.g., *Praxair Inc. v. ATMI Inc.*, 543 F.3d 1306, 1319 (Fed. Cir. 2008); *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1371 (Fed. Cir. 2008); *Microprocessor Enhancement Corp. v. Texas Instruments Inc.*,



the burden of clear and convincing evidence, thereby explicitly imposing a double burden on the party seeking to invalidate the patent.<sup>63</sup> Even though most cases do not apply the double burden explicitly, the empirical evidence, while not conclusive on this issue, tends to suggest that courts either apply the double burden implicitly whenever they apply the “insolubly ambiguous” standard or at least that the “insolubly ambiguous” standard is a higher standard of indefiniteness than other standards of indefiniteness.<sup>64</sup>

*C. Incorporating the Burden of Clear and Convincing Evidence Is Inappropriate in Cases Where That Burden Does Not Apply, such as Patent and Trademark Office Proceedings, and Is Contrary to the Law of Evidence*

As shown *supra*, the Federal Circuit modified a legal standard of indefiniteness by incorporating the presumption of validity of issued patents. This is problematic for two reasons: (1) evidentiary burdens should not apply to the law, but rather courts should use them to determine what quantum of factual evidence is necessary to prove facts to which the court can then apply the appropriate legal standard; and (2) when the Federal Circuit incorporates the presumption of validity into the legal standard of claim indefiniteness, the Patent and Trademark Office gives unissued patent applications a presumption of validity.

Claim indefiniteness under § 112 is a question of law.<sup>65</sup> The statutory presumption of validity imposes an evidentiary burden of clear and convincing evidence upon the party challenging the issued patent.<sup>66</sup> In other words, only the *facts* supporting a finding of invalidity should be proven with clear and convincing evidence;<sup>67</sup> neither the burden of clear and convincing evidence nor the presumption of validity (embodied by the burden) ought to affect the application of the legal standard. An evidentiary burden is separate from a legal standard; it “exists only in connection with an issue of fact.”<sup>68</sup> Therefore, the Federal Circuit acts contrary to established laws of evidence by incorporating an evidentiary burden into a legal standard.

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86 U.S.P.Q.2d 1225, 1229-31 (Fed. Cir. 2008); *Halliburton Energy Servs., Inc. v. M-I LLC*, 514 F.3d 1244, 1249 (Fed. Cir. 2008).

<sup>63</sup> See e.g., *Halliburton*, 514 F.3d at 1249.

<sup>64</sup> One alternative explanation for the results is simply that term clarity issues tend not to seriously detract from the ability of a person of skill in the art to understand the meaning of the patent compared to means-plus-function issues or clerical or semantic errors. However, the language that courts use provides evidence that it is the standard of law, rather than the type of claims, that generates the disparate results. Note, for example, language such as: “If the meaning of the claim is discernible, even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree, we have held the claim sufficiently clear to avoid invalidity on indefiniteness grounds.” *Praxair Inc. v. ATMI Inc.*, 543 F.3d 1306, 1319 (Fed. Cir. 2008) (quoting *Exxon Research and Eng’g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001)).

<sup>65</sup> *Net MoneyIN, Inc. v. Verisign, Inc.*, 545 F.3d 1359, 1365 (Fed. Cir. 2008).

<sup>66</sup> *Iovate Health Sciences, Inc. v. Bio-Engineered Supplements & Nutrition, Inc.*, 586 F.3d 1376, 1380 (Fed. Cir. 2009) (“Patents enjoy a presumption of validity, 35 U.S.C. § 282 (2006), and a party seeking to invalidate a patent must overcome this presumption by facts supported by clear and convincing evidence.”) (citing *Bristol-Myers Squibb Co. v. Ben Venue Labs., Inc.*, 246 F.3d 1368, 1374 (Fed.Cir.2001)).

<sup>67</sup> *Intellectual Prop. Dev., Inc. v. UA-Columbia Cablevision of Westchester Inc.*, 336 F.3d 1308 (Fed. Cir. 2003).

<sup>68</sup> 31A C.J.S. Evidence § 191 (2009) (citing *Walling v. Cal. Conserving Co.*, 74 F. Supp. 182 (N.D. Cal. 1945), *aff’d*, 167 F.2d 905 (9th Cir. 1948)).

Furthermore, § 282 grants the statutory presumption of validity only to issued patents.<sup>69</sup> Because the Patent and Trademark Office considers only patents which have not yet been issued, the Patent and Trademark Office should not apply § 282's presumption of validity. Nonetheless, the guidelines for patent examiners note that a claim is indefinite only if it is "insolubly ambiguous."<sup>70</sup> The Patent and Trademark Office therefore gives patent applications a presumption of validity whenever it applies the "insolubly ambiguous" standard because, as shown *supra*, the "insolubly ambiguous" standard incorporates § 282's presumption of validity. In other words, by using the "insolubly ambiguous" standard, the Patent and Trademark Office is granting patents even when the claims are less clear than what § 112 requires, namely that claims "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention."<sup>71</sup> Even assuming, *arguendo*, that the "insolubly ambiguous" standard yields the correct result when the evidentiary burden is one of clear and convincing evidence, when an evidentiary burden other than "clear and convincing evidence" is required, as in Patent and Trademark Office proceedings, the "insolubly ambiguous" standard differs from the statutorily mandated standard under § 112.

*D. The Patent and Trademark Office Cannot Solve the Problem Locally Because Applying a Different Standard than "Insolubly Ambiguous" Would Be Improper Substantive Rulemaking*

The Patent and Trademark Office should not give patent applications a presumption of validity.<sup>72</sup> However, the Patent and Trademark Office may only follow the laws of courts as they are presented because the Patent and Trademark Office lacks the explicit grant from Congress that is necessary to permit it to engage in substantive rulemaking.<sup>73</sup> Therefore, if the courts hold that a patent is not invalid for indefiniteness unless it is "insolubly ambiguous," the Patent and Trademark Office must also hold that a patent is not invalid for indefiniteness unless it is "insolubly ambiguous." Thus, the Federal Circuit, by setting forth a legal standard for indefiniteness that incorporates the presumption of validity, essentially forces the Patent and Trademark Office to apply an incorrect standard to patent applications.

*E. The Federal Circuit Should Abolish the "Insolubly Ambiguous" Standard or Modify It to a Lower Standard That Does Not Reflect the Burden of Clear and Convincing Evidence*

There are three possible solutions. First, the Patent and Trademark Office could recognize that the insolubly ambiguous standard was set forth only in light of the burden of clear and convincing evidence, ignore it, and choose to apply only legal standards that do not incorporate an evidentiary burden. This, however, might be seen as substantive rulemaking. Second, Congress or the Supreme Court could step in to abolish or modify the "insolubly ambiguous"

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<sup>69</sup> 35 U.S.C. § 282.

<sup>70</sup> M.P.E.P. § 2173.02.

<sup>71</sup> 35 U.S.C. § 112 ¶ 2.

<sup>72</sup> See 35 U.S.C. § 282.

<sup>73</sup> *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996) ("[T]he broadest of the PATENT AND TRADEMARK OFFICE's rulemaking powers-35 U.S.C. § 6(a)-authorizes the Commissioner to promulgate regulations directed only to 'the conduct of proceedings in the [PATENT AND TRADEMARK OFFICE]'; it does NOT grant the Commissioner the authority to issue substantive rules") (quoting *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991)).

standard. This result is unlikely, particularly because the Supreme Court has not heard an indefiniteness case for over half a century.<sup>74</sup>

Instead, the Federal Circuit should abolish or modify the insolubly ambiguous standard. The Federal Circuit should do this by simply no longer incorporating the presumption of validity and thus the burden of clear and convincing evidence into the legal standard of indefiniteness. There are situations when the standard of proof should differ despite the need to apply the same law. The difference between the standards of proof before the Patent and Trademark Office and before the Federal Circuit is the prime example.

While the Federal Circuit could simply clarify that the “insolubly ambiguous” standard should not apply in Patent and Trademark Office proceedings and that courts should not apply a clear and convincing evidence standard when utilizing the “insolubly ambiguous” standard, such a clarification would also not be ideal. Such an approach defeats the original purpose of the “insolubly ambiguous” standard because it is more complicated than separate applications under §§ 112 and 282. Furthermore, telling the Patent and Trademark Office and lower courts only which burden does not apply provides insufficient guidance for what burden does apply; if the party seeking to invalidate a patent need not provide clear and convincing evidence of its factual assertions concerning indefiniteness, what burden should apply? Therefore, the Federal Circuit should simply abolish the standard or modify it to not include an evidentiary burden.

### Conclusion

This Article’s empirical data show that, of final Federal Circuit decisions and of all lower court decisions published in U.S.P.Q. (BNA), the percentage of cases holding claims definite increased over the ten-year period of study. Using data from final Federal Circuit decisions, electrical patents, which often contain more subjective descriptions than chemical patents or which often use means-plus-function claims, are more often held indefinite than patents in any other subject area. Additionally, in final Federal Circuit decisions, means-plus-function claims are most often held indefinite, while claims with a term clarity issue are most often held definite.

This different percentages of claims found indefinite between these two categories is due to the court’s differential treatment of means-plus-function issues and term clarity issues. When courts confront a term clarity issue, they apply the “insolubly ambiguous” standard, which incorrectly incorporates the evidentiary burden of clear and convincing evidence. This incorporation, while it may achieve the desired result in court, has negative effects elsewhere. Most significantly, this hybrid standard ties the hands of the Patent and Trademark Office, requiring the Patent and Trademark Office to apply the incorrect burden of proof in some instances. This effect demonstrates why evidentiary burdens should not be used to modify purely legal standards. In conclusion, the Federal Circuit should abolish, modify, or clarify the “insolubly ambiguous” standard to ensure that the burden of clear and convincing evidence is not incorporated into a legal standard but that the policy behind indefiniteness is.

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<sup>74</sup> See 3 CHISUM, *supra* note 2, § 8.03 (noting that the most recent Supreme Court case on directly on claim indefiniteness was *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228 (1942)).

ASIAN INITIATIVES ON BAYH-DOLE, WITH SPECIAL  
REFERENCE TO INDIA:  
HOW DO WE MAKE IT MORE “ASIAN?”

Tina K. Stephen\*

**Abstract**

*With many Asian countries pursuing legislation for managing publicly funded research inventions, the objective of this study is to analyze the adaptability of this type of legislation in several of these countries. Additionally, this study proposes safeguards that governments should build into this legislation in order to make these initiatives more fruitful as this legislation is also capable of causing certain irreversible damage to the public pool of inventions which many countries depend on to meet several public demands, especially relating to health care.*

*This article analyzes the initiatives made by different Asian countries for the management of publicly funded intellectual property and compares them to the U.S. Bayh-Dole Act. The study especially emphasizes the Indian Protection and Utilization of Public Funded Intellectual Property Bill, 2008<sup>1</sup> and recommends necessary changes to all Asian legislation so as to make it more “Asian.”*

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<sup>1</sup> Bill No. LXVI (2008).

## Introduction

University research and its resultant outputs have always been great contributors towards technological development in different industries. Certain breakthrough inventions such as Vitamin D fortification, Google, gene-splicing and many more are evidence of the role played by universities in industry research and the use of university research for the greater good of the industry knowledge base.<sup>2</sup> This relationship was made possible by granting proprietary rights in university inventions to the university rather than its funding authority. Once granted proprietary rights, the universities were free to license the commercialization rights to private companies. Universities also realized that gaining proprietary rights over the invention meant raising funds by way of licensing for further research, especially in the backdrop of shrinking government aid. Although universities now had proprietary rights, they nonetheless had difficulty in deciding the terms and extent of commercialization as these were complex issues.<sup>3</sup> In addition, certain scholars suggest that the creation of proprietary rights in university inventions may stifle basic research through the mismanagement of university patent rights.<sup>4</sup> Furthermore, they suggest that certain publicly funded inventions should be readily available to the public, especially in the areas of biotechnology that affect public health.<sup>5</sup>

Universities in the United States have always lobbied for proprietary rights over their inventions and ultimately, the U.S. government enacted the Bayh-Dole Act in 1980.<sup>6</sup> The governments in several developing Asian countries have also started considering the prospects of commercializing innovations of publicly funded research organizations, and these governments are increasingly using the tools of patenting, technology transfer and venture creation for this goal.<sup>7</sup> As many Asian countries are pursuing legislation for managing publicly funded research inventions, the objective of this study is to analyze the adaptability of this type of legislation in several of these countries. Additionally, this study proposes safeguards that governments should build into this legislation in order to make these initiatives more fruitful as this legislation is also capable of causing certain irreversible damage to the public pool of inventions which many countries depend on to meet several public demands, especially relating to health care.

This article analyzes the initiatives made by different Asian countries for the management of publicly funded intellectual property and compares them to the U.S. Bayh-Dole Act. The study especially emphasizes the Indian Protection and Utilization of Public Funded Intellectual

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<sup>2</sup> Robert E. Litan et al., *Commercializing University Innovations: Alternative Approaches*, 8 NBER INNOVATION POL'Y AND THE ECON. 31, 38 (Adam B. Jaffe et al. eds., 2008).

<sup>3</sup> David C. Mowery, *The Bayh-Dole Act of 1980 and University-Industry Technology Transfer: A Policy Model for Other Governments?*, May 2, 2005, [http://www.merid.org/bayh-dole/BDRFpaper\\_Mowery.pdf](http://www.merid.org/bayh-dole/BDRFpaper_Mowery.pdf).

<sup>4</sup> Michael S. Mireles, *An Examination of Patents, Licensing, Research Tools, and the Tragedy of the Anticommons in Biotechnology Innovation*, 38 U. MICH. J. L. REFORM 141, 144 (2004).

<sup>5</sup> *Id.*

<sup>6</sup> 35 U.S.C. § 200 (1980).

<sup>7</sup> Gregory D. Graff, *Echoes of Bayh-Dole? A Survey of IP and Technology Transfer Policies in Emerging and Developing Economies*, INTELL. PROP. MGMT. IN HEALTH AND AGRIC. INNOVATION: A HANDBOOK OF BEST PRACTICES 169, 195 (Anatole Krattiger et al., eds., 2007).

Property Bill, 2008<sup>8</sup> and recommends necessary changes to all Asian legislation so as to make it more “Asian.”

Section I describes the U.S. policy for management of publicly funded research, namely the Bayh-Dole Act, and a brief history of its enactment. Section II provides an insight into the diverse European approach followed for the management of publicly funded research. Section III analyzes the legal framework within which publicly funded IP is managed by Asian countries. Section IV attempts to pinpoint the specific issues that need to be evaluated when considering the enactment of a Bayh-Dole type of legislation in different Asian countries, and Section V is a conclusion to the study.

## I. The U.S. Policy for Management of Publicly Funded Research

Many countries have recognized university research as a fundamental source of knowledge for various industries. In furtherance of this realization, these countries have also put in place certain mechanisms to facilitate the interaction between universities and industries. The United States is one country where the university-industry research interaction can be very closely studied. The United States has implemented many mechanisms to maintain the exchange of knowledge since the 1950's. This advanced structure for university-industry collaboration was facilitated by the scientific and application based higher education system that it followed. All of these factors facilitated the universities to be great contributors to the dissemination of applied knowledge.<sup>9</sup> This had provided an impetus to American industry, as the basic research carried on by universities served as a launch pad for product research and product launches by different companies, especially in the field of biotechnology and information technology.<sup>10</sup>

Even before the passage of the Bayh-dole Act, the United States had rules and policies that addressed the issues of publicly funded research innovation management. President John F. Kennedy, in 1960, had issued a policy covering patents that arose out of publicly funded research.<sup>11</sup> But the whole issue regarding ownership of publicly funded research inventions came to light after the Federal Council for Science and Technology (FCST) commissioned the U.S. General Accounting Office (GAO) and Harbridge House to conduct a study on government patent policy as part of a review of this issue by the FCST itself.<sup>12</sup> They published important reports on the National Institute of Health's (NIH) Medicinal Chemistry program.<sup>13</sup> The GAO and Harbridge House reports criticized the Department of Health, Education, and Welfare's (HEW) patent policy regarding universities' signing agreements where the policies prevented

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<sup>8</sup> Bill No. LXVI (2008).

<sup>9</sup> Anthony D. So et al., *Is Bayh-Dole Good for Developing Countries? Lessons from the US Experience*, 6 (10) PLOS BIO. 2078, 2084 (2008), <http://plosbiology.org/article/info%3Adoi%2F10.1371%2Fjournal.pbio.0060262>.

<sup>10</sup> *Id.*

<sup>11</sup> Sean M. O'Connor, *Historical Context of U.S. Bayh-Dole Act: Implications for Indian Government Funded Research Patent*, SOC'Y TECH. MGMT. NEWSL., July 2008, at 2.

<sup>12</sup> Bhaven N. Sampat, *Patenting and US academic research in the 20th century: The world before and after Bayh-Dole*, 35 RES. POL'Y 772, 789 (2006).

<sup>13</sup> Bhaven N. Sampat, *Universities and Intellectual Property: Shaping a New Patent Policy for Government Funded Academic Research*, SHAPING SCI. AND TECH. POL'Y: THE NEXT GENERATION OF RES. 55, 62 (David H. Guston & Daniel Sarewitz, eds., 2006).

firms with NIH funding from patenting technologies which might so arise.<sup>14</sup> The reports recommended a need for greater clarity in situations when universities could hold patents and when the patents reverted to the government.<sup>15</sup> In furtherance of these reports, the HEW put into place the Institutional Patent Agreements (IPAs) that gave universities with "approved technology transfer capability" the right to retain title to agency-funded patents.<sup>16</sup> Thus, there was a steep rise in the number of inventions retained by federally funded universities, but the IPAs did not fully encourage exclusive licensing of these inventions.<sup>17</sup> Specific regulations and rules were needed because ambiguity still existed regarding the ownership of federally funded inventions and the university licensing of inventions that conflicted with the HEW's interest. Thus, the United States introduced the Bayh-Dole Act to clarify and regulate these issues.<sup>18</sup>

The increase in university patenting post-1980 has often been attributed to the adoption of the Bayh-Dole Act of 1980, which established a uniform system for universities to license inventions.<sup>19</sup> Since the introduction of the Bayh-Dole Act, U.S. university research has become more proprietary and commercialized in nature and has also experienced an erosion of the tradition of open science.<sup>20</sup> Instead of boosting the innovation process at universities per se, the Act mainly facilitated increased licensing of inventions. This was due to the simplification of the complex administrative procedure through which the U.S. universities gained title to the intellectual property created from publicly funded research.<sup>21</sup>

Some studies have suggested that university patenting would have increased in the 1980's and the 1990's, even without the Bayh-Dole Act.<sup>22</sup> It has been pointed out that the substantial increase in this period was due to a trend that started back in the 1970's. The percentage of university patenting was almost 0.3% of the total patents granted in 1964 which rose to 4% by 1999.<sup>23</sup> The Bayh-Dole Act nonetheless seemed to have created a sense of encouragement for federally funded inventors to file for and commercialize patents. Such inventions were then

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<sup>14</sup> Harbridge House 1968 a, II-21; General Accounting Office (GAO) Report 1968, at p. 11.

<sup>15</sup> David C. Mowery & Bhaven N. Sampat, *The Bayh-Dole Act of 1980 and University-Industry Technology Transfer: A Model for Other OECD Governments?*, 30 J. TECH. TRANSFER 115,127 (2005).

<sup>16</sup> Elizabeth Popp Berman, *Why Did Universities Start Patenting? Institution-Building and the Road to the Bayh-Dole Act*, 38 SOC. STUD. SCI. 835, 871 (2008).

<sup>17</sup> See Mowery, *supra* note 15, at 117.

<sup>18</sup> David C. Mowery & Bhaven N. Sampat, *University Patents and Patent Policy Debates in the USA, 1925-1980*, 10 INDUS. & CORP. CHANGE 781,814 (2001). Institutional Patent Agreement (IPA) was established by the HEW in 1968 in order to grant permission to universities with "approved technology transfer capability" to retain title to agency funded patents. This grant was based on an application system that allowed the universities to retain the title. These IPA's had to be negotiated between the university and the Federal Agencies.

<sup>19</sup> See Mowery, *supra* note 15, at 116.

<sup>20</sup> Arti K. Rai & Rebecca S. Eisenberg, *Bayh-Dole Reform and the Progress of Biomedicine*, 66 LAW & CONTEMP. PROBS. 289, 314 (2003).

<sup>21</sup> David C. Mowery & Arvids A. Ziedonis, *Numbers, Quality, and Entry: How Has the Bayh-Dole Act Affected U.S. University Patenting and Licensing?*, 1 NBER INNOVATION POL'Y AND THE ECON. 187, 221 (2001).

<sup>22</sup> David C. Mowery et al., *Ivory Tower and Industrial Innovation: University- Industry Technology Transfer Before and After Bayh-Dole*, STANFORD UNIV. PRESS, 241 (2004). (The study suggests that a rise in patenting at the universities were due to several reasons and the enactment of the Bayh-Dole was just one among them rather than being the sole reason).

<sup>23</sup> Rebecca Henderson et al., *Universities as a Source of Commercial Technology: A Detailed Analysis of University Patenting:1965-88*, 80 REV. ECON & STAT. 119, 127 (1998).

licensed to companies that could now commercialize the inventions. In addition, such commercialization also paved the way for revenue generation that could lead to better research.

However, a very illuminating work by Mowery, Sampat and Ziedonis explains that the rise in patenting by universities during the 1980's was accompanied by a decrease in patent quality.<sup>24</sup> This work was followed by other literature which brought to light certain drawbacks of the legislation. Some researchers suggested that the Bayh-Dole Act had done too little to ensure the larger availability of university inventions, especially in the field of pharmaceuticals.<sup>25</sup> Others suggested that the Act does not curb universities' freedom to patent up-stream research tools and platforms and also criticized the Act's silence regarding the reasonable pricing of products that are derived from publicly funded research inventions.<sup>26</sup> These university practices can limit invention accessibility, further research, and create patent thickets which run counter to the public interest and the intent of the Act.<sup>27</sup>

The Bayh-Dole Act has also created new hurdles such as high license fees which has in turn hindered university-industry interaction and cooperation. While the Act does permit the funding authorities to intervene in the university's practice of charging excessive licensing fees in cases such as, where a certain technology is not appropriately commercialized, this interference is very minimal.<sup>28</sup> These problems cannot be neutralized because the U.S. funding agencies have retained little to no control over the licensing practices of the universities.<sup>29</sup> Excessive licensing fees can block access to these inventions and create patent thickets rather than promote dissemination and commercialization of research.<sup>30</sup> Because the purpose of the Act is to facilitate greater access to university inventions through commercialization, this is against the tenor of the legislation. There are also statistics that university patenting and licensing systems in the United States, though quite extensive, have not substantially contributed towards

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<sup>24</sup> Bhaven N. Sampat, *Changes in University Patent Quality after the Bayh-Dole Act: A Re-Examination*, 21 INT'L J. OF INDUS. ORG. 1371, 1390 (2003). The study was conducted in the backdrop of an accepted notion that the Bayh-Dole Act had contributed to a substantial increase in the patenting trend at universities. The authors have conducted this study to understand the effect of this legislation on the quality of patents and found that there is a substantial decline in the same. The study has very relevant policy implications.

<sup>25</sup> See So, *supra* note 9, at 2080. Upstream research in simple terms is typically conceptual research. They are open-ended and help in knowledge generation and enrichment of public domain. Critics of the Bayh-Dole Act fear deterioration in the culture of upstream research in case more proprietary/IP rights are created on them. Because upstream patents affect follow-on innovations significantly, a proliferation of IP rights in upstream inventions may lead to the stifling of life-saving innovations further downstream in the course of research and product development. It is feared that in case researchers comprehend immense commercial and financial gains from a certain upstream research they might refrain from sharing information and research material and thus this will adversely affect research efficiency and complementarities.

<sup>26</sup> *Id.*

<sup>27</sup> Lita Nelsen, *The Rise of Intellectual Property Protection in the American University*, 279 SCI. 1460, 1461 (1998).

<sup>28</sup> Barbara M. McGarey & Annette C. Levey, *Patents, Products, and Public Health: An Analysis of The CellPro March-In Petition*, 14 BERKELEY. TECH. L. J. 1095, 1116 (1999) (In a case in 1999 a startup company called CellPro petitioned to the United States Department of Health and Human Services to compel National Institutes of Health (NIH) the funding agency of a certain stem-cell separation technology that had been invented at the Johns Hopkins University. CellPro invoked the "March-in" rights clause. CellPro argued that the exclusive licensee in this case had failed to commercialize the invention adequately. The petition by CellPro was rejected.); See Mowery, *supra* note 15, at 116.

<sup>29</sup> *Id.*

<sup>30</sup> Constance Holden, *U.S. Patent Office Casts Doubt on Wisconsin Stem Cell Patents*, 316:812 SCI. 182, 183 (2007).



the revenue of universities by accounting for less than 5% of the research funds at AUTM (Association of University Technology Managers) universities.<sup>31</sup>

There have been mixed conclusions regarding the nature of university inventions post Bayh-Dole in the United States. Henderson concluded that though there has been an increase in the number of patents, there have also been apprehensions regarding the quality of these patents. The study seems to suggest that there has been more applied research rather than basic research.<sup>32</sup> Mowery in his later research has also come to similar conclusions but has added that in the 1990's the quality seemed to improve.<sup>33</sup> Thus there is no research that gives us a clear idea regarding the impact of Bayh-Dole on publicly funded research in the United States. Considering such uncertainty on the effects of Bayh-Dole, other countries should be extremely cautious before enacting similar legislations.

## II. The European Approach for Management of Publicly Funded Research

Europe has held in-depth discussions about publicly funded research inventions.<sup>34</sup> They similarly encourage further interaction between publicly financed institutions and private researchers because of the competitive advantage resulting from the knowledge flow from universities into the society and then to business.<sup>35</sup> The European commission noted that publicly funded institutions and industries should exchange knowledge through licensing agreements, or through the formation of startup and spin-off companies.<sup>36</sup> Furthermore the Lisbon Strategy was brought out by the European Council in 2000 which aimed to make the European Union "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" by 2010.<sup>37</sup> After the adoption of the Lisbon Strategy, the Commission continued to stress the importance of research and innovation.<sup>38</sup> Even though the European Commission recognizes the importance of research

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<sup>31</sup> See So, *supra* note 9, at 2080. Upstream research in simple terms is typically conceptual research. They are open-ended and help in knowledge generation and enrichment of public domain. Critics of the Bayh-Dole Act fear deterioration in the culture of upstream research in case more proprietary/IP rights are created on them. Because upstream patents affect follow-on innovations significantly, a proliferation of IP rights in upstream inventions may lead to the stifling of life-saving innovations further downstream in the course of research and product development. It is feared that in case researchers comprehend immense commercial and financial gains from a certain upstream research they might refrain from sharing information and research material and thus this will adversely affect research efficiency and complementarities.

<sup>32</sup> See Henderson, *supra* note 23 at, 126.

<sup>33</sup> Mowery, D. C., et al., *Learning to patent: institutional experience, learning, and the characteristics of US university patents after the Bayh-Dole Act, 1981-1992*, 48 MGMT. SCI., 73, 89 (2002).

<sup>34</sup> European Commission, *The Role of Universities in the Europe of Knowledge*, COM (2003), 58 final (Feb. 5, 2003),

[http://eurlex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=en&type\\_doc=COMfinal&an\\_doc=2003&nu\\_doc=58](http://eurlex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2003&nu_doc=58).

<sup>35</sup> Bart Verspagen, *University Research, Intellectual Property Rights and European Innovation Systems*, 20 J. OF ECON. SURV. 607, 631 (2006), <http://arno.unimaas.nl/show.cgi?fid=14442>.

<sup>36</sup> See European Commission, *supra* note 34.

<sup>37</sup> Demosthenes Ioannouetal, *Benchmarking the Lisbon Strategy*, ECB OCCASIONAL PAPER NO. 85, (June 26, 2008).

<sup>38</sup> Börje Johansson et al., *The Lisbon Agenda from 2000 to 2010*, Royal Inst. of Tech., CESIS ECON. & INST. OF INNOVATION WORKING PAPER SERIES No. 106 (2007).

and technology flow, it still does not have a harmonized legislation for IP management of publicly funded research.<sup>39</sup>

Different countries in the European Union follow different rules for handling publicly funded inventions.<sup>40</sup> There are primarily two approaches to university patent ownership.<sup>41</sup> On one hand there are countries such as Finland, Iceland, Sweden, and Italy, where it is common for university-employed inventors to privately hold patents resulting from their work.<sup>42</sup> On the other hand, in countries like Austria, Belgium, Denmark, France, Germany, Ireland, Netherlands, the United Kingdom, Spain, Norway, and Poland, the university, rather than the inventor, generally has a right to own patents on the inventions that result from the research conducted at the university.<sup>43</sup> In the first approach where the inventor holds the rights to invention, the challenge will be to commercialize it, as individual bargaining power in the business context is always weak. Thus there is a risk that due to failed attempts the individual will not try to commercialize it at all. But on the other side of the coin, an inventor with sole rights in the invention can easily transfer them to a relevant company without any delay which can then be commercialized. Where the university is given the rights in the invention then there is a possibility that the process may get delayed as it would be difficult for the university to manage individual licensees.

The European approach towards protecting publicly funded research needs further pruning as compared to the United States as there is a need for better understanding among universities regarding inventions that can and cannot be commercialized.<sup>44</sup> A uniform approach on issues of ownership of public funded inventions would give meaning to the Lisbon Strategy, and would facilitate easier use and transfer of technology within the union.

### III. Asian Initiatives

Countries like China, Japan, India, Malaysia, and Singapore have enacted certain legislation or other mechanisms for commercializing publicly funded research or are planning to do so.<sup>45</sup> This section analyzes the legislative changes that a few selected Asian countries have enacted regarding publicly funded research and also how other Asian countries are following suit. There are serious issues that need to be considered when enacting such legislation and further analysis is needed on issues regarding the adaptability of the U.S. Bayh-Dole Act in the Asian context. To begin with I shall analyze the position of publicly funded research organizations in certain Asian countries and related legislation.

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<sup>39</sup> James Nurton & Emma Barraclough, *Bayh-Dole's Influence Worldwide*, 155 *MANAGING INTELL. PROP.* 38, 39 (2005).

<sup>40</sup> Aldo Geunaa & Lionel J.J. Nesta, *University patenting and its effects on academic research: the emerging European evidence*, 35 *RES. POL'Y* 790, 807 (2006).

<sup>41</sup> See Verspagen, *supra* note 35, at 620.

<sup>42</sup> Organization for Economic Co-operation and Development (OECD), Committee on Scientific Technology and Policy, Working Group on Innovation and Technology Policy, *Turning Science into Business, Patenting and Licensing at Public Research Organizations*, OECD Publication, 2, rue Andre -Pascal, 75775 Paris CEDEX 16 (Oct. 17, 2002).

<sup>43</sup> *Id.*

<sup>44</sup> See Mowery, *supra* note 18, at 792.

<sup>45</sup> See Graff, *supra* note 7, at 169.

### A. China

In December 2007, the Standing committee of the National People's Congress in China passed a revision of the 1993 Science and Technology (S&T) Law.<sup>46</sup> This revision is the Chinese counterpart to the U.S. Bayh-Dole Act, which allows scientists of publicly funded organizations to own their inventions. The law provides that the government may not take back a patent, unless the patent holder does not use it within a reasonable period of time.<sup>47</sup> Before the passage of the S&T Law, ownership remained with the State under the Chinese law, but the universities could still use their inventions. Interestingly, China is among those countries where the State Council had passed provisional regulations on technology transfer just five years after the passage of the Bayh-Dole Act in the United States.<sup>48</sup> In China, and similarly in India, the assertion of rights by the universities has only recently started.<sup>49</sup> Previously researchers had to prove that their inventions were non-work related and only in such cases could they pass it on to companies for monetary return.<sup>50</sup> The tendency of university faculty to patent inventions outside the university was very high.<sup>51</sup> However, after the government gave institutions the right to patent their inventions and as the technology transfer offices became more efficient, more universities were granted patents which led to an increase in university-industry contracts.<sup>52</sup>

### B. Japan

The Japanese Ministry of Trade and Industry plays an important role in making the right pool of basic scientific and technological knowledge available to entrepreneurial businesses.<sup>53</sup> From the Science and Technology Basic Law of 1995 to the present Japanese Bayh-Dole legislation, Japan has come a long way in university patenting.<sup>54</sup> Since 1988, the Japanese government has been attempting to implement strategies for intellectual property through the establishment of the Technology Transfer Law jointly with the Ministry of Education, Science and Technology and the Ministry of Economy, Trade and Industry.<sup>55</sup> Universities increasingly felt the need to bridge the gap between university and industry research in order to bring

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<sup>46</sup> Jia Hepeng, *China Amends S&T Law to Boost Research*, SCIENCE AND DEVELOPMENT NETWORK, Jan. 3 2008, <http://www.scidev.net/en/news/china-amends-st-law-to-boost-research.html>.

<sup>47</sup> Liu Ying, *Former U.S. Senator Birch Bayh in China to introduce the Bayh-Dole Act*, CHINA IP MAG., Feb. 1, 2008, <http://www.chinaipmagazine.com/en/journal-show.asp?id=371>.

<sup>48</sup> See Graff, *supra* note 7, at 175.

<sup>49</sup> Gong K., *Technological Innovation and Social Commitment: Perspectives and Practices of Tsinghua University*, Presented at Association of University Technology Managers (AUTM) Annual Meetings, Phoenix, Arizona, (Feb. 4, 2005).

<sup>50</sup> Robert Kneller, *Ownership Rights to University Inventions in Japan and China*, CASRIP Publication Series 5: STREAMLINING INT'L INTELL. PROP. 160, 164 (1999), <http://www.law.washington.edu/casrip/symposium/Number5/pub5atcl18.pdf>.

<sup>51</sup> Hua Guo, *IP Management at Chinese Universities*, INTELL. PROP. MGMT. IN HEALTH AND AGRIC. INNOVATION 1673, (Anatole Krattiger et al. eds., 2007), <http://www.iphandbook.org/handbook/ch17/p09/>.

<sup>52</sup> See Graff, *supra* note 7, at 175.

<sup>53</sup> Risaburo Nezu, *Current Status of TLO's Technology Transfer in Southeast Asia*, Report on the International Licensing Seminar, National Center for Industrial Property Information and Training (NCIPI), Japan 392, 397 (2006).

<sup>54</sup> Yoshikazu Ogawa, *Challenging the traditional organization of Japanese universities*, 43 HIGHER EDUC. 85, 108 (2002).

<sup>55</sup> Shaun1 Goldfinch, *Rituals of Reform, Policy Transfer, and the National University Corporation Reforms of Japan*, 19 GOVERNANCE 585, 604 (2006).

university inventions to the market and actually commercialize them. To further this purpose, the government established the Technology Licensing Offices (TLOs) and extended appropriate financial support for them.<sup>56</sup>

The passage of the Japanese Bayh-Dole Act in 1999 was a major step, as the right to patent was now vested with the respective organization where the invention was created.<sup>57</sup> The Japanese government in 2002, published the "Guidelines on Intellectual Property Strategies," and thereafter, Intellectual Property Centers were also established. These centers helped strategically implement the creation, management and utilization of intellectual property at universities under the new law that shifted intellectual property rights from individuals to institutions.<sup>58</sup>

Further study of the Japanese system shows that the Japanese have followed the U.S. Bayh-Dole Act closely. For example, Japan similarly had a systematic growth of university TLOs starting in 1995. The replication of the U.S. model was further facilitated by the inflow of money to the universities when it was required. In recognition of the role played by TLOs in consolidating university inventions in the U.S., the Japanese TLOs were also closely monitored. The government provided everything required for its efficient operation such as the formation of IP management offices which aimed at providing in-house IP management expertise to universities and TLOs. The IP management office has been given the final authority in cases of conflict with the TLOs on issues regarding patenting and licensing.<sup>59</sup>

Even though Japan is an Asian country, a Bayh-Dole type of legislation can be identically applied and successfully implemented because of the great economic similarities between Japan and United States.<sup>60</sup> However this is not the case for many other Asian countries.

### C. Malaysia

Malaysia is also among the Asian countries that have made national arrangements for the management of publicly funded research.<sup>61</sup> The Malaysian government thoroughly discussed finding the best IP rights model for the country and where the rights could be shared between the three parties: the government that funds the research, the university, and the inventor.<sup>62</sup> In

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<sup>56</sup> Steven Collins & Hikoji Wakoh, *Universities and Technology Transfer in Japan: Recent Reforms in Historical Perspective*, 25 J. TECH. TRANSFER 213, 222 (2000).

<sup>57</sup> Robert Kneller, *Japan's New Technology Transfer System and The Preemption of University Discoveries By Sponsored Research and Co-Inventorship*, 18 J. ASSOC. U. TECH. MANAGERS 15, 35 (2006).

<sup>58</sup> National Science Foundation, Tokyo Regional Office, *TLOs and University Intellectual Property Centers*, Report Memorandum #04-05, (July 20, 2004).

<sup>59</sup> See Kneller, *supra* note 57, at 20.

<sup>60</sup> Robert Kneller, *University-Industry Cooperation and Technology Transfer in Japan Compared With the U.S.: Another Reason for Japan's Economic Malaise?*, 24 U. PA. J. INT'L. ECON. L. 329, 449 (2003).

<sup>61</sup> Ravee Suntheralingam, *R&D at MSC Malaysia*, 4th ENGAGE European Union - Southeast Asia ICT Research Collaboration Conference, Malaysia, (Feb 26-27, 2007), [http://www.eurice.info/typo3sites/fileadmin/engage/public\\_penang/documents/programme/Ravee\\_ENGAGE\\_slides-RaveeSuntheralingam.pdf](http://www.eurice.info/typo3sites/fileadmin/engage/public_penang/documents/programme/Ravee_ENGAGE_slides-RaveeSuntheralingam.pdf).

<sup>62</sup> Bernama, *National Nanotechnology Centre to Be Set Up under 9MP*, Malaysian National News Agency (Malaysia), 14 March, 2006, [www.bernama.com.my/bernama/v3/printable.php?id=185498](http://www.bernama.com.my/bernama/v3/printable.php?id=185498). In furtherance of the

addition the Malaysian government had the intention of creating a better incentive scheme in order to attract and retain their scientist.<sup>63</sup> But a striking feature about these discussions was the government's commitment to maintain the amount of basic research conducted at the universities.<sup>64</sup> For this purpose, the government proposed to split research and development grants into two types: one for fundamental science and the other, called the technology grant, for commercial inventions.<sup>65</sup> Although commercialization was the priority, the government still planned to continue providing grants for scientists and they intended to provide these grants even after the scientists' retirement, which was seen as quite a laudable suggestion.<sup>66</sup> In 2007, Malaysia adopted the second National Intellectual Property Policy, and further in 2009 the Intellectual Property Commercialization Policy for Research & Development Projects Funded by the Government of Malaysia which intended to promote the management and commercialization of research outputs at public research organizations and universities.<sup>67</sup> Many Malaysian organizations successfully started transferring and commercializing their inventions and they have also setup several TLOs at leading universities and research institutes.<sup>68</sup> The Malaysian IP Commercialization Policy has also included certain provisions that are vaguely similar to the march-in rights as provided under the Bayh-Dole Act.<sup>69</sup>

#### D. India

In India, publicly funded organizations patent their inventions in accordance with the rules prescribed in the Indian Patent Act<sup>70</sup> and the Department of Science and Technology's Guidelines for Technology Transfer and Intellectual Property.<sup>71</sup> Although the R&D base is increasingly expanding in India (which has also been of great help to the industry), the commercialization of these inventions is still way below what is desired.<sup>72</sup> Except for a handful of universities and colleges, the majority of Indian universities do not have a Technology Licensing Office, which undoubtedly restricts inventions to the university laboratory. These

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intention to create an IP model the Malaysia Ministry of Science, Technology and Innovation (MOSTI) in 2006 came out with an announcement to that effect.

<sup>63</sup> Linda Lim, *Malaysia Boosts Efforts to Reverse Brain Drain*, SCI. AND DEV. NETWORK, July 30 2004, [www.scidev.net/News/index.cfm?fuseaction=readNews&itemid=1527&language=1](http://www.scidev.net/News/index.cfm?fuseaction=readNews&itemid=1527&language=1).

<sup>64</sup> Ministry of Science, Technology, and Innovation (MOSTI), *Malaysia's Science & Technology Policy for the 21st Century*, (2000), <http://www.mosti.gov.my/mosti/images/pdf/dstn2bi.pdf>.

<sup>65</sup> Chew Kherk Ying & Sonia Ong, *The Tech Transfer Landscape*, 195 MANAGING INTELL. PROP. 79, 82 (2009).

<sup>66</sup> A. Ali, *Engaging Economic Development through the Commercialization of Research: the Malaysian Experience*, General Conference of the Association of Commonwealth Universities, Belfast (Aug. 31-Sept. 4, 2003).

<sup>67</sup> Government of Malaysia, Ministry of Science, Technology and Innovation (MOSTI), *Intellectual Property commercialisation Policy For Research & Development (R&D) Projects Funded by the Government Of Malaysia*, (June 2009) <http://www.mosti.gov.my/mosti/images/pdf/IP%20Commercialization%20Policy.pdf>.

<sup>68</sup> See Nezu, *supra* note 53, at 395.

<sup>69</sup> Intellectual Property Commercialization Policy for Research & Development Projects Funded by The Government Of Malaysia, June 2009- Clause 8.5 - "... In the event the Inventor does not commercialize the Intellectual Property within five years without any reasonable grounds, the Innovation and Commercialization Centre may exercise any Commercialization rights in relation to the Intellectual Property." <http://www.mosti.gov.my/mosti/images/pdf/IP%20Commercialization%20Policy.pdf>.

<sup>70</sup> The Indian Patents Act, 1970 (Act No. 39 of 1970).

<sup>71</sup> The Science and Technology Policy, 2003 (Ministry of Science and Technology, Government of India, 2003), <http://www.dst.gov.in/stsysindia/stp2003.htm>.

<sup>72</sup> Mrinalini Kochupillai, *The Protection and Utilization of Public Funded Intellectual Property Bill, 2008: A Critique in the Light of India's Innovation Environment*, 15 J. INTELL. PROP. RTS. 19, 34 (2010).

inventions in turn are ultimately put into the public domain when the inventions lose their novelty.<sup>73</sup>

India is now on its way to introduce Bayh-Dole type legislation.<sup>74</sup> The text of the Indian Protection and Utilization of Public Funded Intellectual Property Bill of 2008 has many provisions that are strikingly similar to the U.S. Act.<sup>75</sup> The Indian government has introduced this Bill with the aim of taking university inventions to the market through proper commercialization. However, scientists who mainly perform fundamental science research are against commercialization of these inventions claiming that the Act will not result in the increase of patenting at the university level, but will rather hinder the basic research that universities are conducting and will also stifle access to health care.<sup>76</sup> A very important consideration that the Indian legislators need to remember is the background in which this legislation came into force in the United States. The U.S. Bayh-Dole Act was legislated at a point when there was a total absence of intellectual property rights over inventions that were a product of publicly funded research.<sup>77</sup> However that is not the case in India. In India such rights are automatically conferred on the inventor, unless a contract to the contrary is signed with the employer institution.<sup>78</sup> In addition, Indian governmental institutions are already following the revenue model that the Bill suggests.<sup>79</sup> So the question remains, whether India is actually in need of legislation similar to the U.S. Bayh-Dole Act.

The Indian Protection and Utilization of Public Funded Intellectual Property Bill of 2008 lacks specific clauses that take into consideration the special health care needs of India. The legislation completely ignores provisions for the identification and segregation of basic research inventions from applied research inventions and it does not include any special clauses that provide for access to such inventions. Academia provides the most important criticism of the Indian Bill. They suggest that, rather than passing new laws, universities and other organizations should increase funding for their R&D facilities, which would result in more useful inventions.<sup>80</sup> On the other hand, some see this Bill as a means for better commercialization of their inventions, which were either dumped in the dark corners of the laboratory earlier or were simply seen as a means of further research. The Bill is expected to introduce some change and clarify issues

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<sup>73</sup> *Id.* at 25.

<sup>74</sup> Latha Jishnu, *Does India need a Bayh-Dole Act?*, Business Standard, (2008), <http://www.business-standard.com/india/storypage.php?autono=328187>.

<sup>75</sup> *Id.*

<sup>76</sup> Ben Butkus, *As India Mulls Bill Modeled on Bayh-Dole, Critics Claim It May Stifle Innovation*, BIOTECH TRANSFER WEEK, (Nov. 12, 2008), <http://www.genomeweb.com/biotechtransferweek/india-mulls-bill-modeled-bayh-dole-critics-claim-it-may-stifle-innovation>. See Kochupillai, *supra* note 72, at 33. For example as in the case of iodine related disorders, that caused serious problems in some parts of India, was considerably reduced due to basic and chemical research conducted by projects funded by government of India.

<sup>77</sup> Bhaven N. Sampat, *The Bayh-Dole Model in Developing Countries: Reflections on the Indian Bill on Publicly Funded Intellectual Property*, Policy Brief Number 5, UNCTAD - ICTSD Project on IPRs and Sustainable Development (Oct.5, 2009).

<sup>78</sup> Indian Patent Act (ACT 39 of 1970), Section 6 of the Act allows the true and the first inventor to apply for a patent.

<sup>79</sup> C.H. Unnikrishnan, *Proposed Patent Bill is Flawed, Say Experts*, Live Mint, Sept. 21, 2009.

<sup>80</sup> V. C. Vivekanandan, *Transplanting Bayh-Dole Act- Issues at Stake*, 13 (5) J.I.P.R., 480, 485 (2008).

relating to royalty sharing, and thus benefiting the concerned inventor as well as the research institute.<sup>81</sup>

#### IV. Issues that Concern Asian Countries

Even though the Bayh-Dole Act may or may not have been a great success in the United States (depending on the context), there are many countries that follow it around the globe. As we make an attempt to study its impact in Asia, we will realize that many countries are very keen on following it, may it be a developed country, such as Japan, or developing countries such as China and India. All of them have different goals with regards to the implementation of the legislation, but the only difference is that a few are doing it with more planning while others need to further work on certain foundational aspects so that a better framework may be built.<sup>82</sup>

In most Asian countries, the legislation should contain certain important safeguards to protect the interest of those who might be directly affected by the enactment of the legislation. These safeguards, whether they are related to licensing, ownership, or government rights to the invention, play a very crucial role in important issues such as health care and access to drugs and pharmaceuticals.<sup>83</sup>

The legislators need to thoroughly analyze important issues such as: an Expert Committee decision on the “public use” of invention, the disclosure of inventions, the role of technology licensing offices, the importance of non-exclusive licensing, “march-in” rights, and the better commercialization of inventions when enacting initiatives for the management and ownership of rights in publicly funded research. While I advocate certain general suggestions, some countries might require variations of my suggestions and customized policies.

##### *A. Expert Committee Decision on the “Public Use” of Invention*

Asian countries have a particular public need for access to pharmaceuticals and other inventions related to healthcare. University research and its resultant outputs are typically related to basic research which become platforms for health care based research.<sup>84</sup> This type of research often forms the knowledge base for an industry from which the industry carries forward towards its commercial application. Only after the invention gets into the hands of a company through licensing will the invention be commercialized and marketed.

Once patented, these inventions must be commercialized by the university or institute which has received the funding. Once an invention enters the commercialization process there is no looking back. But the concern regarding these inventions is whether the public-at-large needs access to these types of inventions. Who will decide whether the invention serves any public

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<sup>81</sup> Section 18, Indian Protection and Utilization of Public Funded Intellectual Property Bill, 2008 (Bill No. LXVI, 2008).

<sup>82</sup> David C. Mowery, *The Bayh-Dole Act of 1980 and University-Industry Technology Transfer: A Policy Model for Other Governments?*, May 2, 2005, [http://www.merid.org/bayh-dole/BDRFpaper\\_Mowery.pdf](http://www.merid.org/bayh-dole/BDRFpaper_Mowery.pdf).

<sup>83</sup> See Graff, *supra* note 7, at 169.

<sup>84</sup> *Innovation's Golden Goose*, *ECONOMIST* (U.S.) 365, Dec.14, 2002.

purpose or not? When the invention is identified by the inventor to be of great public importance with a bulk of the population having interest in the invention, what further course of action must be taken? In such situations, I recommend that every Asian country that implements legislation for the protection of publicly funded research inventions should form an expert committee under their respective legislations. After reporting the invention to the government, the government should be obligated to submit the invention to an expert technical committee, which will decide the nature of the invention, the possible public use of the invention, the application of the invention and other related matters. The government should issue guidelines to decide whether the invention is actually useful to the public or not. These guidelines will have significant relevance in the context of pharmaceuticals.

For example, the expert committee would consider these proposed factors before it approves the commercialization of a pharmaceutical invention:

1. The illness being treated,
2. The nature of the affected population (whether the illness will primarily affect poor people),
3. The population density of people who are affected by the disease, and
4. Whether national drug safety may be compromised if the invention falls into private hands.

Only after considering all these factors should an institution have the ability to patent an invention. Say for example an institute has come up with an invention to treat HIV cases which are increasing at an alarming rate. The disease is also of such a nature that the majority of people being infected by it are below the poverty line. In such situations if the invention is licensed to a company for private commercial exploitation then there is a risk that the drug may be priced at such rates that it will be out of reach for the majority of those infected. This can be avoided by preventing private ownership of the drug and increasing public distribution of the drug. There is also a risk that private ownership of drugs may lead to the sale of drugs at extremely high prices because there are no price control mechanisms under either the Bayh-Dole Act or the Indian Protection and Utilization of Public Funded Intellectual Property Bill.

On the basis of these considerations, the committee would submit a report to the government. The government will then decide on whether it needs to retain the rights, whether and how the invention needs to be commercialized, and whether any specific terms need to be applied to the invention. This process will help the authorities make proper use of the invention. But the speed at which the committee studies the application of the invention and submits a report is one aspect that needs to be addressed. The usual administrative delays should be avoided because these delays can have the effect of literally killing the invention by extending the market introduction period required for these products.

An invention is undoubtedly the right of the inventor. The inventor's sweat and blood goes into the creation of the final research output. This proposition holds well in the case of private institutions, where the inventor or the employer company that has invested financially in the research may have complete rights over the invention. But in the case of publicly funded research organizations the situation is completely different. Any given institute or research



organization does not solely generate its funding for R&D, but rather certain state authorities provide funding to it to develop the knowledge base in a given field of science and technology. Here, the money is generated not from any private source, but from the public-at-large through taxes. So in the scenario where the money comes from the public, it is the government's responsibility to ensure that the needs of the public are taken care of. Expert committees are needed to protect the public's interest in publicly funded inventions because ultimately it is the public that supported the creation of the invention. As the Bayh-Dole Act facilitates the creation of private rights over inventions that have been funded by the public-at-large, certain mechanisms should secure the interests of the public so that these interests are not completely sidelined.<sup>85</sup> Thus an expert committee's opinion with regards to the public use of an invention is indispensable.

### *B. Disclosure of inventions*

In this context it is also important to highlight the significance of proper invention disclosure. As most of the legislation suggests, once an invention is made, the institution is under an obligation to report the invention to its funding authority and the institution then has to apply for a patent.<sup>86</sup> This disclosure aspect is often very vague. In many instances, institutions do not report these inventions and therefore, do not follow the regulations.<sup>87</sup> In order to determine the degree of university compliance with the disclosure requirements under the U.S. Bayh-Dole Act the GAO compared the PTO data with the agency and grants receipt data of about 2000 patents that were related to federal funding.<sup>88</sup> The report stated that:

Federal agencies and their contractors and grantees are not complying with provisions on the disclosure, reporting, retention, and licensing of federal sponsored inventions under the regulations implementing the Bayh-Dole Act and Executive Order 12591. In our review of more than 2,000 patents issued in calendar year 1997 as well as an Inspector General's draft report on 12 large grantees of the National Institutes of Health, we found that the databases for recording the government's royalty-free licenses are inaccurate, incomplete, and inconsistent and that some inventions are not being recorded at all. As a result, the government is not always aware of federally sponsored inventions to which it has royalty-free rights.<sup>89</sup>

Thus Asian countries should take special care to insert provisions that require a reporting system that keeps track of all the funds granted and the inventions created from such funds. Therefore, the publicly funded institutions should be required to report their inventions from time-to-time.

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<sup>85</sup> See O'Connor, *supra* note 11, at 7.

<sup>86</sup> Indian Protection and Utilization of Public Funded Intellectual Property Bill, 2008 (Bill No. LXVI, 2008) under Clause 4 states that the recipient shall within a period of sixty days of actual knowledge of the public funded intellectual property make a disclosure thereof to the Government in such form and manner as may be prescribed.

<sup>87</sup> Coe A. Bloomberg, *Federal Funded Inventions and Bayh-Dole Act Compliance: Do You Really Own What You Think You Own?*, 16 INTELL. PROP. & TECH. L.J. 1, 6 (2004).

<sup>88</sup> U.S. General Accounting Office, "Technology Transfer: Reporting Requirements for Federally Sponsored Inventions Need Revision," GAO/RCED 99-242 (Aug. 12, 1999).

<sup>89</sup> *Id.* at 2.

C. *The Role of Technology Licensing Offices*

Technology licensing offices are pivotal to the success of any policy that promotes a fruitful flow of knowledge from the university or any publicly funded organization to the industry.<sup>90</sup> The transfer of technology and the better utilization of the invention depend on the efficiency of the Technology Licensing Offices (TLOs). That is why, along with the drafting of policies for effective transfer of technology, the establishment of TLOs is also very important. As one tracks the Bayh-Dole Act's history in the United States, it is important to recognize the simultaneous and systematic development of TLOs.<sup>91</sup> University invention and commercialization got a new face with the creation of specialized TLOs under similar Bayh-Dole like legislations in different countries.<sup>92</sup> In Japan, through the passing of the National University Corporation Law in 1998, the government emphasized the development of TLOs for the licensing of university inventions and the generation of royalties for the inventor.<sup>93</sup> In countries like China, though there have been provisional regulations dealing with technology transfer, only recently have TLOs been established. These TLOs gave institutional support to China's initiative towards the implementation of public funded research legislations by managing the commercialization of inventions.<sup>94</sup> In countries like Malaysia and India there is still much more to be done in terms of setting up effective technology transfer offices although the government is currently implementing the laws regulating publicly funded research.<sup>95</sup>

There is also a rising concern regarding the over aggressiveness of TLOs in licensing inventions. The officials of Ewing Marion Kauffman Foundation stated very disappointingly that, "Technology Transfer Offices (TLOs) were envisioned as gateways to facilitate the flow of innovation but have instead become gatekeepers that in many cases constrain the flow of inventions and frustrate faculty, entrepreneurs, and industry."<sup>96</sup> This state of affairs in the United States should be an alarm for the Asian countries with respect to the management of TLOs in their respective countries which will invariably expand with the introduction of Bayh-Dole like legislations. It is thus extremely pertinent to draft rules and regulations for the management of TLOs.

Many countries have drafted special policies that address the different issues of the TLOs. Initially in the United States, the universities individually developed policies governing TLO operation.<sup>97</sup> The large disparity in the licensing and royalty practices between different

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<sup>90</sup> See Litan, *supra* note 2, at 35.

<sup>91</sup> David C. Mowery et al., *The growth of patenting and licensing by U.S. universities: An assessment of the effects of the Bayh-Dole Act of 1980*, 30 RES. POL'Y, 99, 119 (2001).

<sup>92</sup> See Graff, *supra* note 7, at 169.

<sup>93</sup> Law to Promote the Transfer of University Technologies [Daigaku nado gijutsu iten sokushin hou] (Law No.52 of 1998).

<sup>94</sup> See Graff, *supra* note 7, at 175.

<sup>95</sup> R. Saha et al., *Building a 'Cottage Industry' for Health (and Wealth): The New Framework for IP Management in India*, 10 IP STRATEGY TODAY 23, 58 (2004), <http://www.biodevelopments.org/ip/ipst10.pdf>.

<sup>96</sup> See Litan, *supra* note 2, at 40.

<sup>97</sup> Wisconsin Alumni Research Foundation (WARF) was founded in 1925 way before the enactment of the Bayh-Dole Act. It has been working on converting university research into real products. The WARF office has developed a technology transfer model for itself over the year and operates on the policy that it had developed. The commercialization by WARF of vitamin D discovery made by Prof. Harry Steenbock was its first success story. It was for the management of this discovery that WARF was initially formed, <http://www.warf.org/>.

universities made things difficult for industries as they had to discuss and negotiate with each university separately and study the licensing and commercialization pattern of each university every time they proposed a license for a university's invention. With the implementation of the Bayh-Dole Act in the United States, TLOs started following policies pursuant to the Act.<sup>98</sup> These kinds of rules are inevitable and need to be followed by all countries seeking to establish a system that utilizes publicly funded intellectual property. For example, Section 10 of the Indian Bill<sup>99</sup> provides for the constitution of an intellectual property management committee and its functions.<sup>100</sup> Thus, for the standardization of TLO policies, countries require a detailed set of rules that govern the TLOs. As stated earlier, situations sometimes arise where the TLOs make decisions incompatible with the expectations of publicly funded organizations as well as with industries seeking to commercialize inventions. These policies should also give special emphasis on simplifying the process of technology transfer from public research institutions to the private industries. The policy which will be issued by the government departments should be of such a nature that it enhances the efficiency of technology transfer. The policy should clarify the process regarding the disclosure of the invention by the inventor to the concerned university; the title and ownership of the invention; the details regarding the process of applying for a license of a university invention; and details regarding royalty sharing between the university and inventor.

#### *D. The Importance of Non-Exclusive Licensing*

The granting of licenses is the most important means through which the university-industry interaction is facilitated. Prior to the enactment of the Bayh-Dole Act, the Institutional Patent Agreements (IPAs), stressed the granting of non-exclusive licensing, though the granting of exclusive licensing was not altogether prohibited. This made it difficult for companies to commercialize their products because within years or even months of their product launch, there

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<sup>98</sup> U.S. General Accounting Office, *Technology Transfer: Administration of the Bayh-Dole Act by Research Universities*, Report to the Congressional committees, GAO/RCED- 98- 126 (1998). The use of government owned inventions was extremely difficult as there was a maze of rules and regulations that the concerned agencies had drafted for its licensing purposes. This was because there was no uniform federal policy on the transfer of technology from the government to the private sector. For this purpose the Congress passed the Bayh-Dole Act (P.L. 96-517, Dec. 12, 1980). In 1987, the Department of Commerce issued regulations, which are codified in 37 C.F.R. 401, to implement Bayh-Dole. This policy was extended to large businesses by Executive Order 12591, dated April 10, 1987. This helped in bringing in uniformity in, the till then scattered university technology transfer policy.

<sup>99</sup> Protection and Utilization of Public Funded Intellectual Property Bill, 2008 (Bill No. LXVI, 2008).

<sup>100</sup> *Id.*

- (1) Every recipient shall, within one hundred and eighty days of the receipt of the funds under section 3, constitute an intellectual property management committee within its organisation.
- (2) The intellectual property management committee constituted under sub-section (1) shall,—
  - (a) identify, assess, document and protect public funded intellectual property having commercial potential;
  - (b) perform market research and market such public funded intellectual property;
  - (c) create an intellectual property management fund;
  - (d) monitor the process of licensing and assignment;
  - (e) manage revenues from licensed public funded intellectual properties for the organisation;
  - (f) within one hundred and eighty days of its constitution, establish mechanism to promote the culture of innovation and public funded intellectual property generation within the organisation;
  - (g) create mechanisms to govern the relations between the recipient and the creator of public funded intellectual property.

were competitors in the market with another license from the same inventor.<sup>101</sup> Over the course of time, companies did not want to collaborate with publicly funded research organizations. But contrary to this policy, the Bayh-Dole Act introduced a provision whereby exclusive licenses could be granted in situations where the substantial production of the product took place in the United States.<sup>102</sup> In this context Eisenberg explained the reasoning for the “*substantial production in U.S.*” clause as a way to “ensure that U.S. sponsored research discoveries were developed by U.S. firms, rather than by foreign competitors who had too often come to dominate world markets for products based on technologies pioneered in the United States.”<sup>103</sup> But this rule also contained a waiver in situations where a manufacturer is able to prove that by some means the production of a given product is not feasible in the United States.<sup>104</sup>

The Bayh-Dole Act encouraged universities with publicly funded research inventions to retain title to the invention and then collaborate with the industry to give practical application to the invention by way of licensing.<sup>105</sup> The Act gave “considerable discretion” to the inventor/recipients of federal funds with regards to the licensing of his inventions. The licensing of inventions forms the crux of the Bayh-Dole Act as stated in its Statement of the Need for the Legislation:

At the present time U.S. companies desiring to use government funded research to develop new products and processes must confront a bewildering array of 26 different sets of agency regulations governing their rights to use such research. This bureaucratic confusion discourages efficient use of taxpayer financed research and development.<sup>106</sup>

There is a general concern by federal funding agencies regarding exclusive licensing agreements signed between a federal fund recipient and a licensee company because it is argued that this may lead to the creation of monopolies, an increase in product prices, and an unwanted burden on the tax payer with whose money the invention was developed.<sup>107</sup> This presents special concerns for Asian countries because of their high demand for drugs and pharmaceuticals.<sup>108</sup> Although there is a general exception against the granting of exclusive licenses under the Bayh-Dole Act,<sup>109</sup> once granted, the exclusive license is seldom revoked because these kinds of legislations are drafted with the objective of commercialization and revocation of such a license could defeat this objective. From a business perspective, academic research can be transferred to the industry and commercialized; therefore it can generate revenue for the institute for further

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<sup>101</sup> Scott F. Kieff, *Property Rights and Property Rules for Commercializing Inventions*, 85 MINN. L. REV. 697, 754 (2001).

<sup>102</sup> 35 U.S.C. § 204 (1980).

<sup>103</sup> Rebecca S. Eisenberg, *Public Research and Private Development: Patents and Technology Transfer in Government Sponsored Research*, 82 VA. L. REV. 1671, 1691 (1996).

<sup>104</sup> 35 U.S.C. § 204 (1980).

<sup>105</sup> Richard Jensen & Marie Thursby, *Proofs and Prototypes for Sale: The Licensing of University Inventions*, 91, AMERICAN ECO. R., No. 1, 240, 259 (2001).

<sup>106</sup> H.R. REP. NO.96-1307 pt. 1, at 2 (1980), as reprinted in 1980 U.S.C.C.A.N. 6460, 6461. Also at, Clovia Hamilton, *University Technology Transfer and Economic Development: Proposed Cooperative Economic Development Agreements Under the Bayh-Dole Act*, 36 J. MARSHALL L. REV. 397, 415 (2003).

<sup>107</sup> See O'Connor, *supra* note 11, at 6.

<sup>108</sup> See Vivekanandan, *supra* note 81, at 485.

<sup>109</sup> 35 U.S.C. § 204 (1980).

R&D.<sup>110</sup> But from a public welfare perspective this approach can be harmful especially in the case of Asian countries. In Asian countries, there is always a risk of universities getting carried away by the over-hyped benefits of the legislation and ultimately ending up attempting to commercialize every minuscule invention that may come their way. In such a scenario these universities should be in a position to differentiate between inventions with industrial application and inventions that are basic in nature or are important from a public welfare perspective. Research organizations/universities also need to explore certain alternate approaches, as earlier stated in the case of research conducted in India by Council for Scientific and Industrial Research (CSIR)<sup>111</sup> on TB through an open-source drug discovery model.<sup>112</sup> In an open-source model the database and other information will be publicly available rather than patenting them and may thereby facilitate greater technology and knowledge spill-over, at least in cases of essential and lifesaving drugs and pharmaceuticals.<sup>113</sup> Thus open source can be used as an alternate model to licensing in Asian countries in conditions where inventions cater to needs of large public health issues.

The concerned governments should also thoroughly monitor the granting of exclusive licenses. Exclusive licensing should be granted only in certain cases where a public interest is served or in cases of national emergencies. For this purpose the setting up of an expert committee, as stated earlier, becomes vital. Exclusive licensing can also cause more problems in situations regarding basic scientific inventions that are platform technologies because a patent can block all future research connected to it. On the other hand, granting non-exclusive licenses generates more competition which is in the greater interest of technological development.<sup>114</sup> Thus the Asian legislations should always be in favor of non-exclusive licensing and the granting of exclusive license should be an exception.

#### E. “March-In” Rights

[M]arch-in rights to protect the public’s interest were developed to take care of and address . . . [a] contractor’s windfall profits . . . and detrimental effects to competition.<sup>115</sup>

The United States Congress inserted a provision for “March-in” rights as a safeguard in cases where a company with an exclusive license does not utilize the license in the best possible way.<sup>116</sup> In the United States, the government can exercise its march-in rights and can license the technology to a more responsible producer.<sup>117</sup> The Kennedy Patent Policy had previously made

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<sup>110</sup> See Mowery, *supra* note 15, at 118-119.

<sup>111</sup> Council for Scientific and Industrial Research (CSIR) is the premier publicly owned industrial R&D organization in India and also India’s biggest patentee.

<sup>112</sup> IBN Live, *Indian scientists decode TB bacteria genome*, Apr. 11, 2010, <http://ibnlive.in.com/news/india-decodes-tb-bacteria-paves-way-for-new-drug/113120-17.html?from=tn>

<sup>113</sup> Shannad Basheer & Shouvik Guha, *Patenting Publicly Funded Research: A Critique of the Indian Bayh-Dole Bill*, 24 COLUM. J. ASIAN L., (Forthcoming 2010).

<sup>114</sup> Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 COLUM. L. REV. 839, 916 (1990).

<sup>115</sup> Jerome H. Reichman, Testimony before National Institutes of Health (NIH), Washington, D.C., *Public Hearing on March-In Rights Under the Bayh-Dole Act* (May 23, 2004).

<sup>116</sup> 35 U.S.C. § 203(a) (2002).

<sup>117</sup> 35 U.S.C. § 203 (a)(1) (2002).

similar provisions that addressed the issue of march-in rights in the United States.<sup>118</sup> The government may use this clause in special public health emergency situations.<sup>119</sup> In the United States, this clause has never been used, even though Congress has detailed the procedures to be followed in case judicial and administrative appeals are required for using this clause.<sup>120</sup> From this it may be derived that the clause is just a “dummy clause” and the government has no desire to ever use it.

However, Asian legislative bodies should insert the “march-in” clause in their respective legislation in a more effective way, whereby excessive pricing and other anti-competitive practices can be checked. As public money is involved in such research, it is absolutely necessary to insert such clauses so that there are some mechanisms for price monitoring by the government. Asian governments can prevent these clauses from becoming dummy clauses only by monitoring such practices. For example in the Indian Protection and Utilization of Public Funded Intellectual Property Bill, 2008 it has been stated that “[t]he ultimate objective, however, is to ensure access to such innovation by all stakeholders for public good.”<sup>121</sup> In such a case, all possible measures should be taken to ensure that the benefits do reach the stakeholders not only in theory but in practice as well. The grounds relating to the use of “march-in” rights should be elaborated in the Bill by the government as this will influence the ways in which a licensee company will conduct business.

#### *F. Better Commercialization of Inventions*

Universities have traditionally been the primary source of basic research.<sup>122</sup> But more often than not, these research outputs are under a risk of getting lost. For example, they may be lost when universities do not know how to put the basic research into practical use. Efficient operation of TLOs can solve this problem. But as the TLOs commercialize the inventions, the universities begin to generate more income by way of royalties. It is now being argued that the institutions are becoming more commercially aggressive and their research reflects this behavior very clearly.<sup>123</sup> The general quality of inventions is also diminishing as institutions move away from basic research.<sup>124</sup>

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<sup>118</sup> Presidential Memorandum and Statement of Government Patent Policy issued to the Heads of Executive Departments and Agencies, U.S. (Federal Register), (October 10, 1963), 8 3 C.F.R. 861 (1959-1963).

<sup>119</sup> *Id.*

<sup>120</sup> Barbara M. McGarey & Annette C. Levey, *Patents, Products, and Public Health: An Analysis of the Cell Pro March-In Petition*, 14 BERKELEY. TECH. L. J. 1095, 1116 (1999).

<sup>121</sup> See Statement of Objects and Reasons, Protection and Utilization of Public Funded Intellectual Property Bill, 2008 (Bill No. LXVI, 2008).

<sup>122</sup> Brett M. Frischmann, *An Economic Theory of Infrastructure and Commons Management*, 89 MINN L. REV. 917, 1030 (2005).

<sup>123</sup> R. Stanley Williams, *Testimony before the U.S. Senate Commerce Committee's Subcommittee on Science, Technology and Space*, NANOTECHNOLOGY (September 17, 2002) (“Largely as a result of the lack of federal funding for research, American Universities have become extremely aggressive in their attempts to raise funding from large corporations . . . . Large US based corporations have become so disheartened and disgusted with the situation they are now working with foreign universities, especially the elite institutions in France, Russia and China, which are more than willing to offer extremely favorable intellectual property terms”).

<sup>124</sup> See Henderson, *supra* note 23, at 121.

Asian countries need to be very cautious about this trend of moving away from basic research as it can be disastrous for them by completely killing their platform technologies which lead to further research. A solution to this problem is to divide the allocated funds under two categories where one category funds basic research and the other funds applied research. The funds shall be allocated in equal proportion so as to solve the problem of moving away from basic research in universities due to lack of commercialization incentives for it and will facilitate a balanced growth between both types of research.

### Conclusion

The commercialization of publicly funded research outputs is indeed a massive step that will be of great help to the industry and to the public, in terms of dissemination of research in basic and platform technologies. The Bayh-Dole Act put in place a procedure and system for the proper commercialization of inventions.<sup>125</sup> The most revolutionary aspect of the Bayh-Dole Act is that the Act granted ownership rights in the invention to the entities that created them.<sup>126</sup> The Act gave an institution the right to claim a patent over an invention but the federal funding agency also had a non-exclusive, royalty free license over the invention.<sup>127</sup> The government can also deny patent rights in the case when a non-U.S. researcher conducts the research.<sup>128</sup>

Legislations similar to the Bayh-Dole Act will have special relevance for Asian countries because many of these countries are witnessing shrinking R&D funds.<sup>129</sup> The institutions constantly search for new funding sources, and at times, many of these attempts are unsuccessful. Laws to commercialize publicly funded research can help address this problem as they suggest a mechanism through which universities can generate money for themselves through royalties by way of licensing their inventions.

But as discussed above, there may be serious repercussions when the universities have money in mind while conducting their research. The commercialization of these inventions may lead to a situation of completely sidelining the public interest in such inventions and may also stunt the growth of an open knowledge base. Thus the risk that Asian countries have in this context is whether the enactment of a Bayh-Dole kind of legislation would hinder the basic research that is conducted, and create a trend towards commercializing of basic research. The legislation may also be a little disappointing because an inventor who wants to put his invention into the public domain may not be allowed to do so because the invention has to be disclosed to a government authority as soon as possible and a patent application has to be filed for the invention.<sup>130</sup> The Asian countries need to keep in mind the task of catering to the increasing

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<sup>125</sup> Everett M. Rogers et al., *Assessing the Effectiveness of Technology Transfer Offices at U.S. Research Universities*, 12 J. ASSOC. UNIV. TECH. MANAGERS (AUTM), 43, 80 (2000).

<sup>126</sup> 35 U.S.C. § 202 (2002).

<sup>127</sup> 35 U.S.C. § 202(c)(4) (2002).

<sup>128</sup> See Mowery, *supra* note 3, at 7.

<sup>129</sup> See Vivekanandan, *supra* note 81, at 482.

<sup>130</sup> Protection and Utilization of Public Funded Intellectual Property Bill, 2008 (Bill No. LXVI 2008), Under Section 4 it has been stated that a recipient within 60 days needs to disclose to the government his knowledge regarding any public funded intellectual property. It follows that within a period of 90 he further needs to notify the government whether or not he intends to retain the title to the given IP so generated. The Bill is silent regarding any other option being provided to the recipient.

demand for drugs and pharmaceuticals. Often, when countries blatantly follow foreign legislations without conducting a domestic study on its adaptability, serious consequences can occur, especially in Asian countries.

There has been immense glorification of the Bayh-Dole Act in terms of boosting university inventions and thus facilitating better university-industry relationship. But many studies prove to the contrary and have opined that there has been a decline in the quality of academic patents.<sup>131</sup> Asian countries are all set to have similar legislation and many of them already have it.<sup>132</sup> The verbatim adoption of the Bayh-Dole legislation by many Asian countries is quite inappropriate as in the case of the Indian Protection and Utilization of Public Funded Intellectual Property Bill, 2008. The R&D facilities in India are still in its infancy and many of the publicly funded institutes have not yet established a TLO and are unaware of its use in the commercialization process.

Before the enactment of such legislation, it would be wise to consider how it will fit into the domestic requirements of the concerned country. When the U.S. Bayh-Dole Act was enacted, U.S. universities were all ready and capable of commercializing inventions with mechanisms already in place for university technology transfer. But are the Asian universities currently in a similar position? The university-industry collaboration and the R&D facilities in many of the Asian universities are still in their infancy.<sup>133</sup> Without finding out means to first develop the R&D facilities, there is no point in stacking up new legislation.

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<sup>131</sup> See Henderson, *supra* note 23, at 121.

<sup>132</sup> See Sampat, *supra* note 78, at 4.

<sup>133</sup> Jamie Aboites & Mario Cimoli, *Intellectual Property Rights and National Innovation Systems: Some Lessons from the Mexican Experience*, 99 REVUE D'ECONOMIE INDUSTRIELLE 215, 232 (2002).