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## Panel Discussion

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## PANEL DISCUSSION

AUDIENCE MEMBER: For Emery Simon, do you see a problem with the cultural exception provision<sup>1</sup> that is going to be in NAFTA, and is there any particular reason why it is in the Agreement? I assume that we weren't able to negotiate it out. Will it be a problem?

MR. SIMON: The cultural exception in the NAFTA is essentially a duplication of the cultural exception under the U.S.-Canadian Free Trade Agreement.<sup>2</sup> It's an unfortunate aberration. In fact, it was one of the last issues settled in the NAFTA negotiations.

The cultural exception really was a very difficult political decision for the Canadians. There were two or three Canadian ministers who didn't want it and there were several ministers who felt that they had made a promise to the Canadian people not to negotiate anything less than what they had gotten from the U.S.-Canadian Free Trade Agreement, and they felt totally boxed in by it.

There was another dimension to it that was kind of unfortunate: the EC dimension. The Quebecquoi wanted to get their money out of France on private copying levies; the Quebecquoi did not want to pay money to the United States for private copying levies. So they wanted to maintain the possibility of having a discriminatory private copying system that would grant benefits to the French, on some weird cultural set of arguments, while denying benefits to the United States.

The principal problem of the cultural provision, I think—and actually, this is a thought that has kind of puzzled me for a while—is that we have in trade these superseding considerations called “national security,” and when national security is invoked, all bets are off. One of my big fears is that countries are going to

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\* Joel Kolko, Esq., Managing Editor, *World Intellectual Property Report*, Washington, D.C.

1. North American Free Trade Agreement, Dec. 22, 1991, art. 2106, available in LEXIS, Genfed Library, Extra File, NAFTA.

2. Free Trade Agreement, Dec. 22, 1987 & Jan. 2, 1988, Can.-U.S., H.R. DOC. NO. 216, 100th Cong., 2d Sess. 297 (1988), reprinted in 27 I.L.M. 281 (1988).

develop “cultural exceptions” in the area of copyright. What they will say is, “We will have a copyright law, we will have national treatment, and we’ll have everything else, but when it’s a cultural issue all bets are off and this is a superseding consideration.”

Ultimately, I think, that is a nuance that is embedded in the cultural exception. If that is picked up, it will present a problem.

AUDIENCE MEMBER: This question is for the whole panel, but particularly for the two professors. If I understand you, you are saying that the particular shape given copyright protection is now really trade-driven or economic-driven, and you cited *Computer Associates v. Altai*<sup>3</sup> as an example. I tend to see it more as a fundamental failure of traditional copyright to deal with this evolving technology. Do you disagree with that?

PROFESSOR REICHMAN: The decision in *Computer Associates* correctly applies traditional copyright doctrines as they pertain to functional works, which is all that computer programs are entitled to. The court’s methodology derives from *Baker v. Selden*<sup>4</sup> and is consistent with the Supreme Court’s recent decision in *Feist*.<sup>5</sup> The hard fact is that copyright law protects personal expression against copying only, whereas innovators in the computer software field need to protect applied scientific know-how, including technical ideas, against both unauthorized use and reproduction by third parties. Copyright law cannot protect the functional components of computer programs—or their dynamic behavioral impact, where the true value resides—and efforts to bend the copyright paradigm to this end will either fail or end in massive overprotection. I discuss these issues at length in my paper for this Conference and in other articles cited therein.

The inability to protect the applied know-how in computer programs is the same problem we find in biotechnology, industrial design, and other cutting-edge forms of innovation. That is, we are dealing with *incremental innovation bearing know-how on its face*. As my articles show, such innovation is seldom patentable because

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3. 982 F.2d 693 (2d Cir. 1992).

4. 101 U.S. 99 (1879).

5. *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991).

it fails the nonobviousness test; it achieves little or no protection from copyright law, which cannot deal with technical results as such; and it cannot be dealt with in trade secret law either, because the valuable know-how is usually embodied in the product and publicly distributed, which causes it to forfeit secrecy and become vulnerable to rapid duplication. Sooner or later, we must devise a new legal paradigm to deal with applied scientific know-how as such.

Meanwhile we are stuck with a proliferation of intermediate regimes that are being thrown at a moving target, so to speak, with the result that we swing from states of chronic underprotection to states of chronic overprotection and back again. A sui generis law to protect applied scientific know-how as such is what we need, and I submit that this law would not operate like a classical intellectual property system and that it would resolve the common problems of industrial design, biogenetic engineering, and computer programs.

My colleagues, Pam Samuelson, Mitchell Kapor, the inventor of Lotus 1-2-3, Randy Davis, and myself are trying to apply this approach to computer programs.<sup>6</sup> We hope to come out with a major statement next year regarding the application of this theory to the specific case of computer programs. One of our earliest findings was, in fact, that innovators are really trying to protect the dynamic behavioral impact of the computer program in copyright law, which the copyright paradigm cannot legitimately allow. That finding was introduced into the *Computer Associates* case because the court called Professor Davis, of M.I.T., to be its impartial expert after the other experts confused the issues. Even before that, scholars like Professor Goldstein and others, especially Professor Samuelson, were saying, "The problem is that when you had the CONTU deliberations, CONTU never called anybody who knew anything about computer programs and never sat down to investigate the problems." They said, "Well, you've got this two-dimen-

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6. See Pamela Samuelson, Randall Davis, Mitchell Kapor & J.H. Reichman, *A Manifesto Concerning the Legal Protection of Computer Programs* (unpublished work in progress).

sional writing; it's got words here. Why can't we protect it in copyright law?"

But, as Professor Davis said at the WIPO Symposium on Artificial Intelligence, "Software is a machine whose medium of construction happens to be text." Therefore, you have a hybrid subject matter at the very core of our economic fabric, and it's not surprising to see legal hybrids multiplying all over the place to try to deal with this problem as it appears in other fields.

It's not such a new problem as we like to think, by the way. The problem was originally posed by industrial design. Think about it. An early finding of mine that has attracted some attention in Europe is that the old problem of industrial art and the new problem of industrial literature have a common denominator. The difference is that we thought we could afford to allow industrial art to flounder around out there—and we'll talk about that tomorrow—and we see that there are many different approaches to design protection in the domestic laws. In the nineteenth century, we ignored this problem because it was a marginal case both in intellectual property law and economically. Today, industrial design drives the products market and industrial literature drives the whole information-based economy of the twenty-first century, which turns on electronic information tools.<sup>7</sup> All our future competition is based on this; everything is digital. Therefore, we are going to have to learn to redimension our whole competitive universe.

So, once you recognize the magnitude of the problem, you understand why we're going to have to rethink our whole competitive structure. "Why don't we just throw copyright law at it?," becomes a naïve question to ask. I have to tell you, a law devised to protect Victor Hugo and Giuseppe Verdi and their grandchildren, is a wonderful law, all about cultural policy; I love it, I work with it ever day. But that's not the law you want to protect applications of artificial intelligence; that's not going to do the job. It's a stop-gap measure. We don't have other stopgap measures at the moment in this country.

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7. See generally Jerome H. Reichman, *Electronic Information Tools—The Outer Edge of World Intellectual Property Law*, 24 I.I.C. 446 (1993).

Switzerland has tried one. The so-called Troller law on unfair competition is one of the most interesting experiments that I've seen. Quietly snuck into Article 5(c) of their new unfair competition law, it is a stopgap measure to protect new technological innovation against slavish imitation for the time needed to recoup investment. There are a lot of problems with it, but it remains a very interesting experiment at least.

So, I just want to say that we underestimated the problem because we didn't understand where the computer revolution was leading us. Now that we begin to see the implications of digitalization and information science, we must seriously rethink this problem.

PROFESSOR REIDENBERG: In the early 1980s, the United States particularly promoted copyright protection on a worldwide basis at various international fora. I'm not sure that the problem was in our understanding of where the computer revolution was going as in our lack of understanding what the value of high technology was, particularly in the software area. Value was really in the functionality; what you were doing with it, what it could be used for. That isn't what copyright was designed to address.

In that sense, you can tinker with the dimensions of copyright but functionality is not what you're aiming at protecting through copyright. However, for the last ten plus years, we have done the tinkering and we now have to deal with this history. Accepting the history of the last decade does not change the notion that we probably made a mistake back in the early 1980s when we pushed copyright to protect information technologies.

MR. SIMON: The copyright law cases are seeking to fill the gap. Cases like *Altai* tend to bring copyright back to our historical tradition of protection. But that doesn't fill the gap. The gap will not be improved or diminished by keeping patent and copyright protection for those cases that need them.

AUDIENCE MEMBER: I would just like to second what Em-

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\* Steven J. Metalitz, Vice President and General Counsel, Information Industry Association, Washington, D.C.

ery said and elaborate with a footnote on it very briefly. I think it is important to keep the balance, keep both of those sides in perspective. I think that there was some appreciation, even ten years ago, that by bringing the intellectual property issues into the trade arena, it was not an entirely unmitigated plus; there would be some consequences as well.

I am concerned about the idea that, in the database field, as well as in the software field, some of our court decisions suggest that we are totally on the wrong track or we took a wrong turn ten years ago in the way we approached copyright. Especially, Jerry Reichman's statement that most electronically assembled databases do not meet the standard of creativity in *Feist*. I don't think that the facts bear that out in the post-*Feist* environment. I'm not sure that there's much difference between the *Feist* standard and the intellectual creation standard in the TRIPS Treaty. I'd be interested in Jerry's reaction as to how much the TRIPS Treaty, in his view, raises the level from *Feist*, given that under *Feist* virtually all commercially significant databases are protected.

PROFESSOR REICHMAN: If you want to talk about it seriously, the problem for databases is they are often randomly sorted. They are a randomly sorted compilation, a computer-generated work. That is what no less than Professor Sam Ricketson has discussed in the *Columbia-VLA Journal of Law and the Arts*,<sup>6</sup> and in his view there is no place for computer-generated works under the Berne Convention. England has tried to protect skill and labor in copyright law, but it's the only country that still has such a low level of creative authorship.

You just don't escape the fact that most databases are the product of a random assortment. That's what the Supreme Court was talking about. I don't like the way the Court constitutionalized the requirement of a creative component in the "original work of authorship" standard; I hate that. But the standard is there.

If, as Hugh Hansen points out, the United States courts follow-

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6. Sam Ricketson, *People or Machines: The Berne Convention and the Changing Concept of Authorship*, 16 *COLUM.-VLA J.L. & ARTS* 1, 8-12, 28 (1991).

ing *Feist* are going to deliberately water the creativity requirement down by piecemeal applications that don't apply it fully, then we won't have much of a problem at the eligibility stage. I think he was right in saying that there has been a lot of resistance to *Feist*. Nevertheless, the scope of protection remains "thin" because the Supreme Court allowed third parties freely to reuse the data compiled, which is the crux of the problem.

As regards "originality and creativity," I will say—and I will leave it to Dr. Verstrynge to say more—that historically, there is a convergence between our doctrine of originality, which we are elevating, and the European doctrine, which is descending. A Dutch scholar, Professor Hugenholtz, reached that same conclusion at the Amsterdam Conference on Information Law Toward the 21st Century in 1991 and published it. So there is less divergence than before.

But what you don't get away from in the Berne Union—and this has been brought up in GATT—is personality protection and the requirement of a personal intellectual creation. And, quite rightly, the EC Commission has recognized this problem right from the beginning, because the Nordic countries already had their "catalog rule," to protect noncopyrightable compilations in a *sui generis* regime. The EC Commission has now proposed a *sui generis* law for noncopyrightable databases, which also addresses the scope of protection issue.

If the EC adopts a *sui generis* law to protect compilations and databases, it will take some of the downward pressure off of the copyright standard. Only when and if the two laws are both in place will we know for certain how much of a gap there would be between one and the other. The size of the gap will depend on whether courts strain to expand copyright law, notwithstanding *sui generis* protection; or whether they allow copyright law to exclude more and more borderline compilations because there is a *sui generis* law to take up the slack.

DR. VERSTRYNGE: I want to make one remark. Both the Software Directive and the Database draft leave explicitly open the fact that you can apply other methods of protection, like unfair competition. I want to say that, at least for Europe, this problem



doesn't exist because in the European Court of Justice we had a case five or ten years ago, where they admitted unfair competition, slavish imitation. So, as far as we are concerned, with the new Software Directive, even if they fall out of it, this legislation falls into the protection of that case. It is one of the rare cases where the Court—not under Article 36, but under the *Cassis de Dijon*<sup>7</sup> theory—admitted that slavish imitation could be stopped at the internal border. So we have even a possibility to capture these things inside the EEC.

AUDIENCE MEMBER: Professor Reichman, you raised really three areas of protection: patents, trade secrets, and copyrights. In patents, I think it's very dangerous if we drop our standard of strict nonobviousness. And I think we should not change or have any different standard for foreign countries. There has to be some room for competition, and we can't be too greedy.

Second, you make a very good point on trade secrets. Trade secret protection alone is relatively meaningless in the long range because, as you correctly point out, there will be reverse-engineering at some point in time. So it's illusory to think that because Japan has a new trade secret law—or any country has a new trade secret law—that this will be of great benefit to the United States. It's the underlying patent law that is very important. Of course, we will talk about why we need strong patent protection tomorrow.

Now, the question comes in the area of computer protection. There seem to be three schools of thought. There is the Samuelson-Reichman school, with an as-yet-unknown sui generis protection which we are all waiting to see unveiled this fall. Then you have Richard Stern, who has a combination of patent and everything else background, and I don't know what he has in mind, but he has his plan.

PROFESSOR REICHMAN: We are moving in the same direction.

AUDIENCE MEMBER: Moving in the same direction, but in

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7. Rewe-Zentral AG v. Bundesmonopolverwaltung für Branntwein, Case No. 120/78 [1979] E.C.R. 649.

a different manner, I think. Then you have Arthur Miller, who says, "Let's do some CONTU," and he takes you guys all to task.

Where do you stand vis-à-vis Stern and Miller? There seem to be three different schools of thought.

PROFESSOR REICHMAN: Now, since Stern has been moving in the right direction, we're very happy to see that he is independently recreating the ontology of our own three-year search. He is a welcome entry in this quest for a *sui generis* approach. We think we have a solid theoretical structure for our approach that Stern does not have, but we know his ideas are valid and relevant.

Miller, back in the 1970s, before 1975, was a disciple of a famous professor at Harvard, Professor Kaplan. When Kaplan, who opposed copyright protection of software, was being attacked, Miller was his protégé, and they wrote a lot of nasty things about copyright protection of computer programs that are part of the legislative history. In fact, Kaplan is the one who truly foresaw the *Baker v. Selden* functionality problem. In 1965, Kaplan and Miller got Congress to send the bill back to the Copyright Office, to deal with the true *Baker v. Selden* problem. But the Register came back with the idea-expression distinction in section 102(b), which is Nimmer's revisionist view of *Baker*.<sup>8</sup> When you think about it, *Baker v. Selden* is really about the need to override the reproduction right if intermediate copying is the only way to reach underlying, unprotectable matter, especially functional ideas. *Baker v. Selden* is about a certain kind of fair use in regard to functional works; it has nothing to do with idea-expression as such. But the Copyright Office came back with section 102(b), and the Kaplan-Miller objection was ignored.

Then Miller changed completely at a certain point, during the CONTU hearings, and nobody knows why, and he hasn't changed since. Every once in a while he comes out and says, "Copyright is the best of all possible worlds." Why?

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8. See generally J.H. Reichman, *Computer Programs as Applied Scientific Knowledge: Implications of Copyright Protection for Commercialized University Research*, 42 VAND. L. REV. 692-93, 693 n.288 (1989).

If you think that, you ignore twenty years of experience, you ignore what the courts are telling you, and you ignore the real nature of this problem. It's true that the software business is going forward. What copyright law did was to stop slavish imitation. In Germany, this was achieved outside of copyright law, in unfair competition law, which has protected computer programs against slavish imitation. That wasn't very different from what we're getting out of the Second Circuit after *Computer Associates v. Altai*. But that isn't going to be enough to develop artificial intelligence machines, advanced computer-generated design, all these electronic information tools.

Slavish imitation protection will not give the investment bankers enough incentive. Or take biotech—if the cure for cancer turns out to be unpatentable because it uses technically obvious methods and processes, are we going to get that cure for cancer? Because it may have taken an innovative firm ten million man-hours to figure out how to apply well-known processes to reach that particular gene and splice it with that other particular gene. But the court will be bound by our traditional patent laws to say that's obvious.

AUDIENCE MEMBER: Why?

PROFESSOR REICHMAN: Because it was a logical and clear result conceptually for a routine engineer to make; it will be incremental innovation, not what the European's call an "inventive step" away from the prior art; and it only took the time and the skill to develop the know-how, but time and skill are not patentable. Once you embody know-how in the gene, in the product, you expose it to instant reverse engineering; if I can get hold of the biogenetically made organism that carries the solution, I can duplicate that the same way I can duplicate a computer program.

So we've got to deal with these intermediate technologies that fall outside of the patent and copyright regimes—we've got to deal with applied scientific know-how as such.

AUDIENCE MEMBER: There is no doubt that the *droit d'auteur* systems were unable in any way to accept that computer-

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\* Robert J. Hart, European Patent Attorney, Liverpool, England.

generated works should fit within that sphere of protection as far as *droit d'auteur* is concerned. Undoubtedly, at WIPO there was an attitude which came out which said that a *droit d'auteur*-type copyright really is not an area for computer-generated works, even if we can't identify what they are at the moment.

I feel that we are getting nearer to being able to identify what they are. I do feel that many of the results of using artificial intelligence are in fact creating works which do need to be protected against unauthorized reproduction and adaptation, even if those words are inadequate to say what it is that we need to protect for.

I am very supportive towards some of the things that you have said. But, having said that, I go very much towards Emery's observations because what we've got to have is an international system that will protect whatever these things are, because it is no good trying to start generating something which is not going to be internationally accepted. I think that is really the big area that we've got to look into and try to make decisions in internationally.

I think that there's an area there that needs to be protected, but we've got to have it fit in within international systems because if we don't have it fit in within international systems, then it will just mushroom and then we'll have all sorts of difficulties set up by various interested circles. Then we would get to a situation where we can't ever come to an international agreement.

I'm sure that somehow things like that have got to be taken into account, but I'm not certain that we should in any way move away from the things that Emery is saying right at this point in time. And I guess I'm as enthusiastic as anybody to see what you're going to come up with in the fall.

**PROFESSOR REIDENBERG:** I think your points are interesting because they show this irony that the debate you are discussing is really a debate over what the standards of protection are or more precisely, the scope of protection. Namely, what does it mean in the TRIPS text to say "intellectual creation"? Who is going to be applying that standard? Answers are set out in TRIPS.

**MR. SIMON:** That standard, by the way, was meant to be nothing different than existing standards.

PROFESSOR REIDENBERG: But that varies significantly under national laws.

MR. SIMON: That's exactly right, and it is meant to. It is meant to accommodate all the various systems. That doesn't mean it's not going to be litigated and there's not going to be a fight over it, but you're reading far, far, far, far, far too much into what was intended by that. Nothing was intended by that.

PROFESSOR REIDENBERG: Except that the disputes over standards now take place in the trade arena rather than in domestic courts.

MR. SIMON: Yes. That's important, but we don't know how it's going to play out. That is the nuance that both of you brought to this, and it's the correct one. It's unclear what the hybrid is going to be. At the moment, the hybrid is a good thing. It may turn out to be not so good. It's right that we raise the alarms, but it's not yet right to abandon this.

PROFESSOR REICHMAN: After all, as you were saying earlier, whether we like it or not, software has become a major trade problem. Therefore, we have to deal with it in the trade arena. We can't ignore it. It's there.

PROFESSOR REIDENBERG: I don't think it's a question today of abandonment of traditional intellectual property rights; rather, it's a question of how are we now going to deal with some of the second-generation issues that will crop up through the trade agreement.