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# International Intellectual Property Rights

CLARK D. STITH

Nineteen ninety-six was marked by major developments in both international intellectual property law and domestic law affecting international intellectual property rights. On the international law front, the World Intellectual Property Organization (WIPO) hosted a Diplomatic Conference resulting in two treaties on copyright and sound recordings, which were signed by delegates from 150 countries, including the United States. In addition, 28 member countries of the World Trade Organization (WTO), including the United States, signed an Information Technology Agreement (ITA) designed to eliminate tariffs on technology products by the year 2000.

On the domestic law front, three major areas of U.S. law affecting international intellectual property rights included: (1) the law relating to the Internet; (2) export controls on encrypted software; and (3) the criminalization of industrial espionage performed on behalf of foreign governments.

## I. Treaties and International Agreements

### A. TWO WIPO TREATIES SIGNED BY 150 COUNTRIES

Two treaties approved by delegates to the WIPO Diplomatic Conference in Geneva in December 1996 are designed to update the century-old Berne Convention. The first, entitled "World Intellectual Property Organization Provisional Treaty on Protection of Literary and Artistic Works" (Copyright Treaty), updates the Berne Convention by expressly recognizing computer programs as literary works and by recognizing the right of reproduction, communication, and making available to the public. As these rights are already recognized in the United States, no change in U.S. law is expected. The WIPO Treaty on Copyright Law contains fuzzy language, however, that could be read to prohibit infringing devices or other activities designed to circumvent protections against unauthorized copying. It is unclear, for instance, whether this language would require the United States to prohibit the sale of double-deck VCRs, the primary use for which is to make unauthorized copies of copyrighted videotapes.

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(Under current U.S. judicial decisions, sales of double-deck VCRs are permitted, because the devices also have legitimate uses.)

The most important feature of the Copyright Treaty is the treaty's absence of making temporary digital copying infringing activity. The online service provider industry breathed a sigh of relief after proposed language of Article 7 to the Copyright Treaty, which would have created copyright protection for even the most temporary copies, was softened by WIPO delegates. If adopted as originally proposed without comment, Article 7 would have created potential liability for online service providers whose computers create temporary copies during the process of forwarding messages and documents through their networks. A statement accompanying the treaty is to make clear that such incidental digital copying does not constitute infringing activity. It is unclear, however, how this will play out in the United States, where at least one federal appeals court has held that temporary digital copies do constitute infringement.<sup>1</sup>

The second treaty, entitled "World Property Organization Provisional Draft Treaty on Sound Recording Rights" (Sound Recordings Treaty), extends international copyright law protection to sound recordings, which were left unprotected under the 19th century Berne Convention. A practical benefit under the Sound Recordings Treaty could be the virtual worldwide copyright protection for music performances broadcast over, or other sound recordings distributed through, the Internet. The Sound Recordings Treaty also provides for the "moral right" of a performer to both be identified as the performer of her performances and to object to the mutilation or other modification of her performances. Although the United States has traditionally been reluctant to recognize such so-called moral rights, in 1990 Paul McCartney successfully coerced Nike to pull its U.S. television commercials featuring the Beatles' rendition of the song "Revolution," even though Nike had at great expense obtained consent from the copyright owner of the music (Michael Jackson), but had failed to obtain consent from McCartney, a performer of the original version featured in Nike's tennis shoe commercial. Accordingly, as a practical matter, the Sound Recordings Treaty may have little domestic effect in the United States.

Another important nonevent at the WIPO Diplomatic Conference was the failure to adopt any agreement relating to the protection of databases. The European Union, which has adopted a "Database Directive" essentially extending copyright protection to compilations of data, such as the names and addresses in a telephone book, lobbied unsuccessfully in favor of extending its Database Directive worldwide through a database treaty. Although a proposed database treaty was scrapped, the Copyright Treaty does extend protection to compilations of data "which by reason of the selection or arrangement of their contents constitute intellectual creations." This protection, however, "does not extend to the data or the material itself."<sup>2</sup>

## B. WTO INFORMATION TECHNOLOGY AGREEMENT

On December 13, 1996, 28 member countries of the WTO signed the Information Technology Agreement (ITA), which obligates signatories to eliminate tariffs of a wide range of information technology goods by the year 2000. The signatories are, for the most part, OECD and other countries with relatively well-developed high technology sectors, such as the European Union (15 countries), Australia, Hong Kong, Japan, Singapore and the United States. One catch that may prevent the ITA from timely implementation: the agreement is not effective

1. See *MAI Systems Corp. v. Peak Computer Systems, Inc.*, 991 F.2d 511, 518 (9th Cir. 1993).

2. See Copyright Treaty, Art. 5.

until the signatory countries constitute ninety percent of world trade in information technology goods, and the 28 current signatories account for approximately eighty-five percent of such trade. The best feature of the ITA is its specificity in naming, by harmonized system tariff numbers, the goods for which tariffs must be eliminated, ranging from "chemical elements doped for use in electronics" to automatic teller machines to "magnetic or optical readers." Time will tell whether enough additional countries will sign on to give the ITA real meaning in international trade.

## II. Domestic Law Affecting International Intellectual Property Rights

### A. THE INTERNET: ATTEMPTS TO RESTORE LAW AND ORDER IN CYBERSPACE

The Internet, which to date has been largely unregulated, saw haphazard attempts in 1996 to impose at times conflicting legal regimes on its use. The principal areas of uncertainty and proposed regulation with an international component included jurisdiction, liability of online service providers, and Internet domain name assignment and revocation policy.

#### 1. *Liability of Online Service Providers*

The law relating to the liability of online service providers for obscenity, defamation, copyright and trademark infringement is in turmoil, and may chill some expression on the Internet. Courts are split in the United States on whether an Internet service provider may be held liable for *direct* copyright or trademark infringement. A BBS was held liable for direct infringement where a subscriber uploaded *Playboy* photos with the keywords "Playboy" and "Playmate" for other subscribers to download.<sup>3</sup> Likewise, a BBS operator was held strictly liable for copyright infringement for distributing unauthorized copies of video games to its subscribers.<sup>4</sup> By contrast,<sup>5</sup> the court, in a lengthy analysis, refused to find an Internet service provider strictly liable for copyright infringement, because the service provider did not exercise control over the content of the messages that it transmitted.<sup>6</sup>

Legislation proposed by the Administration, the "NII Copyright Protection Act of 1995," would do nothing to resolve their split of judicial authority. The NII Copyright Protection Act would recognize digital transmission as copyright protectable, but this provides small comfort to Internet service providers, who are left with the uncertainty surrounding their liability for copyright and trademark infringement.

#### 2. *Internet Domain Name Assignment and Revocation Policy*

Internet domain name assignment and revocation policy swerved from one extreme to another in late 1995. The CEO of Network Solutions, Inc. (NSI), the U.S. Government subcontractor responsible for domain name policy, has admitted that NSI is currently a named defendant in at least 18 separate lawsuits involving its domain name policy. NSI, which grants domain names virtually automatically with no prior cross-check against registered trademarks, initially allowed "domain name hijacking," *i.e.*, the practice of intentionally registering another's finder mark as a domain name in order to sell it back to the trademark holder, to flourish.

3. *Playboy Entertainment Enterprises v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993); *see Playboy*, 839 F. Supp. at 1559.

4. *Sega Enterprises v. Maphia*, 857 F. Supp. 679 (N.D. Cal. 1994). *Id.* at 683-85.

5. *Religious Technology Center v. Netcom Online*, 907 F. Supp. 1368 (N.D. Cal. 1995).

6. *See Netcom*, 907 F. Supp. at 1368-70. *Communications, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

A rash of such domain name hijackings prompted NSI in November 1995 to adopt a policy at the opposite extreme, calling for the automatic revocation within thirty days of any domain name if the name is similar to any registered trademark. This blunt instrument policy has resulted in "reverse domain name hijacking," whereby a trademark holder can effectively obtain a preliminary and permanent injunction against a competitor using a legitimate trademark, without ever having to prove any likelihood of confusion between the two marks.

The chaos in the United States over Internet domain names is mirrored abroad. In the United Kingdom, a disgruntled telephone customer registered British Telecom's name abbreviation as a domain name and used the web-site to provide a forum for customer complaints. Just as in the United States, the United Kingdom has not adopted a coherent domain name assignment and revocation policy.

### 3. *Jurisdiction—Where Do Copyright and Trademark Infringement Occur in Cyberspace?*

Several U.S. courts have struggled with the issue of personal jurisdiction for defamation and copyright infringement occurring on the Internet and no clear rule has emerged. The issue is simple to frame: if a bulletin board service (BBS) provider in Karachi, Pakistan, posts an article that infringes a U.S. copyright and a user accesses the BBS from a computer located in New York, does a New York court have personal jurisdiction over the Pakistani BBS? Similarly, if a trademark is valid locally but would infringe another's trademark if used abroad, does use of the mark on a web site that can be accessed abroad constitute trademark infringement?

At least one court addressing these issues has found U.S. jurisdiction proper.<sup>7</sup> The United States District Court for the Southern District of New York held an Italian Internet service provider in contempt for violation of an injunction entered fifteen years earlier prohibiting trademark infringement of "Playboy." Specifically, the Italian internet service provider had established a website entitled "Playmen" which offered subscribers the ability to access various pornographic materials from their computers located in the United States. Because the Italian publisher had been subject to an earlier injunction for other copyright violations, the issue of jurisdiction was not squarely before the court.

In early 1996, CompuServe, the second largest online service provider, announced that it would discontinue one of its database offerings *worldwide* because a German court had found that the content offered violated German law. The ability of one court in a foreign country to effectively shut down, on a worldwide basis, the content offered by a U.S. Internet service provider drives home the need for some standards relating to jurisdiction and the substantive law of liability of Internet service providers for the content they offer.

## B. REFORM OF EXPORT CONTROL LAWS RELATED TO THE EXPORT OF ENCRYPTED SOFTWARE

[For a more detailed discussion of this type, see the report submitted on *Export Controls and Economic Sanctions* on page 393].

In 1996, both the Clinton administration and Congress proposed reform of U.S. export control policy with respect to the export of software with encryption capability. Currently, encryption software is classified as a "defense article" on the U.S. Munitions List and may not be exported without a license from the U.S. Department of State. The inability of U.S. exporters to use strong encryption as part of their ordinary international business has hampered

7. *Playboy Enterprises Inc. v. Chuckleberry Publishing, Inc.*, 1996 U.S. Dist. LEXIS 9865 (S.D.N.Y., July 12, 1996).

the development of international electronics commerce, as well as U.S. competitiveness with respect to software sales abroad.

Proposed legislation to alleviate this problem focused almost entirely on substantial relaxation of any export controls on encrypted software. For instance, the Promotion of Commerce Online in the Digital Era Act of 1996 (PRO-CODE) § 1726 would transfer jurisdiction over export licensing of encryption-related products from the State Department to the Department of Commerce. Under PRO-CODE, encryption software would be treated similarly to any other software, and could be exported under general licenses unless the software was "specifically designed for military use," "diverted to a military end-use or use supporting international terrorism."

The Clinton administration, by contrast, has taken a step-by-step approach, announcing several revisions of what has been dubbed the "clipper chip" proposal. Under the clipper chip proposal, the U.S. Government would hold in escrow a key to each and every encrypted product exported from the United States. Because of resistance from Congress, this proposal remains merely a proposal. In October 1996, however, the administration announced that it would not consider encryption software with a key length of 56 bits or less as a "defense article." A 56-bit key length is the standard for so-called DES encryption, but it is not regarded as "strong encryption," because triple DES, with a key length of 96 bits, is commonly used abroad.

### C. INDUSTRIAL ESPIONAGE

The Industrial Espionage Act (Act), signed into law in October 1996, makes it a federal crime with stiff penalties to misappropriate trade secrets on behalf of a foreign government. In addition, the Act also criminalizes trade secret misappropriation, a traditional state law tort. The definition of "trade secret" under the Act tracks verbatim the Uniform Trade Secrets Act, adopted by most states. The Act was passed into law at the urging of Senator Arlen Specter, who held hearings detailing incidents of industrial espionage conducted against U.S. companies for the benefit of several countries, including France and Korea.

