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## **Multimedia: Problems for the Future**

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### **I. Introduction**

It is an understatement to say that the law of Multimedia in electronic commerce, while evolving rapidly, remains in its earliest stages of development. What follows is a review, from the prospective of an American lawyer, of where we are now and where we may be headed. Most certainly there will be many difficulties, both legal and practical, which will have to be overcome if the wonderful new tools technology has given us are to open up the maximum potential for multimedia creations.

### **II. Developments in domestic U.S. law**

Because I am an American Lawyer, I would like to begin with a brief review of developments in my own country.

It all began with the 1980 Computer Software Amendments to the Copyright Act supplemented by later changes such as record and software rental legislation and digital audio tapping legislation.

In the 1990s the pace of change accelerated with establishment of the Clinton Administration's Task Force on the National Information Infrastructure. The enactment by Congress of a trademark anti-dilution statute has given more legal leverage to trademark owners attempting to protect their rights on the Internet. And, the recent passage of the Digital Millennium Copyright Act (DMCA) – which implements the new WIPO Copyright treaties – has laid a new foundation for the law of the Internet.

In addition, the federal courts have begun to address threshold questions, such as liability for infringement on the net.

### **III. The International Context -- A three-legged stool: WTO, WIPO, and national legislation.**

#### The World Trade Organization (WTO)

The United States put the basic framework for modern intellectual property protection into place by the aggressive use of trade policy. Beginning in the early 1980s the United States Trade Representative began to make intellectual property protection of U.S. copyrights, patents and trademarks a major goal in trade negotiations with other countries, particularly those in the developing world. Initially the efforts took place on a bi-lateral basis with individual countries, but in the 1990s intellectual property became a central feature of multilateral trade negotiations involving NAFTA and GATT.

In 1994, the successful Uruguay round led to the WTO treaty containing the TRIPS (Trade Related Aspects of Intellectual Property) agreement. Under TRIPS all countries must have effective systems of patent, trademark and copyright law protection and enforcement.

#### The World Intellectual Property Organization (WIPO)

Historically, the principal forum for setting minimum international norms for the protection of intellectual property has been the World Intellectual Property Organization, based in Geneva. The WIPO administers the two major IP treaties, the Bern Convention for the Protection of Literary and Artistic Works (covering copyright) and the Paris Convention for the Protection of Industrial Property (covering patents and trademarks).

In December, 1996, the WIPO sponsored a diplomatic conference which established two new treaties updating the Bern Convention and bringing world copyright law into the Internet age: The WIPO Copyright Treaty and the WIPO Performers and Phonograms Treaty.

#### National Laws

While WIPO treaties and the TRIPS agreement lay the broad foundation for intellectual property protection on a global basis, the specifics of protection and enforcement are determined by the national laws of the more than 150 countries which are members of both WIPO and the WTO.

The twenty-six developed country members of the Organization for Economic Cooperation and Development (OECD) have for many years enjoyed high levels of IP protection and robust trade in IP products based on compatible legislation implementing the WIPO-based treaties. As a consequence of TRIPS, however, the vast number of developing countries and the former communist countries are having to develop modern systems of IP protection, in many cases from scratch. Since the intellectual property moving over the Internet reaches into each of

these countries, the evolution of their national laws is critical to effective protection of rights in electronic commerce. Practitioners must have an understanding of how these laws are evolving.

In addition, harmonization among countries, which are members of the European Union, is creating a new category of European law which must be understood if clients in the electronic commerce business are to be effectively counseled and represented. The European Union is now in the process of drafting a directive to member states on how they are to implement the new WIPO treaties in national legislation. This directive is the counterpart to the Digital Millennium Copyright Act and will have significant consequences for users of the Internet in Europe. Along with the new U.S. law, it will be seen as a model by many developing countries. Any differences between the European Directive and the DMCA may lead to confusion for owners and users of copyright on the Internet and difficulties in copyright enforcement.

### Emerging Business Practices

Treaties, statutes and case law are only a foundation for the evolving law of the Internet. Business practices, including standard licensing protocols just now being developed, will determine the real day to day life of IP on the Internet. The emergence of standard contracts and licensing agreements will affect the daily circumstances of electronic commerce. But also, as yet to be developed licensing mechanisms -- employing the unique capabilities of Internet technologies -- will have a great impact on how copyrighted works are exploited over the Internet. And, in some cases these new technologies will determine how disputes over intellectual property issues, such as the relationship between trademarks and domain names, will be resolved.

### Issues to Watch

- Patents: the implications of the State Street Bank case.

Throughout most of our history, there appeared to be a clear distinction between patentable subject matter and the kind of literary and artistic works which are protected by copyright. However, since the landmark decision in the Diamond v. Diehr case, it has been understood that computer software may be subject concurrently to both copyright and patent protection. Last year the Court of Appeals for the Federal Circuit in the case of State Street Bank v. Signature Financial, extended this concept even further, holding that software which expresses a business process or method also may be patentable, providing that the statutory tests such as novelty, non-obviousness and utility are met.

- Trademarks: International Dispute Resolution of Internet Trademark issues.

The Internet poses entirely new challenges to traditional concepts of trademark law. Trademarks have for the most part been limited to national territories, with the possible exception of internationally well known marks. To obtain trademark rights in a given national territory a trademark owner either had to have a physical business presence in a market or register his or her claim to rights with the appropriate governmental authority for a given territory. The Internet, of course knows no national

border. Therefore, there are an increasing number of circumstances in which two different trademark owners may have established rights in their home territories, but a clear conflict when doing business in the borderless domain of the Internet. At the present time there is no clear solution to this problem.

In addition, a great deal of controversy has emerged over the relationship between the rights of a registrant for an Internet domain name and the rights of an owner of a confusingly similar trademark. While trademark owners in the U.S. have often been able to assert the primacy of the trademark in infringement litigation, particularly since the enactment of antidilution legislation, the remedy for trademark owners when the cyber squatter is beyond U.S. jurisdiction is less clear.

These trademark problems are now the subject of discussion in WIPO. And, WIPO is developing an electronic dispute resolution mechanism to resolve conflicting trademark claims. However, such dispute resolution is purely voluntary. A permanent solution to the problem of trademark disputes on the Internet still awaits some kind of internationally accepted solution.

- The conflict between EU law and current US law on the protection of databases and possible legislative developments in the United States.

Last year the countries of the European Union implemented a directive of the European Commission requiring them to create a new *sui generis* form of intellectual property protection for non-copyrightable data bases. The European directive specifically requires reciprocity as a condition of the protection of databases of foreign nationals. The United States has no reciprocal law. Therefore, in the near future we may see situations in which a U.S. originated database is incorporated without permission into a computerized European database and the European database owner asserts proprietary rights against the U.S. originator.

The solution to this problem either will have to involve a bi-lateral agreement between the U.S. and the E.U to grant Americans reciprocity or the enactment of a reciprocal U.S. law. Legislation establishing a *sui generis* U.S. law passed the House of Representatives last year, but failed in the Senate. Until this problem is resolved clients should be very careful about dissemination of valuable databases on the Internet.

- Implementation of the TRIPS agreement and the two new WIPO copyright treaties by developing countries.

While most of the nations in the world agreed in 1994 to establish high levels of intellectual property protection, developing countries were given until the year 2000 – and in some cases until 2005 – to comply. Many countries are woefully behind in setting up new laws and enforcement systems to meet their obligations. While owners of physical goods have the advantage of withholding products from markets with extensive piracy, there is no such possibility for intangibles moving through the Internet. Therefore, question of TRIPS compliance will have a disproportionate impact on Internet

commerce. While adherence to the new WIPO copyright treaties will resolve much of the problem for copyright owners, so far few countries other than the U.S. have implemented the treaties. This will be an area to watch

#### **IV. The Impact of Business Practices and Technology**

Apart from the problems of national and international law discussed above, there will be many practical business and technological problems to be addressed before the full potential of multimedia and the Internet is realized.

With the promulgation of the WIPO Copyright and Phonograms treaties, for the first time there is international recognition of the direct link between legal rights in the exploitation of works of authorship and technological methods of protecting those rights.

Although, authors rights have always been intangible, both the capacity to exploit them and the capacity to pirate them have been limited by fact that they could only be exploited in truly tangible media of expression. At first this meant print on paper or oil on canvass. Latter it came to include media such as vinyl disks and celluloid tape. Although these media were subject to unauthorized reproduction, the “pirate” had to manufacture and physically distribute the products of his unethical acts. Copyright owners had the ability to identify, locate and prosecute pirates. In the Internet age this is infinitely more difficult, and without the use of new technologies involving digital identification, tracking and encryption, it is impossible.

As we meet here in Monte Carlo the creative world is engaged in the process of building new business models – usually employing these technologies – to create the 21<sup>st</sup> Century market for multimedia. These business models involve both new means of distributing works and new means of licensing rights in works.

Certainly the lowest common denominator in this brave new world is the MP3 format. While this allows efficient and high quality distribution of musical performances, it suffers from the total lack of copyright control. Because of this the world’s large distributors of recorded music are now in the process of developing alternative standards and methods of distribution which permit copy control. I believe that it is fair to say that there will be no serious commercial market in digitally delivered music until these distribution methods are perfected. And, what is true for music will also be true for other media. Undoubtedly disseminators of audiovisual and graphic works will build upon the methods now being put in place by the music industry.

However, in addition to digital distribution of finished product, the new world will also bring new ways of licensing rights. This is particularly important for producers of multimedia, who wish to create new, derivative or collective works which employ newly created as well as previously created content. Ms. Koskinen-Olsson will address one evolving possibility for electronic licensing.

Other entities already are marching down this road. Well-known examples are CORBIS, the wholly owned Microsoft company that currently both securely delivers content and licenses

use of graphic images. If you log into CORBIS' web site you will find that you can choose between royalty free and royalty required images. And, CORBIS offers the ability to offer a license for every kind of user, from the student preparing an academic paper to a mass media publication reproduced in millions of copies. Prices for licenses vary accordingly, and all transactions can be handled on-line, including content delivery if the licensee has access to adequate bandwidth.

In addition to CORBIS there are other purveyors of content as well as organizations which engage only in on-line licensing. An example of on-line licensing is the web site of the Copyright Clearance Center (CCC) in the United States which is currently conducting a beta test for on-line licensing of commercial re-use of pre-existing print material. CCC also has gone into competition with CORBIS through its MIRA site, an on-line licensing agency for stock photography created by members of the Photographers Guild of the United States.

Interestingly, content delivery and licensing can be split into two separate on-line activities. As an example, archival copies of Newsweek Magazine can be downloaded directly from the Newsweek web site, while a license for commercial re-use can be obtained from CCC's web site. And, the use of hyper-linking permits this to be done seamlessly from the point of view of the consumer.

Another interesting example is the Harry Fox Agency's (HFA) site. An old-line collecting society for music publishers, Harry Fox now not only grants synchronization and mechanical licenses on-line, but also through its Lyrics.ch site, permits the downloading of the lyrics of over 100,000 compositions. As I understand it, HFA has plans for on-line delivery of sheet music. A competing site, based in France, is WEB4Music, just now getting under way. Like Harry Fox it has developed a technology for content delivery that employs copy controls to prevent unauthorized reproduction of the music. The HFA web site not only offers mechanical and synch licenses, lyrics and sheet music, but classified advertising, but books and compact discs through hyper linking with distributors of these products.

My own organization, the International Intellectual Property Institute, is currently working with WIPO to develop an Internet licensing protocol for cultural institutions in developing countries.

In addition to the activities of the Harry Fox Agency, described above, the two large U.S. performing rights societies, ASCAP and BMI, also offer licenses on-line. However, these licenses are simply an on-line version of the traditional blanket license conveyed through a paper contract. While ASCAP and BMI offer performing rights licenses to creators of web sites, issues yet to be fully explored involve the circumstances under which the creation and exploitation of multimedia will require a performing rights license.

Even though the developments I have just described are impressive, what has not yet happened is of greater importance. First, vast quantities of already creative works have yet to be digitized and enormous areas of creativity are simply unavailable for licensing for multimedia use.

The process of digitization is expensive, and vast libraries of print material – even in highly developed countries like the United States – remain unavailable in digital form, much less on line. This is even more true in the developing world, which lacks the financial where-with-all to create digital images of works unique to their culture. While the efforts of the WIPO may assist in creating the legal foundation for digital exploitation, only as yet untapped sources of international capital will provide the funds for the first step in making the treasures of the developing world available for multimedia use. The World Bank and the government of Italy will be co-hosting a conference in Florence, October 4-7, entitled “Culture Counts”. Among other things, this conference will explore the issue of financing the exploitation of cultural patrimony in the new on-line world. My colleague at the International Intellectual Property Institute, Dr. Michael Shapiro, will deliver a paper at this meeting on the topic which will be made available on our web site, <http://www.iipi.org>.

Quite apart from vast quantity of pre-existing literary works, paintings, sculpture and other objects in collections of the great museums and cultural institutions of the world, even large libraries of commercial works are currently unavailable for multimedia licensing in any form. A leading example is the collective libraries of the great Hollywood film companies. At this time none of them have been made available for on-line licensing, even where works already exist in digital format. My personal view, is that after the sound recording industry actually has gone on line with working systems of on-line distribution, employing effective anti-copying technology, Hollywood will follow and begin to exploit this market.

So, to sum up the current state of affairs, the market for easily accessible, licensed product for multi-media re-use is in its earliest infancy. At the present time it consists of some images, available from on-line stock photography organizations such as CORBIS, mechanical and synchronization rights available from Harry Fox Agency (but not recorded music itself), and considerable print material available, either directly from the publisher or through the U.S.-based Copyright Clearance Center.

The full potential for on-line access to works of authorship will be recognized only when: (1) capital becomes available for digitization, (2) standardized copy control technologies are accepted in the marketplace, and (3) major owners of collections of works either create new or utilize the existing -- but nascent-- channels of on-line distribution and licensing which I have identified.

There is little doubt in my mind that these three conditions will develop. It is only a question of when.

Thank you for your attention.