

Intellectual Property Rights And The Internet

Fleur Hinton provides a useful overview of the challenge in applying rights which are usually nationally based to the internet.

Unlike many areas of the law, intellectual property has always had a very international flavour. Bearing that in mind, it should be easy to adapt intellectual property principles to the changes brought about by the development of the internet. However, in some arenas, the laws in relation to intellectual property cause as many uncertainties as those in relation to taxation.

The ways in which these issues will be or can be dealt with will vary depending on the type of intellectual property and the type of product or service being offered. For example, there are two international conventions already in force to provide protection to the copyright owners of one country in another country. Trade marks, however, are different. The rights granted are national or granted on the basis of an economic unit such as the community trade mark ("CTM") of the European Union.

In the cases of both copyright and trade marks, any rights owner commencing an action for infringement in a particular jurisdiction has to show that the alleged infringing conduct has taken place in that jurisdiction. In the case of copyright, if material is available to be downloaded from the internet in the jurisdiction, copyright infringement will have occurred. The situation is not so clear, however, with respect to trade marks. For trade mark infringement to have occurred, there must be a "use" of the trade mark in the particular jurisdiction within the meaning of that jurisdiction's trade marks legislation.

The development of the internet has also led indirectly to the recognition of a new type of patent. Traditionally, patent protection has not been available for business methods. However, because of the novelty of some of the methods of doing business on the internet, patent protection has now been granted in some cases (eg *Amazon.com v. Barnes & Noble*). In Australia (and in the United

States) the grant of a patent is not a guarantee that the patent is valid, despite the legislative assumption to that effect. Large numbers of patents (perhaps around 70%) have been found to be invalid when challenged by the owners in Court.

The use of the internet provides challenges in respect of each of these species of intellectual property. In the context of the internet, there is one further breed of right (not really an intellectual property right) which has received a great deal of publicity due to its capacity to affect business on the internet; the domain name. Because a domain name is the means by which internet users gain access to a particular site with a view to doing business, there have been many cases in which well known individuals, companies and trade marks have been registered as domain names by entities other than the real owners of those names. In most cases, the basis for that action has not been to trade on the entities' reputations by passing off goods and services as coming from another source; rather, registration has been obtained in order to hold to ransom the real owners by selling them back their names at a profit. Because of the urgency and immediacy of these problems, legislation has been enacted in the US and the World Intellectual Property Organisation ("WIPO") has taken steps to prevent the practice of cybersquatting.

COPYRIGHT

As discussed in the previous article, the long awaited *Copyright Amendment (Digital Agenda) Act 2000* was enacted in September 2000 and will come into force in early March 2001. Its purpose is to extend the protection already granted by the *Copyright Act 1968* so as to end the exclusive rights granted by that Act to the creators of a "work" and include the creators of a "work" where that work is created initially in digital form. This has been achieved by putting in place a

"broad-based technology-neutral" right of communication to the public. The definition of "public" includes people both inside and outside of Australia.

Some of the major features of the new legislation are:

- the ability of a copyright owner to control how his or her work is made available to the public;
- a prohibition against methods to overcome technological protection measures;
- a statutory licence system for the re-transmission of free-to air broadcasts.

However, the internet is not bound by national borders. Therefore, whilst the Digital Agenda Amendments will be effective against infringers in Australia, the ability of an Australian copyright owner under those amendments to take action against a copyright infringer whose infringement occurs on an international stage will depend upon the rights granted to that form of "work" in the country in which action is alleged to commence.

TRADE MARKS AND DOMAIN NAMES

The precise definitions of trade mark infringement vary from country to country. Generally, however, trade mark legislation will enable the owner of a registered trade mark to take action for trade mark infringement against a third party who uses a trade mark which is identical with or similar to a registered trade mark in relation to goods or services covered by the registration, goods or services which are similar or goods and services which are dissimilar if the trade mark is a famous one.

The definition of "use" differs from jurisdiction to jurisdiction and, in the short term, the solution to the problem of trade mark infringement on the internet

is likely to be solved on a nation by nation basis. Anglo-Australian Courts have found that "use" involves making goods or services available for purchase under that trade mark (or one which is substantially identical, deceptively similar or perhaps confusingly similar). In some jurisdictions, however, the "use" required for trade mark infringement will not require an actual offer of sale to have taken place. In the Australian context an offer of sale will only be 'use' of a trade mark within the meaning of the *Trade Marks Act 1995 (Cth)* where the goods or services in respect of which the trade mark appears are available to be purchased by reference to the trade mark. In Germany, however, trade mark infringement will be held to occur where the trade mark is displayed, even if the product in respect of which the trade mark is used is not available for purchase in Germany. In the United States, the *Lanham Act* provides that a use in commerce which may involve mere advertising. There is no indication that this type of discrepancy in national treatment is likely to change in the near future.

However, the situation is different in the related area of domain names. The owners of well known/famous trade marks try to register those names as domain names so that people will be led to their websites in the same way that a person making a telephone call will be led to the entity's phone at its premises when they ring the number.

This has led to the creation of a new market on the internet; one which sells or auctions registered domain names. Nevertheless, although domain names function primarily as addresses, it is arguable that they are also used as trade marks to identify goods or services emanating from a particular source. This is one area in which regulatory authorities are making attempts to work together. As a result of recommendations made by WIPO in its final report into the internet domain name process released in April 1999, the internet's new governing body, the Internet Corporation for Assigned Names and Numbers ("ICANN") developed a Uniform Domain Dispute Resolution Policy ("UDRP") to help trade mark owners who believe that their trade marks have been usurped by third parties as a domain name and registered (commonly known as cybersquatting).

Those traders now have the ability to take action under this system which allows them to challenge a granted domain name registration comprising a word or sign which is either or identical with or confusingly similar to their trade marks. If successful, the complainant will have the domain name in question cancelled or transferred to it. In order to be successful under this system, the trade mark owner has to prove three matters:

- that the domain name is either identical with or confusingly similar to a trade mark in which the entity has rights;
- why the complainant considers that the current domain name holder is disentitled to register it as a domain name;
- why the domain name should be considered to have been registered and to be used, or would be used, in bad faith.

This system appears to provide the potential for the sorts of disputes which are international in nature to be solved in one international forum. At the moment it applies only in relation to top level domain names but it is hoped that it may be adopted by national domain name registries either by agreement or, perhaps also under the overall umbrella of WIPO.

Last year, also, the US government introduced legislation to deal with the problem of cybersquatters holding the trade mark owners to ransom. Under that legislation plaintiffs are entitled to take action against cybersquatters seeking damages and an injunction prohibiting the defendant from using the domain name. However, the general view appears to be that the UDRP of WIPO is preferable to taking action under the US anti-cybersquatting legislation. The UDRP procedure is much cheaper and faster than the court action required under the legislation. Further, although the legislation provides for an award of damages, most cybersquatters lack the funds to make an award of damages against them worthwhile to the successful plaintiff and most trade mark owners are satisfied simply to reclaim their trade marks as domain names.

PATENTS

Complicated issues of patent infringement may arise as a result of transactions conducted on the internet. There is no definition of "infringement" per se under the *Patents Act 1990 (Cth)*. However, patent infringement will occur where a person other than the patentee or a licensee of the patentee exercises one of the exclusive rights given to the owner of the patent under the Act. Section 13 of the *Patents Act 1990* sets out the exclusive right granted by the monopoly as being the right, during the term of the patent to exploit the invention covered by the patent and to authorise another person to do. The term "exploit" is defined in schedule 1 of the *Patents Act* as:

- where the invention is a product – make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things;
- where the invention is a method or process – use the method or process or do any act mentioned above in respect of a product resulting from such use.

Usually, where an Australian patentee believes that its patent is being infringed by a product which is being imported into Australia, the company will take action for infringement against the importer of the patented product without joining the purchaser of that product despite the fact that, under the *Patent Act 1990*, a purchaser of an authorised product would be an infringer. However, where infringing products are imported into Australia on an individual basis by use of the internet, the situation is clearly more difficult since the supplier may well be outside of the jurisdiction.

The growth of the internet has also brought about a spate of recent cases on the patentability of business methods. Traditionally, business methods have not been patentable. The various patent legislation around the world were designed to protect and encourage invention by granting the reward of a limited monopoly. Inventions were considered to comprise subject matter which was new, not obvious and capable of being industrially applied. In the past, business methods did not satisfy those

criteria. Nevertheless, the technological advances which have made the internet possible have also enabled large companies to use the differences in the delivery of the business methods by the internet to claim patentability for some of those new methods of doing business.

The validity of many of those patents may be open to challenge and the history of patent litigation (in both the US and Australia) shows that perhaps 60% or 70% of all patents are ultimately found to be invalid when they are challenged. Nevertheless, the obtaining of a patent is a substantial deterrent to the vast majority of businesses who cannot afford the costs of commencing a challenge to a patent or defending an action for patent infringement commenced by a large company.

The most famous of the business methods for patent cases was the Amazon.com action in the United States in December 1999 against the American bookseller, Barnes & Noble. Amazon.com had patented a method of doing business on the internet which involved the online purchaser in confirming his purchase with one click of the mouse. (Amazon.com claims "ONE CLICK" as a service mark.)

Barnes & Noble, which has a chain of book stores in the United States, also used this method on its website, barnsandnoble.com during the lead up to Christmas 1999 and Amazon.com obtained an injunction against barnsandnoble.com preventing it from using that method and forcing it to introduce a more cumbersome double click method of completing transactions. Although only an interim decision, it had a huge effect on the Christmas market for books over the internet. In February 2000, Amazon.com was granted a further patent (its eighth) for a customer referral method allowing businesses on the internet to sell the goods and services of another website for commission.

A patent granted by the US Patent Office lasts for 20 years and, in many cases, the standard of examination given by the US Patent Office for these types of patents is considerably lower than that given for other types of patents. There are two reasons for that: lack of skill of examiners in this area and the sparse collection of

prior art in business methods available to the examiners.

To combat this, the US has examined the feasibility of a scheme for providing more qualified examiners. The government also introduced the *American Inventors' Protection Act of 1999*. The purpose of that legislation is to enable a person who has been using a business method to take action against a third party seeking a patent for that invention by raising his own prior use of the business method during opposition proceedings. It is generally considered doubtful that many of the patents would be found valid if tested. Nevertheless, the trend is for large companies to stockpile software patents on the basis that the ownership of those patents may give them a business advantage and will almost certainly increase the value of their shares on the stockmarket.

Australian companies are following the American trend and also applying for the registration of business method patents which are being granted in substantial numbers. Again, the advantages in these patents are held by large companies who can afford to operate substantial patent programs and to conduct the necessary proceedings to defend the patents.

CONCLUSION

Presently most of the world's intellectual property laws are nationally structured and it seems likely that people and companies will have to deal with the difficulties caused by that situation for some time to come. In the long term, however, it seems probable that the development of the internet will result in the expedition of more internationally based laws sponsored by international bodies. In the area of intellectual property the sponsoring body is likely to be WIPO although that organisation is wary of becoming involved in anything which could be considered to have political ramifications. It seems likely, therefore, that, although WIPO is the logical body to administer an intellectual property legal scheme, its authority would have to come from other international organisations. Unfortunately it seems unlikely that the solution to these problems will take place in the near future.

The views expressed in this article are those of the author and not necessarily those of the firm or its clients.

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