

Gustavo Ghidini, Rethinking Intellectual Property

Balancing Conflicts of Interest in the Constitutional Paradigm, Edward Elgar, 2018, 421 p.

Book Review

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- 1 Some books have the ambition of rethinking the whole regime of a legal field, despite its complexities and expansive realm. Gustavo Ghidini's last book belongs to such endeavours. Armed with his comprehensive knowledge of all fields of intellectual property, his long experience, and his savvy incursions in the economics and competition dimensions of creation and innovation, Professor Ghidini succeeds in convincing his readers that something is wrong in the IP kingdom, but also that it could be repaired with some changes and adjustments.
- 2 From the freedom of economic enterprise and the freedom of expression, two constitutional principles that underpin modern IP law and promote a pro-dynamic innovation, intellectual property has increasingly integrated mere protectionist tendencies, such as the extension of the scope of protection afforded by the exclusive rights, the replacement, in the IT-sector, of patent protection by the copyright regime that is more pro-monopolistic, or the extension of duration of rights, notably in copyright and related rights. Ghidini opposes such excessively protectionist trends that bear the risk of (over)protecting a few dominant enterprises and slow down the dynamic processes of innovation. He pleads instead for a balanced reconstruction of IP regimes on the grounds of key underlying paradigms which should guide a consistent interpretation *within* and *across* each IP right and a renewed attention to the dialectic between exclusion and access. A first line followed by Ghidini is holistic and aims at analysing the discrete IP rights in their mutual connections in order to avoid contradictions. This contrasts with the increasingly separate evolution of each IP right with no transversal examination of the impact any change in one IP system could have on others. A second line is more functional: it addresses the conflict of interests arising in each IP right in a systemic consistency with the satisfaction of what is proposed as the two main goals of the overall IP system: the promotion of "sciences and useful arts" for copyright and patent, and the pursuit of effective market transparency through reliable information for trademark.
- 3 The demonstration is then carried out in the three main fields of IP, patent, copyright and trademark, which constitute three key chapters, before concluding on the topic of the interface between IP and competition law, in which Ghidini is an expert. An overview of the architecture and underlying principles justifying and organising each field is provided, and its evolution is outlined and sometimes criticized, before a conclusion in the form of recommendations and legislative reforms is drawn. Each chapter concludes with an extensive bibliographical list, which is valuable to pursue the reflection and research.

- 4 Patent law's function is to ensure a competitive dynamic of technological innovation. On the one hand, the already achieved innovation should be protected, on the other it should coexist with the incentive for subsequent future innovation. A balance between exclusion and access should then be achieved, and an over protectionist interpretation and exercise of patent rights should be defeated. On the side of the balance, Ghidini insists on the combination achieved by patent law, of a privatization of the economic exploitation of research results, and the liberalization of its knowledge. The requirement of sufficient disclosure is thus crucial in achieving the role of the patent spreading technological knowledge.
- 5 Many other rules can be similarly justified through the need to regulate the dialectic between exclusion and access. For example, the non-patentability of the results of basic research compared to the privatization of the outcomes of applied research, for epistemological and economic reasons, the limitations to the patent rights, justified for pro-competitive motives, as the private or experimental use, the limited duration of the patent, or the different cases of compulsory licenses, and finally the assessment of the inventiveness of the invention, whose level has been progressively lowered, which Ghidini deplors.
- 6 Other features of patent law aim to enhance dynamic competition but are sometimes threatened by recent evolutions. For instance, the protection for trade secrets if it is conceived as an intellectual property right, instead of a tort-based protection, would replace the "exclusivity for knowledge" trade-off that is essential to the patent regime.
- 7 Not contenting himself with a pro-competitive interpretation of patent law rules, Ghidini proposes some legislative reform "to better satisfy societal interests in promoting technological developments, while preventing both overprotection and discouragement of innovation". A first cluster of proposals aims to transform patent rights from property to liability in some cases. Amongst those, a more frequent recourse to an obligation for the patent holder to grant FRAND terms, on the model of what has been set up for SEPs, at the difference that the law would determine the criteria *ex ante* of the conditions and fees for such imposition, and for the subsisting injunction availability. Cross-licences and FRAND licenses are interesting options to further explore for dependent patents beyond cases of important technical advance and for patents related to products or processes related to public needs such as health, nutrition and environment protection. Some current rules could also be amended, as a reduction of the time for publication of patent, clearer rules for employee's inventions or a legal enactment of the stock-piling exception. Patentability should be more open to computer programs, that could be compensated by a repeal of copyright protection. A more radical suggestion is offered by Ghidini, consisting of replacing the *winner-takes-all* model by a different paradigm where simultaneous inventors could be granted parallel exclusive rights, to reward all investments in innovation and not only the firm that has been the quickest to file for patents. The second or third inventor could exercise a more limited exclusive right, or even a compulsory cross-license, after the first patentee could benefit from his patent for one or two years. Here, Ghidini does not elaborate much on what the position of the user of the invention on his radical shift of regime would be. Specifically, would he need to get a license from several patent holders?
- 8 From technical solutions to aesthetic creations protected by copyright, the issue of the relation between right *v.* access resonates too. Ghidini rejoices here the many scholars rejecting the imbalance that has been progressively installed in copyright in favour of the means of copyright protection (the exclusive rights) over the end of dissemination of culture and information. As he will explore later on for trademarks, the protection in the form of a proprietary right has become an end in itself. His perspective - as he reckons - is an industrial one that focuses on copyrights exploited and exercised by firms upon acquisition from authors, which stays in line with his pro-competition program for IP. Therefore, in his development about the copyright paradigm striking a balance between exploitation and access, the perspective of creators in terms of proper remuneration and protection of their works, is somewhat invisible, which I personally regret. That being said and keeping that dimension in mind, that does not invalidate the soundness of his analysis and proposals. After having revisited the key features of "classic" copyright, from the subject-matter and conditions for protection to the rights conferred, he suggests some reforms, namely to the regime of derivative works in order not to hinder the circulation of new cultural contributions or to extend the principle of exhaustion to all types of acts of disposition after the first sale, in whatever format the work is carried on. The regime of exceptions, especially in the digital environment, is also the object of a vivid critique leading to some recommendations for change. What is particularly worrisome is "that the dynamics of diffusion of information and culture, at the international level, are heading towards a feudal-type structure dominated by an elite of web oligarchs, who will - as in large part they already have - successfully dethrone the previous *domini*, the traditional publishers, increasingly destined to the role of new vassals, bound to willy-nilly accept the conditions

dictated by the new rulers”. Here it is suggested that the author is becoming a marginal player, whose capacity to earn an equitable share of the overall revenues is jeopardized. Strangely enough, Ghidini does not express much recommendations for reform here, and appears to be rather (perhaps overly) confident in the promises made by recent EU proposals (the directive on digital single market and the Communication on Online Platforms) for a fairer level playing field.

- 9 The discussion then moves to technological copyright, prompted in the last 30 years, by its extension to industrially produced utilitarian works like software or databases, but also industrial designs. Coming from Italy, where copyright and design rights were more strictly separated, Prof. Ghidini has some trouble accepting such cumulation pushed by European harmonisation and refers back to its conditions and risks. He suggests an interpretation of the Design Directive “to allow the *parallel* co-existence of the two types of protection, each with its own specific scope to be determined on the basis of the difference in the objective *market use* of the work of design”, which would be better in line with the enhancement of dynamic competition and the interests of consumers.
- 10 With regard to computer programs, Prof Ghidini advises the exclusion of them from copyright protection altogether, ending what he calls “a total fiction”, for software is intrinsically technology and consists in a merge between expression and function that does not encompass any aesthetic or expressive feature. The extension of copyright over derivative versions is also considered as problematic to follow-on innovation in the field of software. Should software still be protected by copyright, it should at least justify introducing a patent-like FRAND compulsory licensing system to the benefit of technical improvements. The protection of databases also does not resist his critique.
- 11 The last IP right that is thoroughly debated is trademark. Here the critique focuses on the evolution towards a protection of trademarks as goods per se and not only as informational tools whose function is to safeguard market transparency against confusions. When properly reflected in the trademark regime, the latter endows such an IP right with a strong pro-competitive profile. Conversely, when trademarks are protected as “an asset in itself”, particularly for famous trademarks, the protection they enjoy against different products and services, thus sometimes in distant markets, but also within the same or similar category of products or services, where a risk of confusion is then not required, is detrimental to fair competition and such an over-protectionist line should be rejected. One key argument, on which one should concur, is the direct protection of investment (namely in promotional activities) that this evolution entails and that should not have its place in intellectual property. Notoriety could end up being protected as such and not anymore in relation to a misleading perception induced in consumer’s minds.
- 12 A final chapter explores the relationship between IP and competition, including both unfair competition and antitrust analysis. He distinguishes between three phases in the antitrust interference on IP: the first one curbing contractual exercises of IP owners’ power to dispose of their rights (e.g. through market partitioning); the second one related to their power to exclude third parties (e.g. the development of case law on IP and refusal to license and the possible abuses in standard-essential patents); and finally the interference on the acquisition of the IPR entitlement itself (e.g. the *AstraZeneca* case). The issue of FRAND licensing is thoroughly developed. In unfair competition, Ghidini pleads for a convergence and possibly an integration with antitrust law along the objective of consumer welfare, with inspiration from the German Model.
- 13 This last chapter on the intersection between IP and competition law perfectly illustrates the pro-competition and pro-innovation anchor of the book. The complication of balancing interests of similar constitutional rank that is announced in the title and is developed in the introductory chapter, using the tests of hierarchy and proportionality, has been somewhat lost along the way, as it was less and less visible when progressing through trademarks and then competition law. It does not reduce the relevance of the analysis however. For anyone interested not primarily with a technical knowledge of intellectual property, but to a reflective systematisation of what protection of innovation means, this book is an essential read. The breadth of the issues covered, the richness of its cross-analysis and the radicality of some of his proposals deserve our attention as IP scholars or practitioners who struggle to make sense of an increasingly complex, inconsistent and unbalanced legal regime.