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SUBSTANTIAL DISPARITY: COPYRIGHT CHAOS IN THE
SECOND CIRCUIT

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The test for substantial similarity is a doctrinal mess. In response, recent commentators have called for the inclusion of expert testimony at this stage of an infringement analysis. Graham Ballou, however, argues that judicial latitude in the framing of the inquiry is more responsible for jury confusion than a lack of expert witnesses. After surveying three years of summary judgment opinions on substantial similarity from district courts in the Second Circuit, Ballou concludes that copyright law should discourage summary judgment on and de novo review of substantial similarity, therefore re-empowering the jury on the inherently subjective question of improper appropriation.

In *Our Bizarre System of Copyright Infringement*, Mark Lemley argues that copyright law is exactly backwards: we should allow the jury to decide whether a defendant has copied the plaintiff's work as a factual matter, and leave the question of improper appropriation to experts.¹ Expert testimony on substantial similarity would, at the least, clear judicial fog at this stage of a copyright infringement analysis: courts could abandon the fiction of an objective, "ordinary observer" perspective – the controlling test for substantial similarity – and allow specialists to conduct what is in fact a highly technical analysis. But Lemley overlooks two

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¹ Mark Lemley, *Our Bizarre System of Copyright Infringement*, Stanford Public Law Working Paper No. 1661434, 3 Intellectual Prop. L. eJournal 105 (2010).

realities of our copyright system. First, the court – not the jury – most often has the final word on substantial similarity. If a defendant loses at trial, she can seek *de novo* review of this issue.² Second, courts’ decisions on substantial similarity are much less technical than their elaborate rhetoric would suggest. Despite the myriad judicial tests that courts employ – from “ordinary observer” to “more discerning ordinary observer,” from “filtration” to “total concept and feel” – their decisions ultimately stampede a formal analytical framework in favor of a basic “we know it when we see it” approach.

Part I of this paper gives a brief overview of the Second Circuit’s substantial similarity doctrine. Part II examines application of this doctrine at the district court level, where summary judgment opinions from 2008 to 2010 display wide judicial latitude in the framing of the test. In Part III, I propose an alternative. Rather than allow expert testimony at this stage of an infringement analysis, copyright law should discourage summary judgment on and *de novo* review of substantial similarity. By empowering the jury on this inherently subjective question, courts would free themselves of what has become an unworkable doctrine.

I

SUBSTANTIAL SIMILARITY IN THE SECOND CIRCUIT

(A) *The Ordinary Observer*

In *Arnstein v. Porter*, a 1946 case that remains good law today, Judge Frank held that the test for substantial similarity “is the response of the ordinary lay hearer.”³ Plaintiff Arnstein, a serial litigant, had accused Cole Porter of stealing his songs. The Court heard expert testimony on whether Porter, as a factual matter, copied Arnstein’s works.⁴ But as to whether such copying touched the protectable elements of Arnstein’s expression, and therefore rose to improper appropriation, it

² See, e.g., *Hamil America, Inc. v. GFI*, 193 F.3d 92, 97 (2d Cir. 1999) and *Folio Impressions Inc. v. Byer California*, 937 F.2d 759, 766 (2d Cir. 1991) (“In considering substantial similarity between two items, we review the district court’s findings *de novo* – not on the clearly erroneous standard – because what is required is only a visual comparison of the works, rather than credibility, which we are in as good a position to decide as was the district court”). Though the Second Circuit has more recently showed greater deference to a jury’s substantial similarity findings, see *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 111 (2d Cir. 2001), it continues to review bench decisions on substantial similarity *de novo*. See, e.g., *Boisson v. Banian, Ltd*, 273 F.3d 262, 272 (2d Cir. 2001).

³ *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946).

⁴ *Id.* at 468.

deemed expert testimony inapplicable.⁵ “The question...is whether defendant took from plaintiff’s work so much of what is pleasing to the ears of *lay* listeners, who comprise the audience for whom such popular music is composed, that defendant wrongfully appropriated something that belongs to plaintiff.”⁶ The perspective of this lay observer remains the primary lens through which courts examine substantial similarity. The contemporary framing of this test asks “whether ‘the ordinary observer,’ unless he set out to detect the disparities [between the parties’ works], would be disposed to overlook them, and regard their aesthetic appeal as the same.”⁷

When the allegedly infringed work contains both protectable and unprotectable expression, the Second Circuit uses a “more discerning ordinary observer” test.⁸ Under this heightened level of scrutiny, a court “must attempt to extract the unprotectable elements from...consideration and ask whether the *protectable elements, standing alone*, are substantially similar.”⁹ Unfortunately, the central assumption of this test – that certain works contain unprotectable expression, and others do not – creates a problem. In a literal sense, every work incorporates unprotectable expression, if a court only examines the work at a sufficiently high level of detail. Even though the substance of *Starry Night* is “original” to van Gogh, for example, he could not claim protection in the blue-white swirl of brushstrokes used to depict the Milky Way. This element is an “idea,” not “expression,” and therefore unprotectable. But should its presence in the painting, all other factors aside, require a court to view the work with a “more discerning” eye? Whether the “more discerning” test should apply begs the very question that the substantial similarity test purports to address. It forces a game of line drawing between idea and expression, but rehashes the analysis as a threshold inquiry.

Two examples illustrate the problem. In *Knitwaves, Inc. v. Lollytogs Ltd. (Inc.)*,¹⁰ the defendant urged the Court to apply the “more discerning” test to plaintiff’s designs for children’s sweaters, which “incorporated design elements

⁵ *Id.*

⁶ *Id.* at 473 (emphasis added).

⁷ *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960) (L. Hand, J.).

⁸ *See, e.g., Knitwaves Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1002 (2d Cir. 1995) (“[W]here we compare products that contain both protectible and unprotectible elements, our inspection must be ‘more discerning’”).

⁹ *Id.*

¹⁰ *Id.*

intended to express a ‘fall’ motif, such as leaves, acorns, squirrels, and the like.”¹¹ Though these elements, standing alone, are unprotectable, the Court applied only the “ordinary observer” test because the plaintiff had claimed protection in the combination of these elements, which in fact was protectable.¹² The Court distinguished *Folio Impressions, Inc. v. Byer California*, a previous Second Circuit decision and the origin of the “more discerning” language.¹³ *Folio Impressions* concerned fabric designs of stylized roses on a complex background that the designer had photocopied from a document in the public domain.¹⁴ The *Folio* Court “extracted” this photocopied background and compared only the remaining elements of the plaintiff’s work to the defendant’s, concluding that the two works were not substantially similar.¹⁵ The plaintiff’s sweater designs in *Knitwaves*, on the other hand, contained no such wholesale appropriation of unprotected expression.¹⁶ *Knitwaves*, then, suggests that the “more discerning” test only applies where (i) plaintiff has appropriated expression verbatim from the public domain and (ii) plaintiff claims protection in the elements themselves, not in their selection and arrangement.

In contrast, the Court in *Laureyssens v. Idea Group, Inc.*¹⁷ interpreted *Folio Impressions* as requiring the “more discerning” test where functional considerations lead designers to certain inevitable choices. These choices result in design elements that the “more discerning” observer must overlook – here, the shapes of plaintiff’s three-dimensional puzzles. The Court wrote, “[I]n order to express the idea of a perfect hollow cube puzzle that can also be assembled in flat form, a designer *must* use pieces that interlock through fingers and notches cut at right angles.”¹⁸ Applying the “more discerning” test, the Court found no substantial similarity. Yet the rationale at work in this decision – that the “more discerning” test applies when the plaintiff claims protection in functional elements of a chosen subject – sits uneasily alongside that of *Knitwaves*. *Starry Night* once

¹¹ *Knitwaves* at 1000.

¹² *Knitwaves* at 1004.

¹³ See *Folio Impressions, Inc. v. Byer California*, 937 F.2d 759, 765-66 (2d Cir. 1991) (“Of course, the ordinary observer would compare the finished product that the fabric designs were intended to grace...and would be inclined to view the entire [work] – consisting of protectible and unprotectible elements – as one whole. Here, since only some of the design enjoys copyright protection, the observer’s inspection must be more discerning”).

¹⁴ *Id.* at 766.

¹⁵ *Id.*

¹⁶ *Knitwaves* at 1004 n.3.

¹⁷ *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131 (2d Cir. 1992).

¹⁸ *Id.* at 141 (emphasis added).

again illustrates the tension. The *Knitwaves* Court would deem the “more discerning” test inappropriate; though van Gogh’s use of a blue-white swirl to depict the Milky Way is unprotectable, he did not “extract” this expression wholesale from the public domain. The *Laureyssens* Court, however, would interpret this same element as necessary to van Gogh’s choice of subject matter – an impressionistic rendition of a starry sky. The “more discerning” test would therefore apply.

(B) *Filtration*

Regardless of whether a court adopts the “ordinary observer” or “more discerning” perspective, the mandate of copyright law – to protect original expression, but not ideas¹⁹ – requires the factfinder to compare only the *protectable* elements of plaintiff’s expression to the defendant’s alleged copy. “Filtration,” or the process of separating protectable from unprotectable expression, and has its roots in a 1930 opinion from Judge Hand:

Upon any work...a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the more general statement of what the [work] is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the [author] could prevent the use of his “ideas,” to which, apart from their expression, his property is never extended.²⁰

The modern incarnation of Judge Hand’s abstractions formula is more technically refined but no less arbitrary. *Williams v. Crichton*, a literary infringement case, typifies the analysis. After the release of the film *Jurassic Park*, Williams sued a host of defendants for infringing his copyright in several fictional children’s books.²¹ With titles like *Dinosaur World* and *Lost in Dinosaur World*, the plaintiff’s books described the adventures of Young Tim in “an imaginary present day man-made animal park for dinosaurs.”²² The district court awarded summary judgment for defendants, and Williams appealed.

After referencing Judge Hand’s “abstractions” formula, the Court identified the proper level of “generality” from which to analyze the works. Though the

¹⁹ See, e.g., *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 350 (1991) (“No author may copyright facts or ideas”) (citations omitted).

²⁰ *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930).

²¹ See generally *Williams v. Crichton*, 84 F.3d 581 (2d Cir. 1996).

²² *Id.* at 583.

works seemed analogous at first blush, the Court overlooked broad similarities and focused on discrete elements – theme, characters, plot, sequence, pace, and setting – and filtered unprotected expression from the plaintiff’s works at each turn. It dismissed any similarity between the works’ themes, for example, because the similarities related only to the “unprotectable idea of a dinosaur zoo.”²³ It dismissed similarities in settings with equal brevity, based on the somewhat arbitrary level of abstraction at which it chose to examine to examine this element: “While both the Dinosaur World books and the Jurassic Park works share a setting of a dinosaur zoo or adventure park, with electrified fences, automated tours, dinosaur nurseries, and uniformed workers, these settings are classic *scenes à faire* that flow from the unprotectable concept of a dinosaur zoo.”²⁴ The Court arrived at similar conclusions as regards characters and plots.²⁵ At each stage in its analysis, then, the Court first determined which level of “abstraction” should govern, and this decision itself controlled its finding on substantial similarity.

Returning once more to *Starry Night*, we can draw two conclusions. First, as a practical matter, the distinction between the “ordinary observer” and “more discerning” perspective matters little to the ultimate conclusion of fact, provided a court incorporates some variation of the filtration process. If a court were to follow *Knitwaves* and consider *Starry Night* from the less exacting “ordinary observer” perspective, it would still, as part of the filtration process, exclude van Gogh’s blue-white swirl of brush strokes before comparing his work to the defendant’s. As such, the “more discerning” test is largely a judicial fiction, in that a court should arrive at the same result regardless of which perspective it adopts. Second, the amount of protection available to van Gogh depends entirely on an “arbitrary” exercise of judicial discretion. A court might define the level of generality appropriate to *Starry Night* broadly – as a painting of Saint-Rémy, at night, in heavy brush strokes – and thereby award van Gogh a virtual monopoly over the subject matter. More likely, of course, the court would define the level of generality in narrower terms, and compare *Starry Night* to an alleged infringement in such details as van Gogh’s precise framing of the town, his inclusion of a cypress tree in the foreground, the number of homes that appear in the work,

²³ *Id.* at 589.

²⁴ *Id.*; copyright protection does not extend to *scene à faire* – that is, to scenes or other elements of a work that necessarily result from the choice of a setting or situation. *See, e.g.*, *Walker v. Time Life Films, Inc.*, 784 F.2d 44, 50 (2d Cir. 1986) and *Reyher v. Children’s Television Workshop*, 533 F.2d 87, 92 (2d Cir. 1976).

²⁵ *Id.* at 589-90.

etc. The Second Circuit's filtration doctrine provides no guidance as to where, between these extremes of generality, a court should situate the analysis.

(C) Total Concept and Feel

In 1970, Roth Greeting Cards accused the United Card Company of copying seven of its greeting card designs.²⁶ The district court found that Roth's designs lacked copyrightable expression, and dismissed.²⁷ The Ninth Circuit reversed, and in its opinion devised a tool for substantial similarity analysis that runs contrary to that most basic tenet of copyright law – that copyright does not protect ideas. Ever since, the “total concept and feel” test (“TC&F”), as it is known, has allowed courts in certain circumstances to avoid the difficult line drawing between expression and idea.

The *Roth* Court first admitted that the actual text of plaintiff's greeting cards – “common and ordinary English words and phrases” – was in the public domain prior to plaintiff's use and thus not original expression.²⁸ Roth, however, did not seek protection in the phrases themselves, but rather in the “arrangement of the words, their combination and plan, together with the appropriate art work” contained therein.²⁹ After agreeing with the district court that the specific elements of Roth's cards, taken alone, were unprotectable,³⁰ the Court nonetheless held for the plaintiff on account of the cards' overall similarities: “It appears to us that in total concept and feel the cards of United are the same as the copyrighted cards of Roth...[T]he characters depicted in the art work, the mood they portrayed, the combination of artwork conveying a particular mood with a particular message, and the arrangement of the words on the greeting card are substantially the same as in Roth's cards.”³¹ The filtration test would have required the Court to overlook each of these discrete elements in comparing the parties' works. Indeed, the “total concept and feel” of Roth's greeting cards would have struck Judge Hand as an untenably “high” level of generality at which to compare the designs. TC&F, by contrast, allowed the Ninth Circuit to sidestep the strictures of filtration and reach what it viewed as an equitable decision – but a decision precluded by copyright doctrine to date. In essence, its TC&F analysis took to an extreme

²⁶ Mark Lemley, *Our Bizarre System of Copyright Infringement*, Stanford Public Law Working Paper No. 1661434, 3 Intellectual Prop. L. eJournal 105 (2010).

²⁷ See *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106 (9th Cir. 1970).

²⁸ *Id.* at 1108.

²⁹ *Id.* at 1109.

³⁰ *Id.*

³¹ *Id.* at 1109.

the *Arnstein* proposition that substantial similarity should be judged from the perspective of a lay observer.

Professor Nimmer traces the Second Circuit's first use of TC&F to a 1976 case involving a children's book.³² Plaintiff, author of *My Mother Is the Most Beautiful Woman in the World*, claimed that the producers of *Sesame Street* had copied her book in a televised skit.³³ Both parties' works, it turns out, were based on an underlying story in the public domain.³⁴ But the Court's substantial similarity analysis mirrored that in *Roth*: "We must first note that both stories, intended for children, are necessarily less complex than some other works submitted to the pattern analysis [from *Nichols*]...Therefore, in addition to the essential sequence of events, we might properly consider the 'total concept and feel' of the works in question."³⁵ The Court then examined the TC&F of each party's work, despite its previous determination that the underlying public domain story was unprotectable. Unlike in *Roth*, where filtration and TC&F led to contradictory results, both tests in *Reyher* pointed toward non-infringement.³⁶ Nonetheless, the Court managed to reincorporate unprotectable expression into its substantial similarity analysis by way of TC&F – this time, under the rationale that the works at issue appealed to children, who might be less likely to pick out subtle variations.

Whereas *Roth* and *Reyher* demonstrate a "pure" application of TC&F, under which a court compares the entirety of the plaintiff's work to defendant's, the test also appears, somewhat illogically, in combination with filtration. Most often in the context of literary works, a court will include TC&F as an "element" alongside other variables (e.g. plot, character) in its substantial similarity analysis. In *Williams*, as we have seen, the Court filtered unprotectable elements from plaintiff's work before comparing it to defendant's.³⁷ But it included TC&F within the context of this filtration framework: "[W]e examine the similarities in such aspects as the total concept and feel, theme, characters, plot, sequence, pace and setting of the Dinosaur World books and the Jurassic Park works."³⁸ Its conclusion on the issue of TC&F is striking:

³² *Id.* at 1110.

³³ *Reyher*, *supra*, at 87.

³⁴ *Id.* at 88.

³⁵ *Id.* at 92-93.

³⁶ *Id.* at 91.

³⁷ *Id.* at 92.

³⁸ See Section 1(b)(ii), *supra*.

[T]he total concept and feel of the two works differ substantially. The Jurassic Park works are high-tech horror stories with villainous characters and gruesome bloodshed. Books II and III of Dinosaur World series, by contrast, are adventure stories and, although suspenseful in places, have happy endings...The total concept and feel of the Jurassic Park works is of a world out of control, while Williams's Dinosaur World is well under control.³⁹

Such elements as "adventure," "suspense," a "happy ending" and a "world under control" are unprotectable elements of plaintiff's *Dinosaur World* books. In Judge Hand's abstractions rhetoric, these levels are too "general" to constitute original expression. TC&F, however, allowed the Court to adopt a birds-eye view of the plaintiff's works; it nudged the Court away from the technical rhetoric of filtration, and toward the truly lay perspective that Judge Frank envisioned in *Arnstein*.

II

DISTRICT COURT APPLICATION OF SECOND CIRCUIT LAW

Not surprisingly, district court application of the Second Circuit substantial similarity "test" is a mess. A court may use the "ordinary observer" or "more discerning" test, and cherry pick among Second Circuit doctrine to support either choice in almost any circumstance. Under either rubric, it may further choose between filtration, "pure" TC&F, or filtration that incorporates TC&F as an "element" of the broader test. Summary judgments opinions at the district court level from 2008 to 2010 display at least seven permutations of these factors.⁴⁰ In sum, despite the Second Circuit's attempt to objectify the question of substantial similarity, district courts ultimately manipulate the test to reach the conclusion they feel is most equitable. Their analyses stampede any formal analytical framework, and their conclusions reflect the true perspective of a lay observer. They are, in a word, using common sense.

The following sections highlight the more common approaches to substantial similarity among the opinions studied. I argue that each example demonstrates the practical failure a cohesive "substantial similarity" doctrine, and the common-sense approach behind courts' analyses on this issue.

³⁹ *Williams* at 588.

⁴⁰ *Id.* at 589.

(A) *Category 1: Ordinary Observer – Filtration*

Four cases⁴¹ combined the *Arnstein* ordinary observer test with filtration. Each case merely cites the *Arnstein* standard in passing without first explaining why the “more discerning” test does not apply,⁴² even though works at issue – architectural plans, song lyrics, and a work of fiction – admittedly contained “unprotectable expression.” Because each court incorporates filtration, however, the cases establish a formal framework identical to the “more discerning” test. In each instance, the court found no substantial similarity and awarded summary judgment to defendant.

This category of analysis – ordinary observer combined with filtration – takes its cue from the *Nichols-Arnstein* line of Second Circuit doctrine. Though the analysis appears straightforward, we must ask why these courts chose *not* to apply the “more discerning” test, “pure” TC&F, or TC&F as an “element” of the broader filtration analysis. The answer to the first question seems clear: a “more discerning” perspective would only have favored the defendant by heightening the level of scrutiny applied to the plaintiffs’ works, thus complicating the analysis without altering the result. An application of TC&F, however, might very well have materially affected the outcomes. Though one case, *Blakeman*, cited *Williams* for the proposition that a court may consider TC&F alongside other variables in the substantial similarity analysis of a literary work,⁴³ its actual application of the test was silent on this issue.

One possible explanation is that the inclusion of TC&F would have run contrary to the merits, which, according to the *Blakeman* Court, favored the defendant. It noted at the outset that the “ideas” of the works are “entirely

⁴¹ A Lexis search for “substantial similarity” among district court cases in the Second Circuit between 2008 and 2010 returned ninety-seven results, roughly thirty-five of which turned on the issue of improper appropriation. A third of this subset does not fit cleanly into any of the seven categories described below. As such, the data from this period is insufficient to support statistically significant conclusions as to whether certain variations of the test lead to findings of non-infringement more frequently than others. A further study might attempt to code a larger sample set and plot test variations against outcomes.

⁴² *Blakeman v. Walt Disney Co.*, 613 F. Supp. 2d 288 (E.D.N.Y. 2009); *Currin v. Arista Records, Inc.*, 2010 U.S. Dist. LEXIS 37575 (D. Conn. Feb. 25, 2010); *Oldham v. Universal Music Group*, 2010 U.S. Dist. LEXIS 126697 (S.D.N.Y. Nov. 29, 2010); *Peter F. Gaito Architecture, LLC v. Simone Dev. Corp.*, 2009 U.S. Dist. LEXIS 53253 (S.D.N.Y. May 22, 2009).

⁴³ *Blakeman* at 305; *Peter F. Gaito Architecture* at 14; *Currin* at 6; *Oldham* at 6.

different.”⁴⁴ Of course, a difference of underlying ideas will not save a defendant from liability if it otherwise appropriates the plaintiff’s protected expression. But the Court’s instinctual response to the parties’ works – “They’re just too different!” – is reflected in its construction of the substantial similarity test, a construction that allows it to easily reach the conclusion it feels is most logical.

(B) Category 2: Ordinary Observer – Total Concept and Feel (“Pure”)

Two cases⁴⁵ combined the *Arnstein* ordinary observer test with “pure” TC&F. The first, *R.F.M.A.S., Inc. v. Mimo So*, concerned jewelry designs, and the Court explicitly found the “more discerning” perspective inapplicable:

The combinations of common elements have resulted in designs that are original and protectable in their entirety. It makes no sense...to look at the designs by excluding elements such as cable and gemstones and consider what is left. Consequently, plaintiffs would only have to satisfy the ordinary observer test and show that the ordinary observer would tend to overlook the similarities between the plaintiff’s and defendant’s jewelry designs.⁴⁶

The second, *Axelrod & Cherveny, Architects v. T. & S. Builders, Inc.*, involved architectural plans, and the Court did not explicate its reason for avoiding the “more discerning” perspective. Neither court granted summary judgment.

In both opinions, application of “pure” TC&F resulted in relatively brief substantial similarity analyses. In *R.F.M.A.S.*, for example, the Court compared the works in a single paragraph. It concluded, “While the...Defendants point to discrepancies between the two works, the jewelry designs need not be absolutely identical [to be substantially similar].”⁴⁷ Since neither court felt able or compelled to filter protectable expression, their decisions included straightforward and sweeping comparisons of the parties’ works.

⁴⁴ *Blakeman* at 305.

⁴⁵ *Blakeman* at 306.

⁴⁶ *R.F.M.A.S., Inc. v. Mimo So*, 619 F. Supp. 2d 39 (S.D.N.Y. 2009); *Axelrod & Cherveny, Architects, P.C. v. T. & S. Builders Inc.*, 2008 U.S. Dist. LEXIS 60212 (E.D.N.Y. Aug. 6, 2008).

⁴⁷ *R.F.M.A.S.* at 65 (quoting *Yurman Design, Inc. v. Golden Treasure Imps., Inc.*, 275 F. Supp. 2d 506, 517 (S.D.N.Y. 2007)).

(C) *Category 3: Ordinary Observer – Filtration – Total Concept and Feel as “Element”*

Four cases⁴⁸ combined the ordinary observer test with filtration, but included TC&F as an “element” of the analysis. Not surprisingly, three of these cases concerned novels or screenplays. Each drew heavily on *Williams* for the proposition that courts should consider TC&F alongside other elements in the filtration analysis of a literary work.⁴⁹ All three courts dismissed plaintiff’s claims.

In *Cabell*, for example, the plaintiff claimed that the defendant, producer of *You Don’t Mess with the Zohan*, had copied its comic books about the escapades of Jayms Blonde, a “gay former U.S. Navy SEAL who divides his time between work as a hairdresser and service as a secret agent.”⁵⁰ The Court conducted a traditional filtration analysis, then turned to TC&F: “[T]he total concept and feel of the Blonde Works are distinct from the Zohan films. The Jayms Blonde stories are parodies of the James Bond stories, and much of the humor is double entendre and innuendo. In contrast, *You Don’t Mess With The Zohan* derives much of its humor by exaggerating Arab and Israeli stereotypes.”⁵¹ These broad generalities – the use of double entendre and innuendo, the status of a work as a parody – are certainly not copyrightable elements of Cabell’s work, nor did Cabell claim that the defendant had unlawfully copied them. The Court’s use of TC&F as an “element” in its filtration analysis, therefore, focused its attention on the works’ broad ideas rather than on plaintiff’s protectable expression, even though it had already determined that the defendant had *not* improperly appropriated the plaintiff’s protected expression.

(D) *Category 4: More Discerning Ordinary Observer*

Two cases⁵² used the “more discerning ordinary observer” test without any reference to TC&F. Recognizing at the outset that the works at issue contained both protectable and unprotectable expression, the Court in these cases “ignor[ed] those aspects of the work that are unprotectible” in making the substantial

⁴⁸ *Id.* at 66.

⁴⁹ *Flaherty v. Filardi*, 2009 U.S. Dist. LEXIS 22641 (S.D.N.Y. 2009); *Lapine, supra*; *Cabell v. Sony Pictures Entm’t*, 714 F. Supp. 2d 452 (S.D.N.Y. 2010); *Telebrands Corp. v. Del Laboratories, Inc.*, 719 F. Supp. 2d 283 (S.D.N.Y. 2010).

⁵⁰ See Section 2(b)(iii), *supra*.

⁵¹ *Cabell* at 454.

⁵² *Id.* at 461.

similarity comparison.⁵³ Since the “more discerning” perspective implies filtration, the analyses in this category closely mirror those in Category 1 (ordinary observer combined with filtration).

(E) Category 5: More Discerning Ordinary Observer – Total Concept and Feel as “Element”

Five cases⁵⁴ used “more discerning” perspective, but included TC&F as an “element” of the filtration test. Since the “more discerning” perspective mirrors the “ordinary observer” test combined with filtration, the analyses in this category closely resemble those in Category 3.

Porto v. Guirgis is typical of this category. Plaintiff, author of *Judas on Appeal*, accused the defendant of improperly appropriating his novel into a play entitled *The Last Days of Judas Iscariot*. Both works envisioned Judas’ trial, at which a wide variety of commentators debated his forgiveness.⁵⁵ The Court initiated its substantial similarity analysis by filtering unprotectable elements from plaintiff’s novel. It found the theme of “Judas standing trial” to be “a highly general description of both works, but...[not to] cover the protectable expression in each work.”⁵⁶ It next filtered characters common to both works – Satan, Caiaphas, Pontius Pilate, and Peter⁵⁷ – as unprotectable *scenes à faire* that “necessarily result from the choices of a setting or situation.”⁵⁸ The Court further filtered themes such as “predestination” and “forgiveness” as “stock themes in Christian theology.”⁵⁹ Ditto for setting, plot and language.⁶⁰ After filtration, no alleged similarities remained: “Stripped of unprotectable elements – such as the biblical characters and the biblical story – the works are not substantially similar.”⁶¹

⁵³ *North Forest Development, LLC v. Walden Ave Realty Assocs., LLC*, 2009 U.S. Dist. LEXIS 125331 (W.D.N.Y. July 22, 2009); *Bus. Mgmt. Int’l, Inc. v. Labyrinth Bus. Solutions, LLC*, 2009 U.S. Dist. LEXIS 24900 (S.D.N.Y. March 24, 2009).

⁵⁴ *North Forest Dev., LLC* at *12 (quoting *Laureyssens*).

⁵⁵ *Lewison v. Henry Holt & Co.*, 659 F. Supp. 2d 547 (S.D.N.Y. 2009); *Porto v. Guirgis*, 659 F. Supp. 2d 597 (S.D.N.Y. 2009); *Sheldon Abend Revocable Trust v. Spielberg*, 2010 U.S. Dist. LEXIS 99080 (S.D.N.Y. Sept. 21, 2010); *City Merchandise, Inc. v. Broadway Gifts, Inc.*, 2009 U.S. Dist. LEXIS 5629 (S.D.N.Y. 2009); *Lombardi v. Whitehall*, 2010 U.S. Dist. LEXIS 19288 (S.D.N.Y. March 3, 2010).

⁵⁶ *Porto* at 604.

⁵⁷ *Id.* at 597.

⁵⁸ *Id.* at 611-12.

⁵⁹ *Id.* at 612.

⁶⁰ *Id.* at 611 (quoting *Williams* at 587).

⁶¹ *Id.* at 614.

But before reaching this conclusion, the Court reincorporated certain unprotectable elements into its discussion. Under the heading of “Overall Thrust, Mood and Feel,” it noted that the “substantial similarity test is ‘guided by comparing the total concept and feel of the contested works,’”⁶² and for a moment, left filtration by the wayside:

The overall feel of both works is so distinct that an ordinary observer would not regard the defendants’ play as substantially similar to the plaintiff’s novel. One particularly striking point that underscores the substantially different feel between the two works is the differences between the endings of the works. The plaintiff’s novel ends in a practicable, straight-forward manner...The defendant’s play, on the other hand, ends in an entirely different and very powerful manner.⁶³

In a strict application of the filtration test, such broad references to “overall feel,” or the fact that an ending is “predictable and straight-forward,” would be immaterial.

(F) Categories 6 and 7: No Observer

Three cases⁶⁴ dove into the substantial similarity analysis without establishing either an “ordinary observer” or a “more discerning ordinary observer” framework. The lack of a defined perspective in these cases is likely a factor of the highly technical nature of the works at issue: an historical novel based on the death of Pope John Paul I,⁶⁵ software code,⁶⁶ and classified advertisements.⁶⁷ Plaintiffs’ copyrights in all three instances were extremely “thin”; the perspective of a lay observer – more discerning or otherwise – seems logically less applicable. As regards the classified advertisements, for example, the Court had to decide whether the font size, bolding of certain text, and use of certain categories in plaintiff’s publication gave rise to copyright protection at all.⁶⁸ The analysis in each of these cases, notwithstanding the lack of an “observer,” follows the traditional filtration approach. Citing *Williams*, the Court

⁶² *Id.*

⁶³ *Id.* at 597.

⁶⁴ *Id.* at 615 (quoting *Lapine*).

⁶⁵ *Id.* at 615-16.

⁶⁶ *Crane v. Poetic Prods. Ltd.*, 593 F. Supp. 2d 585 (S.D.N.Y. 2009); *Want Ad Digest, Inc. v. Display Adver., Inc.*, 653 F. Supp. 2d 171 (N.D.N.Y. 2009); *Ebsin & Alter, LLP v. Zappier*, 2010 U.S. Dist. LEXIS 9487 (S.D.N.Y. Feb. 3, 2010).

⁶⁷ See generally *Crane*.

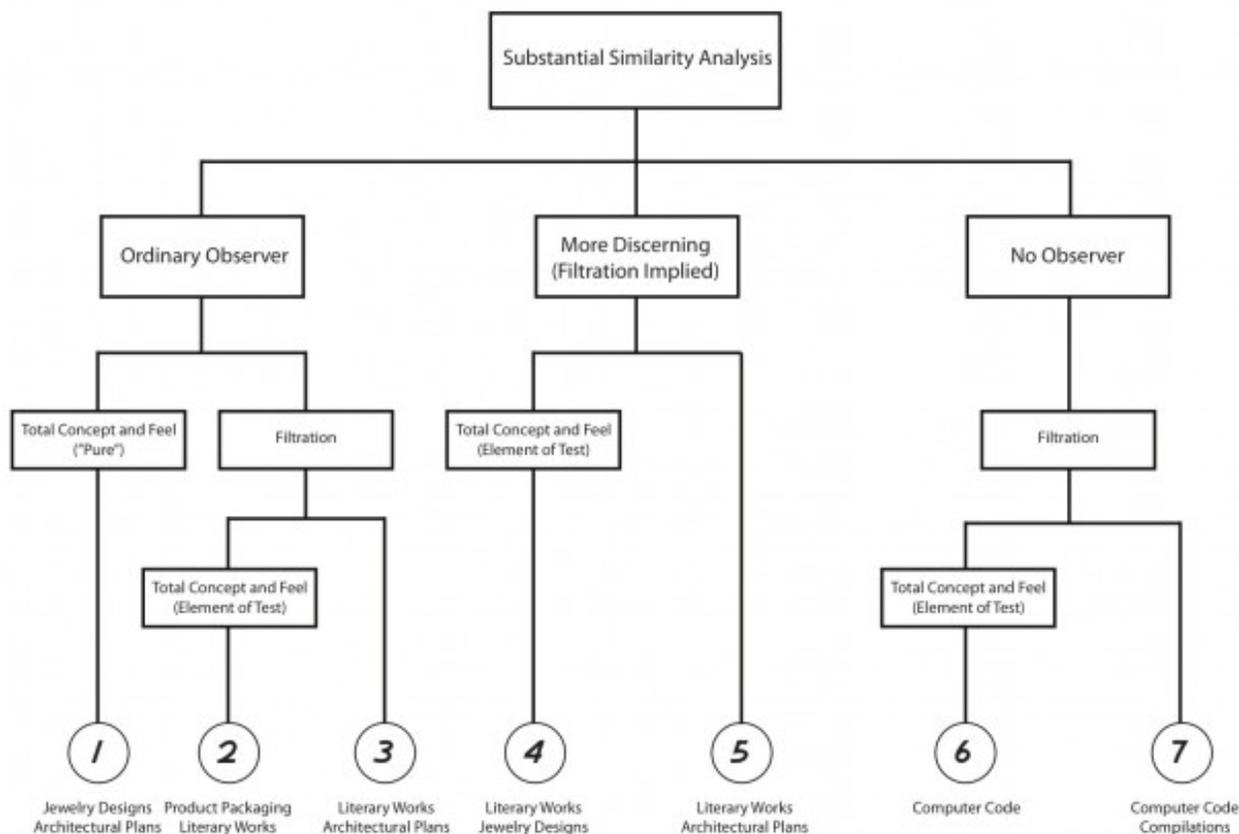
⁶⁸ See generally *Ebsin & Alter*.

faced with the historical novel further integrated TC&F as an “element” of its broader filtration analysis.

(G) Analysis

The above seven categories demonstrate wide judicial discretion in the framing of the substantial similarity inquiry. The flowchart below simplifies the distinctions between each category. Most striking is the lack of any relationship between subject matter and analytical framework. Literary works appear in Categories 2, 3, 4, and 5 – *and* Categories 6 and 7 if one considers computer code a “literary work.” Jewelry designs appear in Categories 1 and 4. Architectural plans appear in Categories 1, 3 and 5. Even the relatively few summary judgment opinions studied display a diversity of approaches to a given subject matter.

In addition, the formal rhetoric of each category bears little relationship to the actual application of the substantial similarity test therein. The analysis of a court under Category 2 (“ordinary observer” plus filtration, with TC&F as an “element” of the test) is, in practice, indistinguishable from that of a court in Category 4 (“more discerning” observer, with TC&F as an element of the test). Category 3 is likewise indistinguishable from Category 5. Category 1 – “ordinary observer” plus “pure” TC&F – stands out as on the only truly unique substantial similarity test. But this test is unique less for what it includes – an examination of the plaintiff’s work writ large – than for what it omits: filtration. In this category, the *Arnstein* “ordinary observer” approaches the works as a truly lay member of the public, and just as Judge Frank envisioned in *Arnstein*, bases its finding of improper appropriation on its “response.” Though judicial discretion in the framing of the analysis means that courts in every category are, in reality, conducting this very same “lay” investigation, only Category 1 courts match word to deed.



III CONCLUSION

Lemley responds to judicial confusion on the issue of substantial similarity by proposing that courts allow expert testimony on improper appropriation.⁶⁹ This would solve the problem of juries misunderstanding the distinction between protectable and unprotectable expression.⁷⁰ Alternatively, he proposes that the dissection of the unprotectable elements of a copyrighted work, and therefore the assessment of whether the defendant copied protectable expression, become a question of law rather than fact.⁷¹ This, Lemley concludes, would “result in greater attention to the limiting doctrines of copyright law.”⁷²

Lemley’s proposal overlooks the reality of analytic chaos on the issue of substantial similarity described in Section II. If the substantial similarity “test” were less subject to judicial discretion, the inclusion of experts would indeed help

⁶⁹ See generally Want Ad Digest.

⁷⁰ *Id.* at 179.

⁷¹ Lemley, *supra* note 1, at 29.

⁷² *Id.*

both courts and juries parse protectable from unprotectable expression. But as the law stands, application of the test is less responsible for judicial disarray than the number of analytic variations available. Even assuming that a court allowed expert testimony on this issue, the court – not the experts – would continue to frame the inquiry, and in so doing, direct the outcome. Further, because the procedural aspects of summary judgment and *de novo* appellate review most often place the court in the position of final arbiter on substantial similarity, our prime concern should not be jury confusion. Rather, we should ask why our copyright system has placed the lay judgment of improper appropriation in the hands of the court at all.

As an alternative to expert testimony, we should discourage summary judgment and *de novo* review of substantial similarity. This proposal is not as radical as it might first appear. Because a plaintiff must demonstrate that its work is (i) original and (ii) contains some minimal degree of creativity before the court even reaches the issue of copying,⁷³ the system would continue to prevent plaintiffs from claiming protection in uncopyrightable material. District courts could dismiss frivolous suits under this preliminary analysis. Further, expert evidence on the issue of factual copying would provide the fact-finder with an objective perspective on the amount of material that the defendant appropriated from the plaintiff. Though this perspective would not distinguish protectable from unprotectable expression – at least under the “probative” rubric that currently holds sway in the Second Circuit – it would nonetheless give the fact-finder a relative measure of the works’ similarities for use in its improper appropriation analysis.

Judge Frank intended his “ordinary observer” to be just that – ordinary. The Circuit’s continued attempt to objectify the substantial similarity analysis has led to a variety of intellectually incompatible tests that remain as “arbitrary” as Judge Hand’s abstraction formula from 1930. In the interest of calling a spade a spade, copyright law would be well served by re-empowering the jury on this inherently subjective inquiry, and freeing litigants of what has become a confused, unworkable and dishonest judicial doctrine.

⁷³ *Id.* at 31.

WHAT ARE THE CONSTITUTIONAL LIMITS ON AWARDS OF STATUTORY DAMAGES?

ANDREW BERGER*

Music piracy is a major problem in this country, robbing the economy of billions each year. Andrew Berger argues that, if piracy is to end, large verdicts of the kind awarded in Sony BMG Music Entertainment et al. v. Tenenbaum may be necessary. In Tenenbaum, the first file sharing case ever to reach an appellate court following trial, the court held that the jury's statutory damages award violated the Due Process Clause, even though the award was within the statutory range set by Congress. Berger discusses the ways in which this decision could negatively impact copyright enforcement for years to come.

TENENBAUM FINDS THAT A JURY'S AWARD WITHIN THE STATUTORY RANGE VIOLATES DUE PROCESS

In July 2010 Judge Nancy Gertner in *Sony BMG Music Entertainment et al. v. Tenenbaum*, did what no court has ever done before. The court held the jury's statutory damages award of \$675,000 violated the Due Process Clause even though the award was within the statutory range set by Congress.¹ The court stated that the "award is far greater than necessary to serve the government's legitimate interests in compensating copyright owners and deterring infringement."² Judge Gertner slashed the award by 90% to \$2,250 per work infringed for a total of \$67,500.

Tenenbaum thus becomes the first file sharing case to reach an appellate court following trial.

WHY THIS CONSTITUTIONAL ATTACK ON STATUTORY DAMAGES?

Will Judge Gertner's decision withstand appeal? Why are statutory damages, so long a staple of copyright litigation, now under increased constitutional scrutiny? For answers we need to go back a bit into history.

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¹ 721 F. Supp. 2d 85 (D. Mass. 2010).

² *Id.* at 89.

For many years tort defendants complained that awards of punitive damages were unpredictable and imposed crippling financial burdens. Mindful of these concerns, the Court in the late 1980's started to question whether these "skyrocketing" awards might adversely impact "research and development of new products."³

GORE

Finally in 1996 the Court in *BMW of North America, Inc. v. Gore* held unconstitutional a jury's award of punitive damages.⁴ There an Alabama jury awarded plaintiff \$4,000 in compensatory damages and \$4 million in punitive damages based on BMW's failure to disclose that plaintiff's supposedly "new" car had been repainted before he bought it.⁵ The Alabama Supreme Court reduced the punitive damages award to \$2 million, representing a ratio of punitive to compensatory damages of 500:1.⁶ Despite this reduction, the Supreme Court held the award violated due process.

The Court acknowledged that "[p]unitive damages may further a State's legitimate interests in punishing unlawful conduct and deterring its repetition" and that "only an award that is 'grossly excessive' in relation to these interests" would violate due process.⁷ *Gore* then set forth three criteria, often referred to as "the *Gore* guideposts," to assist court in determining if a punitive damage award comports with due process:

- (1) The degree of reprehensibility of defendant's misconduct;
- (2) The disparity or ratio between the actual or potential harm suffered by plaintiff and the punitive damages award; and
- (3) The difference between the punitive damages awarded by the jury and civil penalties authorized or imposed in comparable cases.⁸

³ *Browning-Ferris Industries of Vermont, Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257, 282 (1989) (O'Connor, J., concurring in part & dissenting in part); *Pacific Mutual Life Ins. Co. v. Haslip*, 499 U.S. 1, 23 (1991) (Punitive damage award that was more than 4 times the amount of compensatory damages came "close to the line.").

⁴ 517 U.S. 559 (1996).

⁵ 646 So. 2d 619 (Ala. 1994).

⁶ *Id.* at 629.

⁷ 517 U.S. at 568.

⁸ *Id.* at 574-84.

CAMPBELL

Thereafter in *State Farm Mutual Automobile Insurance Co. v. Campbell* the Court, applying these three guideposts, concluded that a punitive damages award of \$145 million, compared with actual damages of \$1 million, “was an irrational and arbitrary deprivation of the property of the defendant.”⁹ Although *Campbell* expressly declined to create a bright-line constitutional limit to the punitive-to-compensatory damages ratio, the Court expressed a general preference for single-digit ratios.¹⁰

DO THE GORE GUIDEPOSTS APPLY TO TEST THE CONSTITUTIONALITY OF A STATUTORY DAMAGES AWARD IN COPYRIGHT CASES?

Following *Gore* and *State Farm*, courts uniformly opted not to apply the *Gore* framework to test the constitutionality of statutory damages awards in copyright cases.¹¹ Instead, post-*Gore* cases preferred to assess constitutionality by applying the standards set forth years earlier by the Court in *St. Louis, I.M. & S. Ry. Co. v. Williams*.¹²

In *Williams*, the Court considered whether a jury’s award within a statutorily prescribed range violated the due process clause. In that case, a railroad charged two sisters 66 cents each more than the statutorily prescribed fare. A state statute sought to deter over-charges by providing for statutory damages between \$50 and \$350 for each violation. The sisters sued and received statutory damage awards of \$75 apiece — 114 times more than the 66 cents in damages each had incurred. *Williams* held that award constitutional.

The Court stated that the validity of the awards should not be tested by comparing the small amount of the overcharges with the magnitude of the judgments.¹³ Instead, the Court, in assessing the awards’ constitutionality

⁹ 538 U.S. 408, 429 (2003).

¹⁰ *Id.* at 425.

¹¹ See, e.g., *Lowry’s Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455, 460 (D. Md. 2004); *Zomba Enters, Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007) (Noting that *Gore and State Farm’s* application to statutory damages for copyright infringement was questionable); *Arista Records LLC v. Usenet.com, Inc.*, 2010 WL 3629587 at *4-*5 (S.D.N.Y. Sept. 16, 2010) (\$6,585,000 award did not violate due process); *Propet USA, Inc. v. Shugart*, 2007 WL 4376201 at *2-*3 (W.D. Wash. Dec. 13, 2007) (\$500,000 statutory damages award for copyright infringement—“some forty times ... actual damages”—not unconstitutionally excessive).

¹² 251 U.S. 63 (1919).

¹³ *Id.* at 67.

examined whether the statutory scheme appropriately responded to “the interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence to established passenger rates.”¹⁴

Williams stated that an award would only violate due process if it were “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.”¹⁵ The Court expressly rejected defendant’s attempt to test the constitutionality of the “large” penalty by comparing it with the actual damage, stating that statutory remedies for “public wrongs” are not required to “be confined or proportioned to [plaintiff’s] loss or damages.”¹⁶ *Williams* added that when comparing the size of an award against the gravity of the offense, a court must bear in mind that legislatures “still possess a wide latitude of discretion” when setting statutory damages.¹⁷

Zomba

Zomba v. Panorama, supra, is representative of the post-*Gore* cases applying *Williams* to test the constitutionality of a statutory damages award. In *Zomba* the 6th Circuit found that a statutory damages verdict of \$806,000 (44 times actual damages) was constitutionally permissible.¹⁸ *Zomba* acknowledged *Campbell*’s preference for a lower punitive-to-compensatory ratio.¹⁹ But *Zomba* noted that *Campbell* did not deal with statutory damages and therefore *Zomba* said it would follow *Williams* until the Court held otherwise.²⁰

Tenenbaum

But *Tenenbaum* did not wait for the Court. Instead, Judge Gertner applying the *Gore* framework, held unconstitutional the jury’s verdict of \$675,000. *Tenenbaum* added that even under *Williams* the award was “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.”²¹

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at 66.

¹⁸ 491 F.3d at 587-88.

¹⁹ *Id.* at 587.

²⁰ *Id.*

²¹ 721 F. Supp. 2d at 116.

DO THE *GORE* GUIDELINES APPLY HERE?

The *Gore* guidelines are an ill-fit to test the constitutionality of a statutory damages award for a number of reasons. Before focusing on each guideline, I began with some overall considerations.

Courts such as *Gore* review punitive damages to establish whether a defendant had fair notice of the size of a potential award and to create an outer limit on the jury's unrestrained discretion to impose punitive damages. But in the statutory damages context concerns about fair notice and unbounded liability are inapplicable. The Copyright Act already gives notice of the potential award and sets a statutory range within which it must fall.²²

Further, punitive damages serve a singular purpose: to punish in amounts that are not constrained. But statutory damages in copyright litigation serve other purposes besides punishment: to compensate, impose appropriate damages on wrongdoers, deter future infringements and promote the creation of intellectual property.²³

In addition, statutory damages are expressly authorized by Congress, which makes their review a question of the scope of Congress' legislative authority. Punitive damages, by contrast, are typically awarded by juries without explicit statutory authorization or limitations and thus present no basis upon which courts could easily defer to legislative judgments.

Moreover, the *Gore* guideposts compensate for the absence of legislative guidance. Courts apply them to facilitate judgments the legislature never made. But the present statutory damages scheme is the result of a long history of

²² Plaintiffs-Appellants Opening Brief to the First Circuit in *Tenenbaum* at 38-9 ("Plaintiffs' Brief").

²³ See, e.g., *F.W. Woolworth Co. v. Contemporary Arts Inc.*, 344 U.S. 228, 233 (1952) ("The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct."); *Feltner v. Columbia Pictures Television Inc.*, 523 U.S. 340, 352, (1998) ("[A]n award of statutory damages may serve purposes traditionally associated with legal relief, such as compensation and punishment."); *Fitzgerald Publishing Co. v. Baylor Publishing Co.*, 807 F. 2d 1110, 1117 (2d Cir.1986) ("[T]he expenses saved and the profits reaped by the infringers are considered" as are "the revenues lost by the plaintiff . . . the value of the copyright, . . .and the deterrent effect on others besides the defendant."); *Stevens v. Aeonian Press*, 64 USPQ2d 1920, 1921 (S.D.N.Y.2002) ("In making such an award [of statutory damages], the Court is required to consider various factors, including . . . the revenues lost by the Plaintiffs, the value of the copyright, the deterrent effect of the award on other potential infringers, and factors relating to individual culpability.').

Congressional action. That scheme already gives guidance regarding the appropriate range of statutory damages. Therefore, a within-statutory-range-verdict is entitled to substantial deference.

THE THREE GUIDEPOSTS

Turning to the specific guideposts:

The first guidepost, the degree of defendant's reprehensibility, has no role to place in a constitutional review of statutory damages because reprehensibility is already embraced and calibrated in the Copyright Act. An innocent infringer risks damages of no less than \$200. A non-willful infringer faces damages of no more than \$30,000; and a willful infringer risks a maximum of \$150,000 per infringed work.

Because Congress has already crafted these limits, a court's role should be limited to reviewing the rationality of Congress' statutory scheme. That is why *Williams* instructs courts to examine the reasonableness of Congress's determination, giving deference to its assessment of the "interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence" to the law.²⁴

The second *Gore* guidepost weighs the relationship between the punitive award and the actual harm. But this guidepost has no application to statutory damages in copyright litigation for a number of reasons. First, statutory damages may be awarded, as *Tenenbaum* acknowledged, without any showing of harm.²⁵ Second, § 504(c) of the Copyright Act does not condition the availability of statutory damages on proof of actual damages. Instead, the statute permits a copyright owner to recover statutory damages "instead of actual damages and profits." And as Judge Gertner acknowledged "every authority [before *Tenenbaum*] confirms what the language of section 504 indicates —

²⁴ 251 U.S. at 67; Plaintiffs' Brief at 41-2.

²⁵ 721 F. Supp. 2d at 87; see also, *F.W. Woolworth Co. v. Contemporary*, *supra*, 344 U.S. at 233 ("Even for uninjurious and unprofitable invasions of copyright the court may, if it deems just, impose a liability within statutory limits to sanction and vindicate the statutory policy."); *Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co., Inc.*, 74 F.3d 488, 496 (4th Cir.), *cert. den.*, 519 U.S. 809 (1996) (Affirming then-maximum statutory damages award of \$100,000 per infringement despite plaintiff's inability to identify damages or lost profits and even though defendant's revenues from the infringing sales only totaled \$10,000);

statutory damages may be elected even if the plaintiff cannot, or chooses not to, prove” actual damages.²⁶

Third, *Williams* forecloses any attempt to compare an award’s ratio to actual damages stating that statutory damages must not “be confined or proportioned to [plaintiff’s] loss or damages.”²⁷ Instead, *Williams* holds that “the Legislature may adjust [the award’s amount] to the public wrong rather than the private injury.”²⁸ Lastly, requiring proof of actual damages subverts a purpose of statutory damages which relieves the copyright holder of the sometimes impossible burden of proving actual damages.²⁹

The third *Gore* guidepost judges the propriety of the statutory damages award by focusing on its relationship with the applicable civil penalty. But this guidepost is irrelevant in this constitutional analysis because the award is, by definition, the applicable civil or statutory penalty.

THE COURT CREATED A SAFE HARBOR FOR COLLEGE-AGE FILE SHARERS

Judge Gertner admitted that this third guidepost was “the most troublesome for Tenenbaum.”³⁰ Nevertheless, *Tenenbaum* sidestepped this troublesome fact by reaching an extraordinary conclusion. The court stated that there was “substantial evidence indicating that Congress did not contemplate that the Copyright Act’s broad statutory damages provision would be applied to college students like Tenenbaum who file-shared without any pecuniary gain.”³¹ The court repeated its bizarre conclusion, “[i]n fact, a careful review of section 504(c)’s legislative history suggests that Congress likely did not foresee that statutory damages awards would be imposed on noncommercial infringers sharing and downloading music through peer-to-peer networks.”³²

No doubt collegiate music file sharers are loudly toasting this result. But the “substantial evidence” and the “legislative history” the court relied on consisted of

²⁶ *Tenenbaum, supra*, 721 F. Supp. 2d at 92.

²⁷ *Williams*, 251 U.S. at 66.

²⁸ *Id.*

²⁹ Congress enacted statutory damages because “actual damages are often conjectural, and may be impossible or prohibitively expensive to prove.” Staff of H. Comm. on the Judiciary, 87th Cong., Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law at 102.

³⁰ 721 F. Supp. 2d at 103.

³¹ *Id.* at 89.

³² *Id.* at 104.

off-hand, post-hoc comments made by Senators Hatch and Leahy at hearings held after Congress passed that statute.³³

In fact, the legislative history of the aptly-named the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999³⁴ (the “Digital Act”) demonstrates the opposite—that it addressed the growing online theft of intellectual property by all infringers, commercial or not. Congress expressed the need for this legislation in words that echo Tenenbaum’s conduct:

By the turn of the century ... the development of new technology will create additional incentives for copyright thieves to steal protected works. Many computer users ... simply believe that they will not be caught or prosecuted for their internet conduct. Also many infringers do not consider the current copyright infringement penalties a real threat and continue infringing even after a copyright owner puts them on notice.³⁵

The text of the Digital Act (which amended the Copyright Act) does not distinguish between classes of infringers, much less immunize file sharers from statutory damages. Nor does § 504 (a)(2) of the Copyright Act. Instead, that section exposes any “infringer of copyright” to liability “for ... statutory damages, as provided.” Further, courts resort to legislative history to divine the meaning of an otherwise ambiguous statutory provision, not to create ambiguity where none exists.³⁶ Because the statutory language was plain, *Tenenbaum* should not have examined congressional intent, much less relied on informal comments from two Senators made after the Digital Act was enacted.³⁷

Further, if the court were correct that the Copyright Act was not intended to apply to collegiate file sharers, the logical result would have been to find that the verdict violated that Act.³⁸ But the court expressly recognized that the Act unambiguously authorized the jury’s award. Nonetheless, after acknowledging that

³³ *Id.* at 106-07.

³⁴ Pub. L. No. 106-160, 113 Stat. 1774.

³⁵ H.R. Rep. 106-216 at 3.

³⁶ See *Ratzlaf v. United States*, 510 U.S. 135, 147-48 (1994).

³⁷ See, e.g., *Connecticut Nat’l Bank v. Germain*, 503 U.S.249, 253-54 (1992) (“We have stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there. When the words of a statute are unambiguous, then, this first canon is also the last: judicial inquiry is complete.” (internal quotations and citations omitted)).

³⁸ See Plaintiffs’ Brief at 33.

it “must give effect to this clear statutory language,”³⁹ the court flip flopped stating that § 504(c) “does not embody” any judgment to which the court could defer.⁴⁰

TENENBAUM’S DAMAGE CALCULATION WAS EQUALLY PROBLEMATIC

Tenenbaum took another unusual turn by setting the damages at \$2,250 per work. The court first determined that the actual damage *Tenenbaum* caused the labels was \$1 per song.⁴¹ This figure ignores the wide distribution *Tenenbaum* made of the downloaded songs to an untold number of others, File sharing essentially places the songs in the public domain.

Then *Tenenbaum* purported to rely on the doctrine of treble damages under which a court may increase the award by three times the amount of actual damages.⁴² But instead of trebling this \$1 figure, *Tenenbaum* trebled \$750, which is the minimum amount of statutory damages permitted under the Copyright Act for any infringement other than one done innocently. In other words, the court did not treble the amount of actual damages of \$1 per infringed song it determined the labels had suffered. The court instead multiplied its determination of actual damages by 2,250 to reach the damage amount of \$2,250 per work, an amount that under the circumstances appears arbitrary.

THE VERDICT PASSES MUSTER UNDER WILLIAMS

The jury’s verdict in *Tenenbaum*, although substantial, fits comfortably within the *Williams* framework. That case requires deference to the legislature’s “wide latitude of discretion” in responding to public wrongs.⁴³ Under *Williams*, a court must defer to Congress’ judgment in assessing “the interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence to establish [law].”⁴⁴ So long as the statutory damages scheme adequately addresses these concerns, that scheme satisfies due process.

Here the jury’s award of \$22,500 per song award is toward the low end of the willful infringement range (which extends upward to \$150,000 per work) and was 15% of the maximum of \$4.5 million the jury could have been assessed. It therefore seems not “obviously unreasonable” or “oppressive” considering there is nothing unconstitutional about an award greater than the quantifiable harm and

³⁹ 721 F. Supp. 2d at 107

⁴⁰ *Id.*

⁴¹ *Id.* at 112.

⁴² *Id.* at 117.

⁴³ 251 U.S. at 66.

⁴⁴ *Id.* at 67.

further considering that the jury's award was an appropriate response to Tenenbaum's near decade of willful conduct.

As the district court noted, Tenenbaum started file sharing in 1999 and continued through 2007, "downloading thousands of songs for free and without authorization." Tenenbaum "was aware his conduct was illegal" and even continued it after receiving a cease and desist letter. When sued he tried to shift responsibility for his downloading to others and lied during his "sworn responses to discovery requests" and "made several misleading or untruthful statements in his deposition testimony."⁴⁵

The record labels should not be faulted for being unable to quantify the extent of injury Tenenbaum caused. The nature of peer-to-peer file sharing technology Tenenbaum used made that showing nearly impossible. Peer-to-peer networks operate without any centralized control or oversight. They allow computer users to transfer music files directly to their peers without the knowledge of third parties. As the jury may have determined, Tenenbaum should not avoid the consequences of his misconduct simply because he made it difficult for the labels to quantify injury.⁴⁶

Music piracy is a major problem in this country robbing the economy of billions each year.⁴⁷ If piracy is to ever end, large verdicts of the kind meted out in *Tenenbaum* may be necessary.

WHAT ARE THE CONSEQUENCES IF *TENENBAUM* IS AFFIRMED ON APPEAL?

Affirming the result in *Tenenbaum* will negatively impact copyright enforcement for years to come for a number of reasons.

First, affirmance will cause many meritorious copyright claims never to be litigated. That is because *Tenenbaum*, contrary to the Copyright Act, requires copyright owners to prove actual damage as a pre-condition to recovering statutory damages. But many copyright holders will be unable to show actual damages. The value of a copyright, especially at inception, is often impossible to estimate. How much is an unpublished novel by a first-time author worth?

⁴⁵ 721 F. Supp. 2d at 90-91.

⁴⁶ See *Bigelow v. RKO Radio Pictures*, 327 U.S. 251, 264 (1946).

⁴⁷ The Record Industry Association of America quotes with approval a source stating that U.S. internet users annually consume between \$7 and \$20 billion worth of digitally pirated recorded music. <http://www.riaa.com/faq.php>, last visited February 17, 2011.

Second, removing the teeth from the statutory damage scheme, which is what Judge Gertner essentially did, relegates litigants to actual damages. But they are often inadequate for a number of reasons. First, actual damages may be less than the cost of detecting, investigation and, for sure, litigating. So why bother? Second, actual damages, often requiring extensive accounting analysis, may be prohibitively expensive to prove. Third, although actual damages in copyright litigation include the infringer's profits attributable to the infringement, there may be none to collect either because an infringer earned none, conveniently lost its sales records or never kept any.

WHAT WILL BE THE EVENTUAL OUTCOME?

Predictions about how the Court might rule should this case reach the high court are not for the faint of heart. But, as Justice Ginsburg noted in *Eldred v. Ashcroft*,⁴⁸ albeit in a different context, the Court has been "deferential to the judgment of Congress in the realm of copyright." I suggest that that deference will continue should the Court ever weigh the constitutionality of the jury's award in *Tenenbaum*.⁴⁹

But at the same time the Court may wish to update its constitutional analysis of statutory damages in the copyright context. *Williams* is nearly a century old. The internet, new technologies and the ease and frequency of downloading have now reshaped the copyright landscape. Further, copyright holders are in many cases no longer interested in protecting their exclusive rights. Instead, they now place their works on social media sites with every expectation and hope that they will be copied, adapted, modified, published, transmitted and displayed to an untold number of others by any means of distribution now known or later created. These copyright holders who freely share their works often advocate and expect that others will do the same. This advocacy is not likely to lead to changes in the Copyright Act. But it may continue to influence the judicial response to infringement as it did in the district court's opinion in *Tenenbaum*.

⁴⁸ 537 U.S. 186, 198 (2003).

⁴⁹ Pamela Samuelson & Ben Sheffner, Debate, Unconstitutionally Excessive Statutory Damage Awards in Copyright Cases, 158 U. PA. L. REV. PENNUMBRA 53, 62 (2009), <http://www.pennumbra.com/debates/pdfs/CopyrightDamages.pdf>.

PATENT ELIGIBILITY OF MOLECULES: “PRODUCT OF NATURE” DOCTRINE AFTER MYRIAD

CAN CUI*

In March 2010, the U.S. District Court in the Southern District of New York held in the Myriad case that patent claims directed to isolated DNA molecules were invalid under 35 U.S.C. § 101 for failing to claim patent-eligible subject matter, relying heavily on the so-called “product of nature” doctrine. Instead of a chronological order, this Note reviews the legal history of the “product of nature” doctrine in a brand new analytical framework, analyzing the application of the “product of nature” doctrine to relevant cases based on whether the claimed subject matter is an element, a molecule, or a microorganism. This Note then proposes an appropriate test for applying the doctrine to patent claims directed to molecules. Retroactive application of the proposed test to molecule-claim case law would have yielded results consistent with the vast majority of relevant cases. Application of the proposed test to the DNA-molecule claims-in-suit in Myriad leads to a legal conclusion that the claimed DNA molecules are patent-eligible, contrary to the conclusion of the Myriad court. This Note also makes an effort to address certain issues in the court’s opinion, and to provide some practical tips to patent practitioners in drafting DNA molecule claims.

I. INTRODUCTION

The 1952 Patent Act sets forth four categories of subject matter that are patent-eligible: process, machine, manufacture, and composition of matter.¹ The Supreme Court has interpreted the subject-matter eligibility to be very broad²; instead of delineating what is patent-eligible, the Supreme Court has crafted a number of categories of “patent-ineligible” subject matter.³ These judicially crafted categories, however, are not well defined. The boundaries of these categories are also constantly challenged by the advancement of science and technology, particularly biotechnology. While the Patent Act has remained largely unchanged since its codification in 1952, the discovery of the structure of deoxyribonucleic

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¹ 35 U.S.C. § 101.

² J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc., 534 U.S. 124, 131 (2001).

³ See, e.g., Gottschalk v. Benson, 409 U.S. 63, 67 (1972) (“Phenomena of nature, . . . mental processes, and abstract intellectual concepts are not patentable”); Diamond v. Chakrabarty, 447 U.S. 303, 309 (1980) (“The laws of nature, physical phenomena, and abstract ideas have been held not patentable.”).

acid (“DNA”) in 1953 has revolutionized our lives in a great number of ways. The complete mapping of the human genome has also changed our way of thinking about life and dealing with disease. Discoverers of new genes, especially those associated with disease susceptibilities, rushed to the patent office to protect their discoveries. Whether DNA molecules should be patented had been the topic of active policy debate for more than twenty years until the early 2000’s, when the question about their subject-matter eligibility was first seriously raised in the academy.⁴

On March 29, 2010, in a 156-page-long decision, the U.S. District Court in the Southern District of New York held that claims directed to isolated DNA molecules were invalid under 35 U.S.C. § 101 for failing to claim patent-eligible subject matter, because the claimed isolated DNA molecules were not “markedly different” from native DNA molecules as they exist in nature, according to Senior Judge Robert W. Sweet.⁵ This Note discusses the patent-eligibility of the subject matter set forth in these DNA-molecule claims.

In determining that these claims-in-suit were invalid under 35 U.S.C. § 101, Judge Sweet first analyzed the scope of § 101, focusing heavily on the so-called “product of nature” doctrine.⁶ He then reviewed Supreme Court cases and some

⁴ See John M. Conley & Robert Makowski, *Back to the Future: Rethinking the Product of Nature Doctrine as a Barrier to Biotechnology Patents (Part I)*, 85 J. Pat. & Trademark Off. Soc’y, 301 (2003) [hereinafter Conley & Makowski, *Back to the Future (I)*]; John M. Conley & Robert Makowski, *Back to the Future: Rethinking the Product of Nature Doctrine as a Barrier to Biotechnology Patents (Part II)*, 85 J. Pat. & Trademark Off. Soc’y, 371 (2003) [hereinafter Conley & Makowski, *Back to the Future (II)*]. Those articles discuss the patent-eligibility of “genes” and “DNA sequences.” See, e.g., Conley & Makowski, *Back to the Future (I)*, *supra*, at 309. “Gene patenting” is simply a misnomer. No patent claim has ever been directed to a gene, partly because the word “gene” itself has always been and will perhaps always be an indefinite word even to those skilled in the art. See, e.g., Helen Pearson, *What Is A Gene?*, 441 Nature 399 (2006). While the word “sequence” is used by many patent practitioners and appears in the preamble of many patent claims, the author of this Note takes the position that “sequence” refers only to the order in which nucleotides are arranged in a DNA molecule, and so it is the DNA *molecule* that should be the claimed subject matter, not any sequence. This basic concept must be understood first before analyzing the patent-eligibility of these claims.

⁵ Ass’n for Molecular Pathology v. USPTO (*Myriad*), 702 F. Supp. 2d 181, 232 (S.D.N.Y. 2010).

⁶ It appears that Judge Sweet thinks that “products of nature” encompass all patent-ineligible subject matter. See *id.* at 220 (“[T]he proper analysis requires determining . . . whether the claimed invention constitutes statutory subject matter . . . or whether the claimed invention instead falls within the judicially created ‘products of nature’ exception to patentable subject matter, i.e., ‘laws of nature, natural phenomenon, and abstract ideas,’ *Chakrabarty*, 447 U.S. at 309.”). The author of this Note takes the position that “product of nature” is but one judicially

lower court opinions that are purportedly related to the “product of nature” doctrine, and provided a test for determining whether a product purified from nature is patent-eligible: “the purified product must possess ‘markedly different characteristics’ in order to satisfy the requirements of § 101.”⁷ Finally, Judge Sweet applied this test to the subject matter in the claims-in-suit. Focusing almost exclusively on “DNA’s unique qualities as a physical embodiment of information,” Judge Sweet concluded that “none of the structural and functional differences cited by [defendant] Myriad between native *BRCA1/2* DNA and the isolated *BRCA1/2* DNA claimed in the patents-in-suit render[ed] the claimed DNA ‘markedly different’” from its naturally-occurring counterpart, thus failing the test.⁸

Needless to say, the outcome of this case, if upheld upon appeal, would have a profound impact on the biotechnology industry. This Note, however, does not try to delve into any policy arguments, but will focus on the more fundamental question about the “product of nature” doctrine, how it has been applied to different types of claimed subject matter prior to Judge Sweet’s opinion, and what an appropriate test should be for applying the doctrine to claims directed to molecules. This Note will propose such a test and apply the proposed test to the DNA-molecule claims-in-suit, leading to a legal conclusion contrary to that of Judge Sweet. This Note will also make an effort to address certain issues in Judge Sweet’s opinion, and to provide some practical tips to patent practitioners in drafting DNA molecule claims.

II. ANALYSIS

A. The “Product of Nature” Doctrine: Does It Really Have a Legal History?

Is there a “product of nature” doctrine? At the very least, it is fair to say that the doctrine has not been articulated very well by courts. Judge Sweet cited four cases in which “product of nature” or “products of nature” was recited, none of which has a claim-in-suit directed to a molecule.⁹ Because the subject matter of the claims-in-suit in *Myriad* is DNA molecules, this Note will include judicial

created category of patent-ineligible subject matter, if at all. For example, it is obvious that “product of nature” does not encompass “abstract ideas.”

⁷ *Id.* at 227 (quoting *Chakrabarty*, 447 U.S. at 310).

⁸ *Id.* at 229. “*BRCA1*” and “*BRCA2*” refer to the human breast cancer susceptibility genes 1 and 2, respectively.

⁹ *Id.* at 218 n.40. In particular, the claim-in-suit in *Chakrabarty* is directed to a microorganism. The claims-in-suit in *Gen. Elec. Co. v. De Forest Radio Co.*, 28 F.2d 641 (3d Cir. 1928), *In re Marden*, 47 F.2d 957 (C.C.P.A. 1931), and *In re Marden*, 47 F.2d 958 (C.C.P.A. 1931) are all directed to elements.

treatment of molecule claims in the history review of relevant case law in the context of the “product of nature” doctrine. Instead of a chronological order, this Note will apply a brand new analytical framework to the history review, categorizing the relevant cases based on whether the claimed subject matter is an element, a molecule, or a microorganism.¹⁰

1. Naturally-occurring chemical elements are generally patent-ineligible subject matter.

One of the earliest cases ever mentioning a “product of nature” is *Gen. Elec. Co.*, where a claim-in-suit is directed to “[s]ubstantially pure tungsten having ductility and high tensile strength.”¹¹ Even though pure tungsten as claimed had not been found in nature, the Third Circuit’s view was that since tungsten is an element, all of its properties are natural by definition.¹² Judge Sweet cited this case to prove the “well established” “product of nature” doctrine.¹³ One sentence from this case is, however, particularly relevant and worthy of analysis: “a patent cannot be awarded for a discovery or for a product of nature, or for a chemical element.”¹⁴ First, the second “or” suggests that the patent-ineligibility of a product of nature is dicta, because the opinion is about the patent-ineligibility of a chemical element, tungsten. Second, the patent-ineligibility of a discovery expressed in this sentence makes the entire sentence susceptible to constitutional attack.¹⁵

The patent-ineligibility of naturally-occurring chemical elements was followed by the Court of Customs and Patent Appeals, which seemed to have more readily relied on the “product of nature” doctrine in its decisions.¹⁶

¹⁰ These categories are by no means an exhaustive list of the subject matter that may appear in patent claims where the “product of nature” doctrine may be applied. The choice of these three categories for analysis is based on the available case law where subject matter patent-eligibility was or could have been discussed by the relevant authorities.

¹¹ U.S. Patent No. 1,082,933 p.9 l.120-21 (filed Jun. 19, 1912).

¹² See *Gen. Elec. Co.*, 28 F.2d at 643.

¹³ *Myriad*, 702 F. Supp. 2d at 219 n.40.

¹⁴ *Gen. Elec. Co.*, 28 F.2d at 642.

¹⁵ “Discoveries” is explicitly written in the “IP Clause” of the Constitution. U.S. Const. art I, § 8, cl. 8.

¹⁶ See, e.g., *In re Marden*, 47 F.2d 957, 1046 (C.C.P.A. 1931) (“Uranium is a product of nature, and the appellant is not entitled to a patent on the same, or upon any of the inherent natural qualities of that metal.”); *In re Marden*, 47 F.2d 958, 959 (C.C.P.A. 1931) (“[P]ure vanadium is not new in the inventive sense, and, it being a product of nature, no one is entitled to a monopoly of the same.”).

2. *Claims to molecules, including those to DNA molecules, had never been invalidated by courts under the “product of nature” doctrine before Judge Sweet’s opinion.*

Somewhat surprisingly, case law on the patent-eligibility or –ineligibility of molecules does not prove to be abundant. The only case from the Supreme Court that touched on the issue was decided in 1884, where a claim to a molecule was found invalid based on lack of novelty.¹⁷ Similarly, molecule claims were often not attacked before lower courts under the “product of nature” doctrine, but simply for alleged lack of novelty¹⁸ or for obviousness.¹⁹ One case, *Merck & Co. v. Olin Mathieson Chemical Corp.*, 253 F.2d 156 (4th Cir. 1958), specifically mentioned the “product of nature” doctrine. There, the claimed “composition comprising

¹⁷ *Cochrane v. Badische Anilin & Soda Fabrik*, 111 U.S. 293, 311 (1884) (“Artificial alizarine,” though “made artificially for the first time,” is “an old article” that could be “eliminated from the madder root,” and is not patentable as “a well-known substance.”). Judged by today’s standard, the claim-in-suit is a product-by-process claim and would have been novel over the same product produced by known methods. *See Abbott Labs. v. Sandoz, Inc.*, 566 F.3d 1282 (Fed. Cir. 2009). Another often cited case is *American Wood-Paper Co. v. Fibre Disintegrating Co.*, 90 U.S. 566 (1874). The product claim-in-suit in this case, however, is not directed to a molecule, but “a pulp suitable for the manufacture of paper.” *Id.* at 594. The claim was invalidated because the pulp was not novel. Were it novel, it “might have been patented.” *Id.* at 596. These two cases, as some of the most fervent proponents of the “product of nature” doctrine clearly stated, “were not really product of nature cases.” Conley & Makowski, *Back to the Future (I)*, *supra* note 4, at 328 n.193.

¹⁸ *See, e.g., In re Williams*, 171 F.2d 319 (C.C.P.A. 1948) (holding that laevo rotary form of lactone was patentable over the known racemic form); *In re Bergstrom*, 427 F.2d 1394 (C.C.P.A. 1970) (holding that purified prostaglandins PGE2 and PGE3 were not anticipated by those previously extracted from human or animal prostate glands). Another often cited case is *Parke-Davis & Co. v. H.K. Mulford Co.*, 189 F. 95 (S.D.N.Y. 1911), holding that purified adrenaline in base form was not anticipated by the existence of adrenaline in suprarenal glands, because adrenaline in suprarenal glands exists as a natural salt, not in base form. *Id.* at 103. Yet another often cited case that is further removed from the “product of nature” doctrine is *Farbenfabriken of Elberfeld Co v. Kuehmsted*, 171 F. 887 (7th Cir. 1909) (holding that the claim directed to acetyl salicylic acid (“aspirin”), the product of a new process which for the first time produced it in a pure state and rendered it valuable for medicinal use, is valid and infringed), because aspirin is not a product of nature, but man-made. *Id.* at 890.

¹⁹ *See, e.g., In re Kratz*, 592 F.2d 1169, 1172 (C.C.P.A. 1979). The “synthetically produced” limitation in the composition claim-in-suit would have brought the scope of the claim outside the ambit of “product of nature,” so that the doctrine would not have applied in this case in the first place. Judge Sweet agreed that *Kratz* was not attacked or discussed as a subject matter patent eligibility case, but did not make it clear whether it *could have been* attacked under the “product of nature” doctrine. *Ass’n for Molecular Pathology v. USPTO (Myriad)*, 702 F. Supp. 2d 181, 227-28 (S.D.N.Y. 2010).

recovered elaboration *products*” (emphasis added) was found to be patent-eligible because it “did not exist in nature in the form in which the patentees produced it.”²⁰

Of particular relevance to claims to DNA molecules are two Federal Circuit cases decided in the last decade of the 20th century. In *Amgen, Inc. v. Chugai Pharmaceutical Co.*, 927 F. 2d 1200 (Fed. Cir. 1991), the Federal Circuit held that a claim directed to “[a] purified and isolated DNA sequence” was novel and thus valid.²¹ Subject matter patent-eligibility was not an issue in this case. Nine years later, the Federal Circuit accepted a district court’s interpretation of “substantially pure DNA sequences” in a patent claim as including “both naturally-occurring and non-naturally occurring sequences.”²² This was an affirmation of a summary judgment of non-infringement, however, and so validity was not an issue in this case at all.

3. *Microorganisms: Few but highly relevant cases.*

The Supreme Court has thus far taken up only two cases where patent claims reciting microorganisms came under its scrutiny. In *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127 (1948), the Supreme Court held that a product claim directed to “[a]n inoculant . . . comprising a plurality of selected . . . strains of different species of bacteria” did not “disclose an invention or discovery within the meaning of the patent statutes.”²³ The opinion did not recite “product of nature,” however, and Justice Douglas’ analysis deserves a closer look. First, the “product” claim-in-suit was not directed to a single bacterial species, but to a composition comprising a plurality of species, which do not co-exist in nature in the form in which they are found in the claimed composition.²⁴ Second, what rendered the product patent-ineligible was not the bacterial species *per se*, and Justice Douglas did not exclude them from being patent-eligible.²⁵

²⁰ *Merck & Co. v. Olin Mathieson Chemical Corp.*, 253 F.2d 156, 157, 164 (4th Cir. 1958); U.S. Patent No. 2,703,302 col.21, l.70 through col.22 l.6 (filed Dec. 8, 1952). The claims-in-suit are not really molecule claims, as evidenced by the highlighted plural form of “products.” The court also agreed that the claimed composition was not pure. *Merck & Co.*, 253 F.2d at 160.

²¹ *Amgen, Inc. v. Chugai Pharmaceutical Co.*, 927 F. 2d 1200, 1202, 1204, 1206 (Fed. Cir. 1991). To ensure consistency and to minimize confusion, the claim should have been drafted to be directed to a purified and isolated DNA *molecule*. See *supra* note 4.

²² *Schering Corp. v. Amgen Inc.*, 222 F.3d 1347 (Fed. Cir. 2000); *Schering Corp. v. Amgen Inc.*, 18 F. Supp. 2d 372, 400 (D. Del. 1998).

²³ *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 128 n.1, 132 (1948).

²⁴ See *id.* at 128 n.1.

²⁵ See *id.* at 131 (“The combination of species produces no new bacteria, no change in the six species of bacteria, and no enlargement of the range of their utility. . . . Their use in combination

Thirty-two years later, the Supreme Court recognized the patent-eligibility of a genetically-engineered bacterium in *Chakrabarty*. The claimed bacterium was a new strain of *Pseudomonas* into which two stable energy-generating plasmids²⁶ had been introduced to give the bacterium enhanced “hydrocarbon degradative” properties.²⁷ *Chakrabarty* confirmed the patent-eligibility of what Justice Douglas did not exclude as being patent-ineligible in *Funk Bros.*, i.e., a new bacterium, a changed bacterium, or a bacterium with improved functioning beyond its natural functioning.²⁸ *Chakrabarty* does not recognize *Funk Bros.* as good law because of the “product of nature” doctrine, however, because *Funk Bros.* does not articulate the doctrine and the claimed subject matter in *Funk Bros.* is not a product of nature.²⁹

B. A Critique of Judge Sweet’s Test and the Proposal of a New Test.

Judge Sweet readily took one sentence out of *Chakrabarty* and formulated the “markedly different characteristics”³⁰ test. What led Judge Sweet to reach the conclusion of patent-ineligibility of the claimed DNA molecules is not the lack of markedly different characteristics between them and their naturally-occurring counterparts, however, but some overwhelmingly identical function between them – the function of DNA as genetic information carrier.³¹ This categorical exclusion

does not improve in any way their natural functioning.”). This language suggests that once the conditions expressed in the negative are met, the subject matter may be patent-eligible.

²⁶ A plasmid is a kind of DNA molecule.

²⁷ *Diamond v. Chakrabarty*, 447 U.S. 303, 305 (1980).

²⁸ See *supra* note 25 and accompanying text.

²⁹ See *supra* notes 23-25 and accompanying text. *Contra* Conley & Makowski, *Back to the Future (II)*, *supra* note 4, at 376.

³⁰ *Chakrabarty*, 447 U.S. at 310.

³¹ *Myriad*, 702 F. Supp. 2d at 228-29 (“[DNAs] are physical carriers of information This informational quality is unique among the chemical compounds found in our bodies, and it would be erroneous to view DNA as ‘no different[]’ than other chemicals previously the subject of patents. *Myriad*’s argument that all chemical compounds . . . necessarily conveys [sic] some information ignores the biological realities of DNA in comparison to other chemical compounds in the body. The information encoded in DNA is not information about its *own* molecular structure incidental to its biological function Rather, the information encoded by DNA reflects its primary biological function: directing the synthesis of *other* molecules in the body – namely, proteins”) (second alteration in original) (emphasis in original) (footnote omitted) (citations omitted) (internal quotation marks omitted). While there is no doubt that DNA’s function as a carrier of genetic information is of great importance, this function is determined by its molecular structure. After all, the course that teaches DNA and the central dogma is called Molecular Biology, not Informational Biology. No molecular structure is incidental to the molecule’s biological function; the molecular structure at least in part determines the biological function. The biological function may be directing the synthesis of proteins, as in the case of

of all differences in light of one common function is not the correct approach, however, because where subject matter patent-eligibility is an issue, there is almost always more similarity than difference between the claimed subject matter and its naturally-occurring counterpart. Judge Sweet's test is also inherently difficult to apply because there is no bright line between a difference that is marked and a difference that is not.

Taking for granted that the "product of nature" doctrine exists, this Note proposes a two-part test in determining subject matter patent-eligibility of molecules under the doctrine. This test puts structure before function, because the latter is at least in part determined by the former. Under this test, the first step is to determine whether there is any structural difference between the claimed molecule(s) and its naturally-occurring counterpart(s) in the absence of any isolation or purification. If a structural distinction is found, the entire analysis is complete. Because of the structural difference, the claimed molecule, by definition, is not a "product of nature," and is thus patent-eligible. If a claimed molecule has the same structure as its naturally-occurring counterpart in the absence of any isolation or purification, then the next step is to determine whether there is any functional difference between the two. Only a functional difference which would not have existed "but for" the isolation or purification puts the claimed molecule outside the scope of "product of nature." If the claim passes both parts of the test, i.e., the claimed molecule is structurally identical to its naturally-occurring counterpart and there is no functional difference between the two which would not have existed but for the isolation or purification, then the claimed molecule is a product of nature and patent-ineligible.

C. Application of the Proposed Test Would Have Yielded Results Consistent with the Vast Majority of Relevant Case Law on Molecule Claims.

Retroactive application of the proposed test to molecule-claim case law would have yielded results consistent with the vast majority of relevant cases. For example, the claim in *Cochrane* would have been found invalid if the "product of nature" doctrine were forced upon it and the proposed test applied, because it would likely have passed both parts of the test, i.e., the claimed molecule is structurally no different from and is used for exactly the same purpose as its

DNA molecules, or binding some targets in the body, as in the case of many other biologically active chemical compounds. The ability of a certain chemical compound to bind some targets and not others is also information about other molecules in the body. Such information is the subject of study in the fields of chemoinformatics and pharmacoinformatics. Even though this information is not "genetic" information, it nevertheless is of great importance to our understanding of the human body.

naturally-occurring counterpart in the absence of any isolation or purification – as a red dye. In both *Parke-Davis* and *Kuehmsted*, the product claims-in-suit could not have been invalidated under the “product of nature” doctrine because the products claimed were structurally different from anything found in nature. In *In re Williams*, the validity of the product claim-in-suit would have been upheld, too, if the proposed test were applied. Structurally, the claimed molecule, the laevo rotary form of lactone, is different from its naturally-occurring counterpart, which is in racemic form. Even if one could argue that the racemic form necessarily contains the laevo form, the laevo form has a drastically and noticeably different function from the racemic form, which would not have existed but for the purification of it from the racemic form.³²

The only case where the claims-in-suit are true molecule claims and application of the proposed two-part test may have yielded a result inconsistent with the decision of the court is *In re Bergstrom*. In this case, the claimed PGE2 and PGE3 molecules are structurally no different from their respective naturally-occurring counterparts, and there is no evidence of any functional difference between the claimed molecules and the naturally-occurring molecules either.³³ The reason for the inconsistent results does not lie in the proposed test, however, but in the court’s belief that compounds that “do not exist in nature in pure form” are not “naturally occurring.”³⁴ As some of the most fervent proponents of the “product of nature” doctrine clearly pointed out, *In re Bergstrom* was “not a section 101 patentable subject matter case.”³⁵

The proposed test is applicable specifically to molecule claims and should not be used on claims directed to elements, because an element, when in pure form (assuming that it does not exist in nature in such pure form), can have very different functions from its status as part of a molecule, and so would have been patent-eligible under the test.³⁶ The inapplicability of the proposed test to element claims is of no significance to patent applicants today, however, because all naturally-occurring elements have been identified by now.

³² The laevo rotary form of a compound has the property of deflecting polarized light to the left, while the racemic form produces no deflection of polarized light. *In re Williams*, 171 F.2d 319 (C.C.P.A. 1948).

³³ *In re Bergstrom*, 427 F.2d 1394, 1398, 1402 (C.C.P.A. 1970).

³⁴ *Id.* at 1401.

³⁵ Conley & Makowski, *Back to the Future (II)*, *supra* note 4, at 387-88.

³⁶ For example, pure tungsten has ductility and high tensile strength not observed in a tungsten compound. *See supra* note 11 and accompanying text.

It is also hard to apply the proposed test to claims directed to microorganisms, because microorganisms are so complex that it is meaningless to define if two are “structurally” the same. For now, *Chakrabarty* has made some bright-line rules, i.e., a difference as large as a few exogenous plasmids would make a new bacterium. It remains to be seen if any smaller difference, e.g., only one exogenous plasmid, or addition or deletion of genomic DNA sequences, or even one or more point mutations, would distinguish a bacterium from its naturally-occurring counterpart under the “product of nature” doctrine.

D. Application of the Proposed Test to the Composition Claims-in-Suit Yields a Legal Conclusion Contrary to That of Judge Sweet’s.

The proposed test can be easily applied to the DNA molecule claims-in-suit in *Myriad*. The claimed DNA molecules are patent-eligible because they are all structurally different from their naturally-occurring counterparts, i.e., the chromosomes on which *BRCA1* and *BRCA2* genes are located.³⁷ Such structural differences are at least two-fold. First, the sequences of the claimed DNA molecules are different from the sequences of the respective chromosomes. For example, the specification defines “isolated DNA,” which is recited in all composition claims-in-suit, as follows: “An ‘isolated’ . . . DNA . . . is one which is substantially separated from other cellular components which naturally accompany a native human sequence or protein, e.g., ribosomes, polymerases, *many other human genome sequences* and proteins.”³⁸ In the case of DNA, only other sequences on the same chromosome as a certain native sequence are considered naturally accompanying that native sequence. When a DNA molecule comprises the native sequence substantially separated from the naturally accompanying sequences, such DNA molecule cannot have the same sequence as the chromosome on which the native sequence is located.

Second, the claimed DNA molecules do not contain intron sequences that are parts of the chromosomes. Judge Sweet argues that because native, intron-containing DNAs by definition encode the *BRCA1* and *BRCA2* proteins, such claims as Claim 1 of the ’282 Patent and Claim 1 of the ’492 Patent read on the native DNAs and so the claimed DNAs are patent-ineligible.³⁹ This argument

³⁷ A chromosome is a naturally-occurring DNA molecule.

³⁸ U.S. Patent No. 5,747,282 (filed Jun. 7, 1995) (the “’282 Patent”) col.19 l.8-18; U.S. Patent No. 5,837,492 (filed Apr. 29, 1996) (the “’492 Patent”) col.17 l.62 through col.18 l.5 (emphasis added).

³⁹ *Ass’n for Molecular Pathology v. USPTO (Myriad)*, 702 F. Supp. 2d 181, 230 (S.D.N.Y. 2010); ’282 Patent col.153 l.56-58 (“An isolated DNA coding for a *BRCA1* polypeptide, said polypeptide having the amino acid sequence set forth set forth in SEQ ID NO:2.”); ’492 Patent

indeed has some merit with regard to Claim 1 of the '282 Patent. In contrast to that claim, the distinction between molecule and sequence in Claim 1 of the '492 Patent helps the patentee obviate such an attack. Native, intron-containing chromosomal DNA falls outside the scope of this claim because even though it encodes the recited polypeptide, the polypeptide is not encoded by a single nucleic acid sequence as required by the claim but collectively by a number of distinct exon sequences interspersed by the introns. This claim represents an excellent example of how careful claim drafting can obviate a “product of nature” rejection.

The claimed DNA molecules are also patent-eligible because there exist functional differences between them and their naturally-occurring counterparts, the chromosomes, which would not have existed but for the isolation. Defendant Myriad focused on the gain of function as a result of the isolation.⁴⁰ The isolation also causes loss of function, e.g., the isolated DNAs no longer encode, let alone express, the hundreds of genes other than *BRCA1* and *BRCA2* expressed by their respective chromosomes. Neither the gain of function nor the loss of function would have existed but for the isolation. Therefore, the claimed DNA molecules are not products of nature and are patent-eligible.

III. CONCLUSION

The legal history of the “product of nature” doctrine is messy, if not extremely thin. This Note at the outset reviewed judicial opinions on the patent-eligibility and –ineligibility of various claimed subject matter related to the “product of nature” doctrine. Of particular relevance to the DNA molecule claims in the patents-in-suit in *Myriad* are those cases in which the claims-in-suit were directed to molecules. Significantly, not even one molecule claim was invalidated by courts under the “product of nature” doctrine before Judge Sweet’s opinion.

Assuming the existence of the “product of nature” doctrine, this Note proposed a two-part test applicable to claims directed to molecules that would have unified the holdings of relevant case law and yielded results consistent with them, with one justified exception.⁴¹

col.167 1.16-19 (“An isolated *DNA molecule* coding for a BRCA2 polypeptide, said DNA molecule comprising a *nucleic acid sequence* encoding the amino acid sequence set forth in SEQ ID NO:2.”) (emphasis added).

⁴⁰ See *Myriad*, 702 F. Supp. 2d at 230-31 (quoting Myriad Defendants’ Memorandum in Reply to Plaintiffs’ Opposition to Myriad Defendants’ Motion for Summary Judgment at 9, *Myriad*, 702 F. Supp. 2d 181 (No. 109CV04515)).

⁴¹ See *supra* notes 33-35 and accompanying text.

Applying the proposed test to the composition claims-in-suit in *Myriad* leads to only one legal conclusion – the claimed DNA molecules are not products of nature and are patent-eligible. The key to the successful understanding and application of the proposed test is to know what the naturally-occurring counterpart is. The *Myriad* court compared the sequences of the claimed molecules with certain sequences on the chromosomes. Such comparison is fundamentally flawed. When the claimed subject matter is a molecule, its naturally-occurring counterpart must also be a molecule, not part of a molecule, e.g., a partial sequence of a DNA molecule.

Judge Sweet's opinion has also been objected to by a wide array of educational institutions and companies in the biotech and the pharmaceutical industries, as evidenced by the vast majority of the amicus briefs filed before the Federal Circuit that are in support of reversal. This Note did not focus on analyzing those briefs. Rather, this Note proposed a test that can be applied to molecule claims under the "product of nature" doctrine and unify the vast majority of relevant case law. The proposed test can, hopefully, draw some bright line in judicial determination of the patent eligibility of molecules.

YOU MAY NOT “LIKE” THIS TITLE: EVERYTHING STORED ON FACEBOOK IS DISCOVERABLE

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Facebook has revolutionized the way that people communicate and do business by providing an open and connected environment for individuals and businesses alike. This openness has largely contributed to both its popularity and success. However, enjoying the openness of this revolutionary platform may come at an unexpected cost, especially for those who do not understand how the website’s content may be used as evidence in a lawsuit. Darren Heitner demonstrates how content published on a person’s Facebook account may be discoverable for the purposes of litigation, even when the information sought is unavailable through Facebook’s privacy settings.

On its own Fan Page, Facebook describes itself as a service that gives “people the power to share and make the world more open and connected.”¹ People over the age of twelve, but not too old to understand how to use a computer keyboard, are able to sign up for a Facebook account and immediately share content and information with the world. Facebook users may upload photos and videos, update their statuses, share links, create events and groups, make comments, write notes, write messages on their own or others’ “Walls,” and send private messages to other users (all of which will hereinafter be referred to as “Published Facebook Content”). Facebook delivers on its promise to permit sharing in an online environment where people can easily get caught up on their friends’ actions and activities. The openness is what makes Facebook extremely desirable; it also makes the platform a potential legal nightmare for those who do not understand how its content may be used as evidence in a lawsuit.

In an effort to provide its users with a sense of security, Facebook regularly updates its privacy options, including one which allows users to change the visibility of their profiles from the default “everyone” setting to something more

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¹ Facebook, <http://www.facebook.com/facebook> (last visited Dec. 31, 2010).

limited or completely private. If the “everyone” setting is enabled, any person, Facebook user or not, has access to Published Facebook Content (other than private messages) and its association with the user who posted the information.² Facebook users have the ability to block others from seeing their contact information, personal information, gender and birth date, and Published Facebook Content.³ However, nestled into Facebook’s Privacy Policy in the section titled, “How We Share Information” is a paragraph that begins with, “To respond to legal requests and prevent harm.”⁴ The paragraph states the following:

We may disclose information pursuant to subpoenas, court orders, or other requests (including criminal and civil matters) if we have a good faith belief that the response is required by law. This may include respecting requests from jurisdictions outside of the United States where we have a good faith belief that the response is required by law under the local laws in that jurisdiction, apply to users from that jurisdiction, and are consistent with generally accepted international standards. We may also share information when we have a good faith belief it is necessary to prevent fraud or other illegal activity, to prevent imminent bodily harm, or to protect ourselves and you from people violating our Statement of Rights and Responsibilities. **This may include sharing information with other companies, lawyers, courts or other government entities.**⁵

Any privacy granted to a Facebook user is only temporary, as Facebook, at any point in time and at its complete discretion, may invoke the aforementioned paragraph and disclose Published Facebook Content to, not only a court of law, but also a private company, attorney, or other governmental entity. Even if Facebook attempts to protect a user’s privacy rights, a court may deem that the Published Facebook Content is discoverable. While there is a deep concern regarding Facebook’s apparent willingness to share Published Facebook Content with companies, lawyers, courts and other government entities, this discussion will focus exclusively on a court’s effort to require Facebook to produce information.

² *Statement of Rights and Responsibilities*, Facebook, <http://www.facebook.com/terms.php> (last visited Dec. 31, 2010).

³ *Facebook’s Privacy Policy*, Facebook, <http://www.facebook.com/policy.php> (last visited Dec. 31, 2010).

⁴ Facebook, *supra* note 4.

⁵ Facebook, *supra* note 4 (emphasis added).

I. DISCOVERY BACKGROUND

Under the Federal Rules of Civil Procedure (FRCP) for the United States District Courts, a party may obtain discovery regarding any non-privileged matter that is relevant to any party’s claim or defense, and the court may order discovery of any matter relevant to the subject matter involved in the action.⁶ The responding party may claim that the information being requested is privileged, and thus refuse to submit the information.⁷ Alternatively, a party may move for a protective order to guard against annoyance, embarrassment, oppression, or undue burden or expense.⁸ In lieu of modern civil procedure contemplating liberal disclosure rules for discovery requests, “discovery is not unbridled and not unlimited,” and individuals deserve to have their privacy protected.⁹ While not all states have adopted rules of civil procedure that match or even closely resemble the FRCP, many states have discovery procedures that are based on the federal system.

II. McCANN V. HARLEYSVILLE INSURANCE

The Supreme Court, Appellate Division, Fourth Department of New York addressed the protection of a Facebook user’s Published Facebook Content in a case involving a driver injured in an automobile accident.¹⁰ The Defendant, Harleysville Insurance Company of New York, was not convinced that the Plaintiff, Kara McCann, had sustained serious injuries, and requested production of photographs from McCann’s Facebook account as a means of verification.¹¹ The trial court denied Harleysville Insurance’s motion to compel discovery based on the motion’s being overly broad and the apparent lack of proof regarding the relevancy of the Facebook photos.¹² The Appellate Court affirmed the trial court’s holding.¹³

The decision reveals that parties do not have carte blanche in discovery requests concerning Published Facebook Content. If a party wishes to require a Facebook user to produce Published Facebook Content, the party must be specific in its demand and clearly identify the relevancy of producing such information. The Court stated that Harleysville Insurance “essentially sought

⁶ Fed. R. Civ. P. 26(b)(1).

⁷ Fed. R. Civ. P. 26(b)(5)(A).

⁸ Fed. R. Civ. P. 26(c)(1).

⁹ *Hecht v. Pro-Football, Inc.*, 46 F.R.D. 605, 607 (D.D.C. 1969).

¹⁰ *See McCann v. Harleysville Ins. Co. of N.Y.*, 912 N.Y.S.2d 614, 615 (N.Y. App. Div. 2010)

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

permission to conduct a ‘fishing expedition’ into plaintiff’s Facebook account based on the mere hope of finding relevant evidence.”¹⁴ With a clear showing of relevance by Harleysville Insurance, however, McCann might not have escaped the production of her Facebook photographs, whether she made them available to all through the “everyone” setting or restricted their exposure to a limited group of people.

III. ROMANO V. STEELCASE INC.

In another New York case, the Court showed what might happen when a discovery request involving Published Facebook Content is relevant and specific. A party may have to produce requested Published Facebook Content, even though it was originally marked as private on the social network.

In *Romano v. Steelcase Inc.*, Judge Spinner held that, 1) private information sought from Plaintiff Kathleen Romano’s Facebook account was material and necessary for Defendant Steelcase’s defense; 2) Romano did not have a reasonable expectation of privacy in information published on Facebook; and 3) Steelcase’s need for access to Romano’s private information on Facebook outweighed any privacy concerns voiced by Romano.¹⁵ Whereas the court in *McCann* refused to allow the defendant to access a single photograph that the plaintiff posted on her Facebook page, in the instant case, Steelcase was able to reach Romano’s current and historical Facebook pages and accounts, including deleted pages.¹⁶ The key difference is that this Court found that the information request was material and necessary, which is a standard that is to be interpreted liberally, requiring disclosure of “any facts bearing on the controversy which will assist preparation for trial by sharpening the issues and reducing delay and prolixity.”¹⁷

Romano claimed that she suffered serious injuries which affected her enjoyment of life based, at least partially, on her lack of capacity to participate in certain activities.¹⁸ If true, those facts could influence the Court to sympathize with Romano, likely affecting the outcome of the case. Viewing only the public sections of Romano’s Facebook and MySpace pages, Steelcase discerned that Romano’s active lifestyle had not been affected by any injury.¹⁹ Romano claimed that she was confined to her house; public Facebook pictures displayed Romano

¹⁴ *Id.*

¹⁵ *Romano v. Steelcase Inc.*, 907 N.Y.S.2d 650, 654-657 (N.Y. Sup. Ct. 2010).

¹⁶ *Id.* at 657.

¹⁷ *Id.* at 652.

¹⁸ *Id.* at 653.

¹⁹ *See id.* at 653.

outside of her home, smiling happily as if she enjoyed her life as much as she had in her pre-injury state.²⁰ With this type of information readily available for the general public to view, what could Steelcase find in the private sections of Romano’s Facebook profile?

The Court did not limit Steelcase’s discovery to Romano’s public Published Facebook Content.²¹ Instead, the Court stated that preventing access to Romano’s *private postings* would be “in direct contravention to the liberal disclosure policy in New York State.”²² As stated *supra*, liberal disclosure rules for discovery requests exist on the federal level and within many other states’ disclosure policies.

The severity of the claimed injury and the amount of damages requested might play a role in whether a court compels the discovery of private Published Facebook Content as well. Additionally, private Published Facebook Content may be easier for a defendant to compel in a personal injury case than one involving a different cause of action. The Court in *Romano* quoted a Canadian court, which also permitted the discovery of private Published Facebook Content in a personal injury scenario. The quoted portion is as follows,

To permit a party claiming very substantial damages for loss of enjoyment of life to hide behind self-set privacy controls on a website, the primary purpose of which is to enable people to share information about how they lead their social lives, risks depriving the opposite party of access to material that may be relevant to ensuring a fair trial.²³

In response to the Canadian case, the Court held, “To deny Defendant an opportunity to access these sites not only would go against the liberal discovery policies of New York favoring pre-trial disclosure, but would condone Plaintiff’s attempt to hide relevant information behind self-regulated privacy settings.”²⁴ Not only would a party aiming to compel discovery of private Published Facebook Content have a better chance of success in a loss of enjoyment of life case, but they will likely also have a better chance of proving that the opposing party is hiding relevant information in bad faith.

²⁰ *Id.* at 654.

²¹ *See id.* at 655.

²² *Id.* at 655.

²³ *Leduc v. Roman* (2009), 308 D.L.R. 4th 353 (Can. Ont. Sup. Ct. J.).

²⁴ *Steelcase*, 907 N.Y.S.2d at 655.

Another noteworthy part of the decision is the Court's rejection of Romano's Fourth Amendment's right to privacy argument. The Court's reasoning was that Facebook does not guarantee *complete privacy* and, thus, Romano had no legitimate reasonable expectation of privacy.²⁵ In the Court's dicta, the following quote was referenced, "[i]n this environment, privacy is no longer grounded in reasonable expectations, but rather in some theoretical protocol better known as wishful thinking."²⁶

IV. CONCLUSION

Facebook users may have a false sense of security regarding their Published Facebook Content. No matter what types of privacy settings a user puts in place, a court may determine that the Published Facebook Content is discoverable by a party to a lawsuit. For a party attempting to learn more about an adverse party, this could be a pleasant surprise; for a party attempting to hide something that was once posted on his Facebook Page without any thought, it could be the piece of evidence that tears apart his case.

²⁵ *Id.* at 656.

²⁶ Dana L. Flemming & Joseph M. Herlihy, *What Happens When the College Rumor Mill Goes Online?*, 53 B.B.J. 16, 16 (2009).

“ADAPTING TO THE REALITIES OF 21ST CENTURY JOURNALISM”: KEITH OLBERMANN AND AN EXAMINATION OF LEGAL AND POLITICAL CONSTRAINTS IN AN ERA OF PARTISAN NEWS OUTLETS

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When NBC News suspended Keith Olbermann for donating to political campaigns and thus violating company policies, the news reporters became the news. The punditry tried to assess whether or not NBC's decision to suspend their controversial commentator made sense from both journalistic and legal perspectives. Benjamin Kabak argues (i) that newsroom standards and practices codes do not graph accurately onto the demands of the partisan nature of television news commentary and (ii) that Keith Olbermann's suspension, while likely a legal exercise of NBC's powers, is highly problematic in the context of a news commentary program with a clear political bend.

Three days after Election Day 2010, *Politico*, the multimedia news outlet that covers all things politics, dropped a bombshell on the political media world. Keith Olbermann, MSNBC's lead commentator and the host of the increasingly controversial *Countdown*, donated money to three Democratic politicians in advance of Election Day.¹ Olbermann confirmed to *Politico* that in late October 2010, he gave \$2,400, the maximum amount allowed by federal campaign contribution law, to Rep. Raul Grijalva, Rep. Gabrielle Giffords and Jack Conway, the Democratic nominee and eventual loser in the race for a Kentucky Senate seat.² These donations violated NBC News' own internal policies barring personal contributions; as *Politico*'s Simmi Aujla reported, news organizations and reporters “consider[] it a breach of journalistic independence to contribute to the candidates they cover.”³ NBC News eventually suspended Olbermann indefinitely, and he did not host *Countdown* on either Friday, November 5 or Monday, November 8, 2010.

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¹ Simmi Aujla, *Keith Olbermann suspended after donating to Democrats*, *Politico*, Nov. 5, 2010, <http://www.politico.com/news/stories/1110/44734.html>.

² *Id.*

³ *Id.*

Olbermann returned to the airwaves on Tuesday, November 9, 2010, one week after Election Day and just two days after he was suspended. MSNBC President Phil Griffin announced the end of the suspension: “[A]fter several days of deliberation and discussion, I have determined that suspending Keith through and including Monday night’s program is an appropriate punishment for his violation of our policy.”⁴ When he returned to the airwaves, Olbermann defended his actions, saying that the NBC News policies he allegedly violated were “not in his contract” and were “probably not legal” either.⁵ Still, he apologized to his viewers for various breaches of trust, yet maintained that he made “legal political contributions as a U.S. citizen.”⁶

In the weeks following his suspension, commentators wrung their hands over the Olbermann controversy. In this paper, I will add my voice to the fray as I explore and analyze the Olbermann suspension and discuss the legal ramifications of both his claims and those of NBC News. In Part I, I will further explore the circumstances surrounding the suspension, how the story broke and the reaction and fallout to the story. In Part II, I will delve into the rationale behind the increasingly more opinionated television news offerings and what Olbermann termed “the realities of Twenty-First Century journalism.”⁷ Part III will examine various standards and practices codes put forth by news organizations, and Part IV will examine these codes in the context of employment in the entertainment and news industry. I will conclude with my own thoughts on the legality of Olbermann’s suspension and the tension between NBC News’ standards and practices and MSNBC’s mission and liberal viewpoint. In an age where news commentary and news reporting have become increasingly segmented, I believe NBC News’ policies do not fit its news presentation scheme.

I. THE KEITH OLBERMANN SUSPENSION

A. MSNBC’s Rise to Prominence

In 1996, after seeing CNN’s popularity and ratings grow and recognizing that cable news could be the next great money-making frontier for major television

⁴ Lisa de Moraes, *Chastened Olbermann returns to MSNBC, a sadder but wiser man*, The Washington Post, The TV Column, Nov. 10, 2010, <http://voices.washingtonpost.com/tvblog/2010/11/olbermann.html>.

⁵ *Countdown with Keith Olbermann* (MSNBC television broadcast Nov. 9, 2010), available at <http://www.msnbc.msn.com/id/40099422/> [hereinafter *Olbermann Broadcast*].

⁶ *Id.*

⁷ *Id.*

networks, NBC and Microsoft joined forces to launch MSNBC.⁸ Originally intended as a joint venture consisting of a cable channel and an Internet news site, the fledgling cable news network struggled to find an audience during its early years. In fact, in mid-2006, one newspaper columnist questioned the viability and success of the network. Calling it a “[w]eb site with a cable channel,” Don Kaplan of *The New York Post* noted that the leaders in the cable news field – Fox News and CNN – “regularly average three or four times as many viewers” as MSNBC.⁹ Today, MSNBC is the second-most watched cable news network, and 2010 marked the second year in a row that MSNBC’s prime time ratings for the year outpaced CNN’s by a wide margin.¹⁰

How has MSNBC managed to attain such a quick turnaround over a period of less than four years? Olbermann himself termed the focus of the turnaround a part of the “realities of 21st Century journalism.”¹¹ In essence, MSNBC has discarded programming that features seemingly unbiased news reporting and has replaced it with commentary, particularly in its primetime lineup, that features a strong leftward slant. Instead of presenting itself as an unbiased news outlet such as CNN and the *New York Times* news section, the network has become the liberal equivalent of Fox News, more akin to the opinionated editorial pages of a major newspaper. The change, as Howard Kurtz of *The Washington Post* explored after the 2008 Presidential election, occurred as the race between John McCain and Barack Obama unfolded. With Olbermann leading the political charge, the channel’s hosts no longer hid their biases, and commentators like Rachel Maddow, Chris Matthews, Andrea Mitchell and David Gregory further contributed to the channel’s left-leaning bent. Even as NBC Senior Vice President Phil Griffin disputed charges of partisanship, only one conservative host, Joe Scarborough, remained with the network, and Republican operatives highlighted Olbermann’s *Countdown* commentary as a clear sign of bias.¹²

Yet, despite this rise to prominence borne seemingly on the back of a progressive bent, MSNBC remains very much a work in progress. Amidst the network’s move toward the left, Griffin denied that his network was “tied to

⁸ Stefanie Olsen, *Ballmer: Would not launch MSNBC again*, CNET News, June 7, 2001, <http://news.cnet.com/2100-1023-268073.html> (last visited Dec. 20, 2010).

⁹ Don Kaplan, *Do We Need MSNBC?*, N.Y. Post, June 14, 2006, at 99.

¹⁰ Press Release, MSNBC, MSNBC Beats CNN For Second Year In a Row in Primetime 2010 Ratings (Dec. 20, 2010), <http://tvbythenumbers.zap2it.com/2010/12/20/msnbc-beats-cnn-for-second-year-in-a-row-in-primetime-ratings/76083>.

¹¹ *Olbermann Broadcast*, *supra* note 5.

¹² Howard Kurtz, *MSNBC, Leaning Left and Getting Flak From Both Sides*, The Wash. Post, May 28, 2008, at C1.

ideology.”¹³ In fact, not until mid-2010 did Griffin discuss MSNBC’s push to reclaim an audience of left-leaning viewers who had no obvious liberal equivalent to the conservative Fox News channel.¹⁴ Lately, armed with a new tagline – “Lean Forward” – the network has clearly been “embrac[ing] its progressive political identity.”¹⁵ However, as the network moves leftward, it seems to be suffering from an internal identity crisis thanks to its close relationship with NBC News. MSNBC shares some on-air talent with NBC News, and NBC News’ standards and practices guidelines apply to MSNBC. In 2007, MSNBC.com reprinted various news organizations’ policies on campaign donations and included in that list was MSNBC’s and NBC News’ own policies, which state::

“Anyone working for NBC News who takes part in civic or other outside activities may find that these activities jeopardize his or her standing as an impartial journalist because they may create the appearance of a conflict of interest. Such activities may include participation in or contributions to political campaigns or groups that espouse controversial positions. You should report any such potential conflicts in advance to, and obtain prior approval of, the President of NBC News or his designee.”¹⁶

It is this guideline that Keith Olbermann violated in October 2010.

B. What Keith Did

As MSNBC’s star rose, so too did Keith Olbermann’s. His “is one of MSNBC’s most recognizable faces, and [he] has emerged as one of the country’s most prominent liberal commentators. A former ESPN star, Olbermann’s ‘Countdown With Keith Olbermann’ started in 2003 as a traditional news show but evolved into a left-leaning opinion program – and in some ways, led the network into its new identity as the cable-news voice of the left and an attempt to be a

¹³ Aaron Barnhart, *MSNBC prez on Fox News: “You can’t trust a word they say,”* The Kansas City Star, July 18, 2008, <http://blogs.kansascity.com/tvbarn/2008/07/msnbc-prez-on-f.html> (last visited Dec. 26, 2010).

¹⁴ Phil Rosenthal, *MSNBC boss stands ready in ideological battle with Fox News*, Chicago Tribune, May 2, 2010.

¹⁵ Brian Stetler, *With Tagline, MSNBC Embraces a Political Identity*, N.Y. Times, Oct. 4, 2010, at B3.

¹⁶ *Newsroom policies vary on campaign donations*, MSNBC.com, June 21, 2007, <http://www.msnbc.msn.com/id/19178161/> (last visited Dec. 20, 2010).

counterweight to Fox News.”¹⁷ Today, *Countdown* averages over 1.038 million viewers per episode and is considered MSNBC’s flagship program.¹⁸

On Thursday, October 28, 2010, Raul Grijalva, a four-term incumbent Democratic House Representative involved in a competitive race in Arizona, appeared on *Countdown*. As Olbermann explained in a statement issued on November 5, 2010, it was after this interview with Grijalva that he made the controversial contributions to three congressional campaigns: “One week ago, on the night of Thursday October 28, 2010, after a discussion with a friend about the state of politics in Arizona, I donated \$2,400 each to the reelection campaigns of Democratic Representatives Raul Grijalva and Gabrielle Giffords. I also donated the same amount to the campaign of Democratic Senatorial candidate Jack Conway in Kentucky.”¹⁹ Olbermann continued, “I did not privately or publicly encourage anyone else to donate to these campaigns, nor to any others in this election or any previous ones, nor have I previously donated to any political campaign at any level.”²⁰

Shortly after Election Day, which saw Grijalva and Giffords emerge as winners and Conway return home, Politico uncovered Olbermann’s campaign donations, and NBC News suspended him for violating their policies. Phil Griffin, the president of MSNBC, issued only a perfunctory statement: “I became aware of Keith’s political contributions late last night. Mindful of NBC News policy and standards, I have suspended him indefinitely without pay.”²¹ Two days later, as the media firestorm swirled, MSNBC reinstated Olbermann. Upon returning to the air, he apologized for his ethics breach, but seemed to be basking in the limelight of political attention he had garnered during his two days off the air.²²

C. A Swift and Divisive Reaction

As news of Olbermann’s suspension spread, commentators from all walks of life voiced their opinions. Olbermann had recently engaged in a heavy-handed

¹⁷ Aujla, *supra* note 1.

¹⁸ Press Release, MSNBC, *supra* note 12.

¹⁹ Washington Post Editors, *Olbermann suspended indefinitely for donation to Dem candidates*, The Wash. Post, 44: Politics and Policy in Obama’s Washington, <http://voices.washingtonpost.com/44/2010/11/keith-olbermann-donates-to-dem.html> (last visited Dec. 20, 2010).

²⁰ Aujla, *supra* note 1.

²¹ *Id.*

²² *Olbermann Broadcast*, *supra* note 5.

attack of Fox News' less restrictive campaign donations policy,²³ but his suspension earned him supporters from the left and the right. William Kristol, Fox News commentator and the editor of *The Weekly Standard*, supported Olbermann: “[H]e’s not a reporter. It’s an opinion show. If Olbermann wants to put his money where his mouth is, more power to him...Republicans of the world, show you believe in the free expression of opinion! Tell the crony corporatists at NBC—keep Keith!”²⁴

Others weren’t nearly as dogmatic as Kristol. Greg Sargent of *The Washington Post* interpreted NBC News’ standards and practices policy as applying only to those who wished to project a “standing as an impartial journalist” – something Olbermann does not appear to desire – and wondered if other politically active reporters for the network were subjected to the same rigorous standards as Olbermann.²⁵ Politico’s Michael Kinsley called the suspension “absurd in so many ways it’s hard to keep track.”²⁶ He continued:

If Olbermann had merely put these politicians on his show, representing a viewpoint he obviously shares, that would have been worth more than a campaign contribution of a few thousand dollars, but Olbermann would be considered blameless. Does anyone think that by suppressing the expression of his views (via these donations), Olbermann would have stopped having them? Does anyone doubt what Olbermann’s views are on politics in general and these races in particular? Most journalists try to suppress their biases — Olbermann gets paid to flaunt his biases. On a crude political scale, Olbermann is a left-wing liberal. MSNBC hired him to be a liberal and last week suspended him for the same thing. Or rather, not for being a liberal but for revealing it.²⁷

Joshua Greenman of the *Daily News* praised NBC News for sticking to its policies, but highlighted the partisanship inherent in cable news coverage today.

²³ The News Corp.-owned cable news leader allows and seems to encourage its reporters and commentators to be active in politics. Its ethics policy says, in part, “Personal involvement in political activity is permitted as long as the activity does not interfere with or impair the performance of the employee’s duties for the Company.” See Rosenthal, *supra* note 14. I will return to Fox News’ role in this controversy in the next section.

²⁴ William Kristol, *Keep Keith!*, *The Weekly Standard*, Nov. 5, 2010, http://www.weeklystandard.com/blogs/keep-keith_514980.html (last visited Dec. 20, 2010).

²⁵ Greg Sargent, *Did Keith Olbermann even violate NBC policy?*, *The Wash. Post*, The Plum Line blog, Nov. 5, 2010, http://voices.washingtonpost.com/plum-line/2010/11/did_olbermann_even_violate_nbc_1.html (last visited Dec. 20, 2010).

²⁶ Michael Kinsley, *The absurdity of Olbermann’s sin*, *Politico*, Nov. 9, 2010, <http://www.politico.com/news/stories/1110/44855.html>.

²⁷ *Id.*

He wrote: “Let’s not pretend that everyone is playing by the same rules. Fox News’ parent company, News Corporation, gave \$1 million to the Republican Governors Association, making no mistake that the entire network is in one partisan corner.”²⁸

Ultimately, the Olbermann suspension snared another MSNBC commentator as well. Joe Scarborough, the conservative host of the network’s *Morning Joe*, had donated \$4,000 over five years to political candidates, and as the network came under fire for suspending Olbermann but not Scarborough, its executives had no choice but to keep their morning show host off the air for two days as well. “It is critical that we enforce our standards and policies,” Phil Griffin said.²⁹ Left unanswered in the controversy were questions surrounding the role of the partisan news organizations in American democracy and the interplay between NBC News employees’ legal obligations and the ramifications of the suspensions. In the next sections, I will tackle these issues.

II. ON CABLE, A PARTISAN MEDIA EMERGES

A. A Viewpoint Emerges Out of Objectivity

In the early 1980s, cable news appeared to occupy a highly specialized market without the potential for earning strong viewership totals or millions in revenue. The Cable News Network, more commonly known as CNN, had yet to emerge as a popular source of news coverage, and network coverage had long been ruled by the Fairness Doctrine. The FCC has always exercised jurisdiction over traditional broadcast networks but has had limited oversight of cable networks.³⁰ The agency’s stance was that network broadcasters were “responsible for providing the listening and viewing public with access to a balanced

²⁸ Joshua Greenman, *Keith Olbermann’s suspension by MSNBC was right – but there’s a double standard*, N.Y. Daily News, Nov. 5, 2010, http://www.nydailynews.com/opinions/2010/11/05/2010-11-05_keith_olbermanns_suspension_by_msnbc_was_right__but_theres_a_double_standard.html.

²⁹ Sam Schechner, *MSNBC Suspends Scarborough for Donations*, Wall Street Journal, Nov. 20, 2010, at B3.

³⁰ Due to the differences between cable and broadcast technology and Supreme Court limitations on the Federal Communication Commission’s regulatory power, the FCC historically could impose more rigorous content standards on broadcast networks than it could on cable channels. Today, the FCC, thanks to Supreme Court rulings and Congressional action, has a very limited role in regulating cable content; in fact, some would call it no role at all. For more on the history of the FCC and its relationship with cable channels, see Pamela B. Gullett, *The 1984 Cable Flip Flop: From Capital Cities Cable Inc. v. Crisp to the Cable Communications Policy Act*, 34 Am. U.L. Rev. 557 (1985).

presentation of information on issues of public importance. The basic principle underlying that responsibility is ‘the right of the public to be informed, rather than any right on the part of the Government, any broadcast licensee or any individual member of the public to broadcast his own particular views on any matter.’” This became known as the Fairness Doctrine.³¹ Two events – a war in the Middle East and the end of the Fairness Doctrine – would set the stage for a rise in partisan news coverage and analysis.

In 1987, over the objections of Congress, the FCC repealed the Fairness Doctrine and released broadcasters from their obligation to be truly fair and balanced. According to one commentator, “[a] dramatic consequence of the Fairness Doctrine’s repeal was the rise of talk radio in the 1990s. Previously there had been discussions about unheard voices, and the underlying assumption was that they were on the left – but talk radio went right. It turned out that many conservatives believed that their voices were not being heard and that ABC, CBS, and NBC, as well as the major newspapers, were liberal organs, slighting conservative issues and viewpoints. Thus, many conservatives migrated to talk radio to listen to Rush Limbaugh and his imitators – programming that would have been impossible before the repeal.”³²

Meanwhile, a few years later, in the early 1990s, CNN would garner praise, Emmy Awards, viewers and, more importantly, advertiser dollars with its 24-hour focus on the Gulf War and later the Black Hawk Down incident in Somalia. As the talk radio ad dollars poured in and CNN emerged as a leader in the television news field, media companies and the television networks turned to cable and new on-air experiments in news coverage. Fox News and MSNBC both launched in 1996, and Fox eventually emerged victorious in the ratings war. Fox’s programming consistently outpolls that of the other cable news networks,³³ and it has a balance sheet to match. In 2008, the News Corp. cable giant drew in revenues in excess of \$1 billion and turned a profit of nearly \$450 million.³⁴ In 2009, its profit surged to

³¹ CBS v. Democratic Nat’l Comm., 412 U.S. 94, 112 (1973).

³² L.A. Powe, Jr., *Free Speech and Press in the Digital Age: Red Lion and Pacifica: Are They Relics?*, 36 Pepp. L. Rev. 445, 457 (2009).

³³ Bill Gorman, *Cable News Ratings for Friday, December 17, 2010*, TV By the Numbers, Dec. 20, 2010, <http://tvbythenumbers.zap2it.com/2010/12/20/cable-news-ratings-for-friday-december-17-2010/76044>.

³⁴ The Project for Excellence in Journalism, *Cable TV Economics*, 2009, http://www.stateofthemediamedia.org/2009/narrative_cabletv_economics.php?cat=2&media=7.

nearly \$500 million.³⁵ Fox News has become a success largely by advocating for and featuring conservative and “right-wing” hosts. Despite its promise of “Fair and Balanced” coverage, Fox News is home to such hosts as former Republican presidential candidate Mike Huckabee and the extremely conservative agitators Glenn Beck, Don Imus and Bill O’Reilly. Fox News does not hide its biases. Although the network, in response to the 2004 film *Outfoxed*, denied an editorial bias, today, it serves as a de facto cable news outlet for Republican talking points.³⁶ As previously mentioned, News Corp., the parent company of Fox News, donated \$1 million to the Republican Governors Association in early 2010, and Roger Ailes, the station’s president, previously worked for three Republican presidents.³⁷

In recent years, MSNBC has adopted a more partisan approach, similar to that of Fox News, and as its ratings and revenues climbed. MSNBC projected a 25 percent increase in revenues in 2008 over the previous year.³⁸ Furthermore, viewer opinion shows how bifurcated and partisan cable news has become. A 2009 Pew Research study revealed how American attitudes toward news coverage had changed over time.³⁹ In 2007, 66 percent of Americans felt the press favored one side of the story over the other, and by 2009, that number had climbed to 74 percent. Seventy-two percent of Republicans gave Fox News a favorable rating while just 43 percent of Democrats agreed. MSNBC earned praise from 60 percent of Democrats and just 34 percent of Republicans. Just 26 percent – down from 36 percent in 1985 – of respondents viewed news organizations as “careful to avoid bias,” and 60 percent said news organizations are politically biased, a 15 percent increase over similar surveying in 1985. For better or worse, television news viewers believe that their news coverage now comes with a partisan viewpoint from which the media companies profit. Meanwhile, news commentary and news reporting have become two distinct parts of the television news package. This is what Keith Olbermann means when he urges NBC News to “adapt to the realities of 21st Century journalism.”

³⁵ Ryan Nakashima, *News Corp. Earnings Up Surprising 11%, Fox News Income Grows 41%*, The Associated Press, Nov. 4, 2009, http://www.huffingtonpost.com/2009/11/04/news-corp-earnings-up-sur_n_346080.html.

³⁶ Fox News, *Fox News Channel Statement on ‘Outfoxed,’* July 13, 2004, <http://web.archive.org/web/20060927182708/http://www.foxnews.com/story/0,2933,125436,00.html>.

³⁷ Ben Smith, *News Corp. gave \$1 million to pro-GOP group*, Politico, Sept. 30, 2010, <http://www.politico.com/news/stories/0910/42989.html>.

³⁸ *Supra* note 34.

³⁹ See generally Pew Research Center for The People & The Press, *Press Accuracy Rating Hits Two-Decade Low*, Sept. 14, 2009, <http://pewresearch.org/pubs/1341/press-accuracy-rating-hits-two-decade-low>.

B. The Media and Democracy: Biases trump objectivity

As TV journalism reaches new levels of partisanship and the dollars flow in, political commentators, who have long believed that the news – the so-called Fourth Estate – should serve an educating function in American democracy, see an uncertain future. Blake D. Morant summarized this theoretical concept:

Media's status as the fourth estate conjures images of an industry that fosters democracy through the dissemination of information that ensures self-governance. The industry's legitimacy and utility hinges upon the fulfillment of this important societal duty. This duty takes center stage during elections, which are bedrocks of a functional democracy. Media's coverage of elections should focus public attention on the conduct of elected officials and the generalized workings of government. Adherence to this essential task should legitimize the industry's role in a complex democracy.⁴⁰

Yet, with the rise of the Internet and the ever-expanding reach of do-it-yourself journalists and bloggers, this model for the media seems to be under attack. It is easy for politically-interested readers to find themselves inside an echo chamber, where expression may not be stifled, but only one viewpoint is being expressed. Some believe this isolation began with cable news.⁴¹

Some media analysts think this segmentation could lead to an ill-informed public who watch only commentary programs and not traditional news reports. Mark Emery, writing as a law student at the University of Notre Dame, called upon the FCC to avert a democratic crisis:

FCC regulation of the content of televised news is the best option available if we want to preserve televised news as a medium that promotes a just, democratic society. The public's choice is between government content regulation, with the ever-present risk of government censorship, or the risk of the private managerial censorship of new outlets. Without reasonable, government-enforced standards for minimal news content, there is a risk that managerially censored news will descend into a Roman circus, a popular public forum where small pieces of important news

⁴⁰ Blake D. Morant, *The Inescapable Intersection of Credibility, Audience and Profit in Broadcast Media's Coverage of Elections*, 24 St. John's J. Legal Comment. 479, 482 (2009).

⁴¹ See generally Brian Lehrer, *A Million Little Murrows: New Media and New Politics*, 17 Media L. & Pol'y 1 (2008).

are lost in a forum for appetite and entertainment, to the neglect of serious affairs of state, the marginalized, and suffering.⁴²

Writing from a “confessedly moral” viewpoint, he believes that without regulation, “the content and quality of reporting...[will] quickly slip [a]way.”⁴³ What Emery views as a crisis in news is simply a distinction between opinionated commentary and objective news reporting that many news companies have embraced lately. It is debatable whether or not this new paradigm will bring about a crisis amongst the electorate.

While Emery may be of the school that believes journalists can maintain true objectivity in the face of personal and social biases, his belief seemingly ignores history. For centuries, objectivity in the press was consigned to the news pages while the editorial and opinion pages have been rife with so-called biased commentary. As Watergate and the drive to expose scandals gave rise to celebrity investigative journalists, objectivity in news gathering remained a true concern for news editors. Yet, as Edward Bernays proposed in his influential 1928 book *Propaganda*, politicians and society’s leaders had long used news coverage and the open forum journalists provided to shape public opinions and put forward a viewpoint.⁴⁴ Borne out of the yellow journalism from the turn of the 20th Century, Bernays’ *Propaganda* found a media willing to be influenced by politicians and politicians willing to use the media to influence constituents and potential voters. Nearly 70 years before Fox News and MSNBC would first begin broadcasting (and, in fact, long before Bernays put his thoughts to the paper), the news was a malleable media, and those with the right access could use it to shape a message. Democracy has survived, news companies are making hundreds of millions of dollars, and viewers at home watch by the millions.

Ultimately, then, the Olbermann scandal is not about projecting an aura of impartiality on the part of MSNBC or NBC News. It is, rather, about reconciling competing approaches to news coverage. Just as *The New York Times* editorial pages contain opinions, so too do the programs of MSNBC. The network cannot overtly proclaim its Democratic sympathies any more than Fox News cannot proclaim itself to be an unofficial arm of the Republican Party. Yet, through signals – such as politically loaded slogans, corporate campaign donations and opinion-based news magazine programs – the networks accomplish just that. They

⁴² Mark Emery, *Note: Regulating Televised News: A New Season for the Public Interest Standard*, 19 Notre Dame J.L. Ethics & Pub. Pol’y 737, 739 (2005).

⁴³ *Id.* at 740.

⁴⁴ Edward Bernays, *Propaganda*. Ig Publishing 2005 (1928).

do not need to tell their viewers the shows they watch are slanted. The viewers, as surveys show, simply know and accept that fact. The Olbermann scandal is instead about how news organizations' standards and practices codes interact with employment provisions and news anchors' legal rights in the new era of 21st Century television reporting and commentary. It is to those concerns that I now turn.

III. STANDARDS AND PRACTICES CODES IN JOURNALISM: A SELF-POLICING MECHANISM

A. *What purpose newsroom codes?*

As journalists and news organizations are, in part, in the business of bringing information to a skeptical public, they have to do so with a degree of reliability and integrity. Thus, "all media, whether broadcast or print, have codified rules of professional responsibility. These various codes share language that confirms the importance of truth and accuracy in the reporting of news and information."⁴⁵ Morant elaborated on the roles of ethical codes in the newsroom:

Ethical codes function both internally and externally. As rules of reporting behavior, they regulate the internal processing of news that is reported. They establish professional order and certainty, and serve as goals for professional conduct. The external operation of ethical codes relates to their demonstration of media's intent to report responsibly and respect the collective interests of society. When dogmatically followed, ethical codes enhance credibility and impose an almost moral obligation for media to act responsibly, thereby ensuring that subscribing sources will avoid distortion, bias and falsity. Operating under such rules, media garner a presumptive degree of credibility that is further established, or even increased, by its actual behavior.⁴⁶

These codes create a "culture of responsibility" within newsrooms, as colleagues, producers and corporate leaders know that their employees – the journalists reporting and writing stories – will obey the codes. Ideally, ethics codes compel journalists to "consider deliberately responsible journalistic behavior. The ingrained obligations of truth and good faith, which all ethical codes reinforce, become operational tenets that, if violated, prompt a degree of cognitive dissonance. A breach of an ethical code, thus, compels the individual to justify her

⁴⁵ Morant, *supra* note 43 at 495.

⁴⁶ *Id.*

conduct.”⁴⁷ Keith Olbermann, for instance, went on the air to justify his conduct once his standards and practices violation became public knowledge.

For media consumers these codes are designed to signal credibility. If the code is designed to convince consumers that news reporters it have adhered to industry standards, those consumers should feel confident that they are getting a version of events that closely resembles the truth. Thus, news organizations publicize their standards and practices codes and expose those who violate them in order to show potential audience members that they take their craft seriously. “Because public perception of media credibility is an inexorable part of audience size, the industry must also externalize the influence of ethical codes by informing the public of the importance and influence of these norms on journalistic behavior. Increased public awareness of the operation of ethical codes in the industry fosters greater public confidence in the reality of media responsibility and veracity.”⁴⁸

B. How Standards and Practices Codes Work

By and large, news organizations adopt their own internal standards and practices codes, and many of those codes are available online.⁴⁹ Employees are contractually required to abide by their codes. The Radio Television Digital News Association has put forward a model code that highlights the ways in which journalists should remain independent of their sources and those they cover. Journalists must strive to be fair and must avoid “real or perceived conflicts of interest.”⁵⁰ To adhere to these goals, journalists should not pay sources or “engage in activities that may compromise their integrity or independence.”⁵¹ These are vague standards that allow for journalists to interpret them at their own discretion, and often, newsrooms will promulgate their own rules and codes, especially in the realm of political activity where conflicts can be viewed as a sign of journalistic bias.

As seen with the Keith Olbermann debacle, NBC News has a policy against campaign contributions without the permission of the network president. *The New York Times*, *Newsweek*, ABC News, CBS News and National Public Radio have

⁴⁷ *Id.* at 498.

⁴⁸ *Id.* at 502.

⁴⁹ See *Ethics Codes*, Pew Research Center’s Project for Excellence in Journalism (Dec. 20, 2010), http://www.journalism.org/resources/ethics_codes.

⁵⁰ *Code of Ethics and Professional Conduct*, Radio Television Digital News Association (Dec. 20, 2010), http://www.rtna.org/pages/media_items/code-of-ethics-and-professional-conduct48.php.

⁵¹ *Id.*

similarly restrictive codes while Fox News, Forbes and Reuters are among those that allow political activity within limits.⁵² Fox News, for instance, requires that “any employee who becomes involved with a political group must make it clear that his or her activities are being conducted purely in a personal capacity and not on behalf of or in connection with the Company.”⁵³ While NBC News’ policy strives for impartiality, Fox News’ policy recognizes that its employees will inevitably support candidates and causes. If the viewers – and more importantly, station executives – expect an opinion and understand the personal biases of those providing the commentary, the standards codes are relegated to relics from another era, and the tension between these codes and the current model of television news programming may just be what ensnared Olbermann.

IV. EMPLOYMENT AGREEMENTS AND ETHICS CODES

When he returned to the airwaves after his two-day suspension for violating NBC News’ own internal policies, Keith Olbermann was highly critical of those policies. He claimed that the policies were “not in his contract” and “probably not legal” either.⁵⁴ NBC News is in the process of “adapting to the realities of 21st Century journalism,” and Olbermann, as the host of a show that presents opinionated commentary and has an agenda, clearly felt constrained by NBC News’ attempts to achieve impartiality in its newsroom.⁵⁵ That impartiality, he seems to believe, should apply to news reporting but not news commentary.

On the surface, Olbermann’s claim that NBC News’ limitations on political contributions is an extra-contractual enforcement mechanism may bear weight. NBC News’ standard provisions form contains no mention of the network’s own ethical guidelines. NBC News though can easily claim otherwise. One provision calls attention to internal guidelines. It reads, “The services and the material, if any, furnished by Artist shall comply with all of Company’s rules and policies, including but not limited to the then applicable news policies and/or guidelines.”⁵⁶ Another requires those at the company to comply with “procedures concerning the financial investments and holdings of its employees.”⁵⁷ Had NBC News failed to provide Olbermann with further explanations, the policies could easily have been construed as an attempt to control the actions of employees through mechanisms

⁵² *Newsroom policies vary on campaign donations, supra* note 15.

⁵³ *Id.*

⁵⁴ *Supra*, note 5.

⁵⁵ *Id.*

⁵⁶ Standard Provisions, ¶ 1(a) [(YEAR)]. NBC Universal’s Standard Provisions are on file with the author.

⁵⁷ *Id.* at ¶ 1(e).

not agreed upon in contractual negotiations. But NBC News makes it clear that its employees and on-air talent must adhere to its standards and practices guidelines. Olbermann’s claims therefore rest on uneasy footing.

Olbermann raises a further concern of illegality as well. As the Supreme Court recently reinforced, political speech is “speech that is central to the meaning and purpose of the First Amendment.”⁵⁸ Thus, the government cannot promulgate regulations that would have a chilling effect on speech. Over the years, many have debated whether or not the FCC Fairness Doctrine had such effect. Furthermore, as the elimination of the Fairness Doctrine led to an increase in the number of partisan news outlets, it is unlikely that the Court would uphold the Fairness Doctrine today. The FCC, therefore, could not place any restrictions on NBC News because doing so would serve to chill speech protected by the First Amendment. However, NBC News can, as a private employer, limit its employees’ actions without treading on their First Amendment rights. Therefore Olbermann’s legal claims seem weak at best and non-existent at worst.

Ultimately, though, these legal arguments are weaker than the ones based on public perception and the practical realities of MSNBC’s liberal bias. NBC News has maintained its relationship with Keith Olbermann because it believes his personal commentary and viewpoints generate an audience. The network executives see how popular his show has become and how influential he can be on the air. As Politico’s Michael Kinsley said, Olbermann’s views are well known and his job is to espouse them on television.⁵⁹ In an era when partisanship drives ratings and ratings drives substantial revenues and profits, news organizations should not restrain their commentators from espousing political viewpoints. If Keith Olbermann can give free airtime to a candidate and voice his support for the candidate on television while the audience watches with awareness of his personal biases, he should be able to make personal donations to the that candidate as well.

The current news policies, put forward in an another era, simply do not recognize the reality of expectations today. If partisanship is to be embraced on the air, it cannot be avoided off the air, and doing so creates unnecessary conflict between on-air talent and employers. The 21st Century, as Olbermann said, is calling, and NBC News’ standards and practices are seemingly outdated. The network should consider devising separate sets of standards for its commentators and its true news reporters. Olbermann’s words and actions have thrust him into the middle of that paradigmatic conflict.

⁵⁸ *Citizens United v. FEC*, 130 S. Ct. 876, 892 (2010).

⁵⁹ Kinsley, *supra* note 25.

V. CONCLUSION

In this paper, I have explored how changing paradigms in cable news have led to conflicts between a network's push for profits on the one hand and on the other, its adherence to outdated ethical codes and internal policies. Through the lens of MSNBC's rise to prominence and the controversy over Keith Olbermann's suspension in November, it is possible to see how newsrooms are struggling to balance demands of impartiality with the expectations of both its on-air talent and its viewers. When impartiality is not to be expected on the air, it should not be expected off the air either.

Ultimately, this conflict between Olbermann and NBC News should serve as a starting point for an examination of the role that standards and practices codes play in the news and entertainment employment contexts and their future in an age of partisan media. As more and more news coverage resembles entertainment programming, it does not make financial sense for a network or personal sense for on-air talent to have codes that constrain personal political dealings but encourage agenda-laden views on television. Network executives will have to determine if commentators should adhere to separate codes from their reporters. Olbermann's star amongst liberals is brighter now than it was in late October, and as NBC News embraces the MSNBC format, those in charge will have to reassess the policies that impact their employees.

IS FACEBOOK KILLING PRIVACY SOFTLY? THE IMPACT OF FACEBOOK'S DEFAULT PRIVACY SETTINGS ON ONLINE PRIVACY

MICHAEL J. KASDAN*

Facebook has rapidly become one of the most dominant websites on the planet and now boasts over 600 million active user accounts. The site provides users with a platform through which they can share large amounts of personal information, but this functionality, by its very nature, involves an erosion of personal privacy. Facebook has significantly revised its privacy policy over its six-year existence, establishing more intrusive default settings and reducing user control. In light of these changes, Michael J. Kasdan argues that users and regulators alike must continue to monitor the conduct of social networking companies and carefully weigh the benefits of increased interconnectivity against the costs of reduced privacy.

“IMPORTANT!! Tomorrow, Facebook will change its privacy settings to allow Mark Zuckerberg to come into your house while you sleep and eat your brains with a sharpened spoon. To stop this from happening go to Account > Home Invasion Settings > Cannibalism > Brains, and uncheck the “Tasty” box. Please copy and repost.”

- Satirical Status Post from Friend's Facebook Status on February 15, 2011.

INTRODUCTION

Since launching its now ubiquitous social networking website out of the Harvard dorm room of Mark Zuckerberg in early 2004, Facebook has rapidly become one of the most dominant websites on the planet. And “rapid” doesn't quite do it justice. It has been estimated that over 40% of the U.S. population has a

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Facebook account.¹ Facebook now boasts over 600 million active user accounts² and was recently estimated to be adding user accounts at the unbelievable clip of well over half a million new users per *day*.³

The very nature of a social networking site like Facebook is to provide its users with a platform through which they can share massive amounts of personal information. Facebook has created a platform where users can post personal data such as their contact information, birthdays, favorite movies, books, music and news articles, share scads of written comments and notes, post pictures and videos of themselves and others, associate themselves with various products, services, and groups, and post information about where they are and what they are doing.

Over its six-year existence, Facebook's privacy policy – the set of rules that dictate which information is shared and with whom – has undergone significant systemic revisions that have had the effect of collectively encouraging, and in some cases requiring, users to share more personal information with bigger groups of people and companies. Facebook's original privacy policy provided that no personal information would be shared with any other user who did not belong to a group specified in the user's privacy settings. The principle behind this policy was one of user control over personal information. By contrast, under today's Facebook privacy policy, owners of numerous websites and applications may access broad categories of user information, and the default settings are such that many categories of user information will be widely accessible, unless users carefully review and modify them.

This article explores the background, impact, and legal and policy challenges posed by Facebook's evolving privacy policy.

BACKGROUND

Facebook (www.facebook.com) is a social-networking website that is privately owned and operated by Facebook, Inc. Facebook is free to use. Once

¹ See Roy Wells, *41.6% of the U.S. Population Has a Facebook Account*, socialmediatoday (Aug. 8, 2010), <http://socialmediatoday.com/index.php?q=roywells1/158020/416-us-population-has-facebook-account>.

² See Nicholas Carlson, *Goldman to clients: Facebook has 600 million users*, Business Insider (Jan. 5, 2011), http://www.msnbc.msn.com/id/40929239/ns/technology_and_science-tech_and_gadgets/.

³ See Justin Smith, *Facebook Now Growing by Over 700,000 Users a Day, and New Engagement Stats*, Inside Facebook (July 2, 2009), <http://www.insidefacebook.com/2009/07/02/facebook-now-growing-by-over-700000-users-a-day-updated-engagement-stats/>.

registered, users of the Facebook.com website may create a personal profile and can then create their “social network” by inviting other users to be their “friends.” Users can upload photos and albums and update their “status” to inform their friends of their whereabouts, actions, and thoughts. Users and their friends may communicate with each other through private and/or public messages (i.e., privately, through email, or publicly, by writing or posting a comment on another user’s “wall”), view and comment on each other’s status updates and postings, and share and comment on each other’s pictures, videos, and other Internet content.⁴

Facebook users can also associate with and recommend (i.e., “like”) brands, products, services, web pages, and articles posted all over the Internet by clicking a “like” button on Facebook or on those web pages. When a user’s friend views that same web page, they can see which of their friends have “liked” the page. A user’s “likes” are also posted in that user’s “newsfeed,” which is a running list of comments, pictures, status updates, etc. of that user and his friends that is visible to friends. These “likes” are, of course, also recorded by Facebook’s business partners that are associated with brands, products, and services. Most recently, Facebook has added a “check-in” or “places” feature. Using this feature, Facebook users can indicate that they are currently at a restaurant, store, bar, or other real-world location. This information is posted onto their profile and is also recorded by Facebook for use by its business partners, which may include, for example, the restaurant or bar at which the user has checked in.

In addition, Facebook has partnered with certain third-party websites, such as Yelp, to provide Facebook “personalization features” for its users. Specifically, if a user has a Facebook account and goes to the Yelp website, a site that collects user reviews about businesses such as restaurants and bars, that user will be able to see which of his Facebook friends have reviewed a particular business, which friends have “liked” a particular business, and review his Facebook friends’ Yelp reviews and “likes.”⁵

Facebook users can also access third-party applications (“apps”) on the Facebook site. These apps include trivia quizzes, games, and other interactive content. Many of these applications gather personal information about the user and his Facebook friends.

⁴ For the BBC’s truly hilarious take on the Facebook paradigm, see *Facebook in Real Life*, http://www.youtube.com/watch?v=BYNYLq_KvW4 (last visited March 22, 2011).

⁵ See *Yelp Partners With Facebook For A Personal Experience*, Yelp Web Log (Apr. 21, 2010), <http://officialblog.yelp.com/2010/04>.

There clearly are tremendous benefits to the social networking experience on Facebook. The broad disclosure by users and their friends of all sorts of personal details about themselves is central to Facebook's functionality. It is in large part what makes Facebook interesting, interactive, and fun to its users. It is also equally (if not more) important to Facebook as a business, and the key to its ability to monetize Facebook.com. Indeed, much of the perceived value of Facebook as a business⁶ is Facebook's ability to gather personalized information about its massive user base and to leverage that user base. The costs to these same activities, in terms of the sacrifices to one's own personal privacy, may be harder to spot at first, but they are also significant.⁷

FACEBOOK'S PRIVACY POLICY – A BRIEF HISTORY

Facebook's privacy policy has undergone a significant shift over its relatively short existence. Its original policy limited the distribution of user information to a group of that user's choice (thus creating a private space for user communication). By contrast, its current policy makes much user information public by default and requires other information to be public. This public information is accessible by Facebook and its business partners and advertisers. The shift in Facebook's default privacy settings over time is perhaps most strikingly illustrated by an info-graphic created by Matt McKeon, a developer at the Visual Communication Lab at IBM Research.⁸ The blue shading indicates

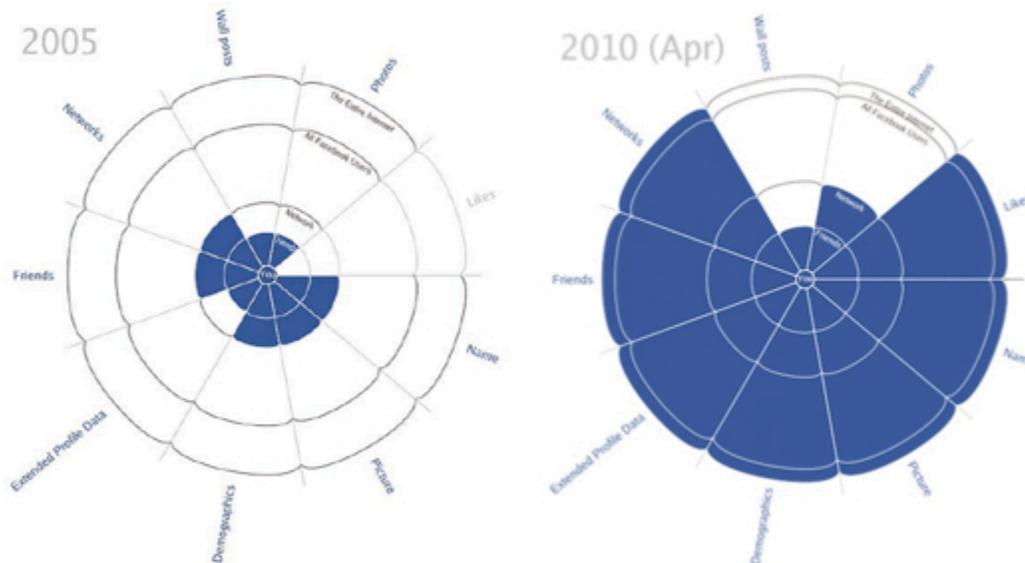
⁶ Facebook is presently a privately held company. Recently, a consortium including Goldman Sachs invested \$500 million "in a transaction that values [Facebook] at \$50 billion." Susan Craig & Andrew Ross Sorkin, *Goldman Offering Clients a Chance to Invest in Facebook*, DealBook (Mar. 29, 2011) <http://dealbook.nytimes.com/2011/01/02/goldman-invests-in-facebook-at-50-billion-valuation/>.

⁷ It is significant to note that there are clear generational differences at work as to how a particular person will assess these types of trade-offs. For example, I use Google's Gmail service because it is slick and functional. My father, however, will not, because he is greatly bothered by the fact that Google pushes context-based advertising at its Gmail users based upon the content of a user's emails. Likewise, on Facebook, the younger generation is more apt to publicly share private details through status updates or to publicly share embarrassing pictures of their Saturday night escapades. In online social networks like Facebook, there is a quid pro quo in which privacy is gladly exchanged in favor of social interaction. To these users, the social and community benefits of sharing such information far outweigh the more subtle-to-perceive-downside of diminished privacy. See Schneier, *Google and Facebook's Privacy Illusion*, <http://www.forbes.com/2010/04/05/google-facebook-twitter-technology-security-10-privacy> (April 6, 2010).

⁸ See <http://www.allfacebook.com/infographic-the-history-of-facebooks-default-privacy-settings-2010-05> (May 9, 2010) & <http://www.goso.blog/2010/06/facebook-default-privacy-settings-over-time>.

the extent that the viewing of various categories of information is limited to a user's friends, friends of friends, all Facebook users, or the entire Internet. Heavier shading towards the outer part of the circle indicates that the information is more widely accessible.

The History Of Facebook's Default Privacy Settings



Facebook has been criticized by privacy advocates and industry watch groups for its revision of its privacy policies. For example, after Facebook rolled out its revised privacy settings in late 2009, the Electronic Frontier Foundation (“EFF correctly concluded that these changes reduce the amount of control the users have over their personal data while at the same time push Facebook’s users to publicly share more of their personal information than before.”⁹ As the Electronic Frontier Foundation (“EFF”) put it, viewing Facebook’s successive privacy policies from 2005-2010 “tell[s] a clear story. Facebook originally earned its core base of users by offering simple and powerful controls over their personal information. As Facebook grew larger and became more important . . . [it] slowly but surely helped itself – and its advertising and business partners – to more and

⁹ Kevin Bankston, Facebook’s New Privacy Changes: The Good, The Bad, and The Ugly, Electronic Frontier Foundation (Dec. 9, 2010), <http://www.eff.org/deeplinks/2009/12/facebooks-new-privacy-changes-good-bad-and-ugly>.

more of its users' information, while limiting the user's options to control their own information."¹⁰

Under Facebook's current privacy policy, certain personal information, such as a user's name, profile pictures, current city, gender, networks, and pages that user is a "fan" of (now, pages that user "likes") is deemed "publicly available information." And this user information is now accessible by Facebook applications that are added by any of that user's Facebook friends, even if that user does not use these applications. In March, 2011, Facebook announced that it would be moving forward with a plan to give third-party developers and external websites the ability to access Facebook users' home addresses and cell phone numbers.¹¹ Facebook users may not restrict access to this information to a more controlled group or prevent application developers from accessing it.¹²

In addition, when a Facebook user "likes" a product or service or "checks-in" to a place, such as Starbucks, the coffee company displays that information, both in the user's news feed and also as part of a paid advertisement for Starbucks. This functionality is called "Sponsored Stories," and Facebook users cannot opt out of the use of their information in Sponsored Stories if they "like" or "check-in" to a business or service.¹³ Based on these changes, Facebook users are now sharing a lot of personal information with the third party companies that partner with Facebook to develop applications and advertisements.¹⁴

Finally, Facebook's "privacy transition tool," which guides users through the configuration of privacy settings will "recommend" (i.e., preselect by default) each

¹⁰ For a complete timeline of the changes to Facebook's privacy policy from 2005 to present, *see* Facebook's Eroding Privacy Policy: A Timeline, Electronic Frontier Foundation, <http://www.eff.org/deeplinks/2010/04/facebook-timeline/> (April 28, 2010).

¹¹ See Bianca Bosker, Facebook To Share Users Home Addresses, Phone Numbers with External Sites, HuffPost Technology (Feb. 28, 2011) http://www.huffingtonpost.com/2011/02/28/facebook-home-addresses-phone-numbers_n_829459.html.

¹² "When you connect with an application or website it will have access to General Information about you. The term General Information includes you and your friends' names, profile pictures, gender, user IDs, connections, and any content shared using the Everyone privacy settings The default privacy setting for certain types of information you post on Facebook is set to 'everyone.'" *See* Facebook's Eroding Privacy Policy: A Timeline, Electronic Frontier Foundation, <http://www.eff.org/deeplinks/2010/04/facebook-timeline/> (April 28, 2010)(quoting *Facebook's Privacy Policy*).

¹³ Clint Boulton, *Facebook Invites Privacy Concerns with Sponsored Story Ads*, eWeek (Jan. 26, 2011), [http://www.eweek.com/...](http://www.eweek.com/)

¹⁴ Bankston, *supra* note 10.[FN15]

user's privacy settings for sharing information posted to Facebook, including status messages and wall posts, to be set to share with "everyone" on the Internet. The prior default setting for such information had been limited to each users' "Networks and Friends" on Facebook. As discussed in the following section of this Article, default settings are often outcome determinative. It is human nature to accept and not change the suggested default settings. In this way, Facebook's "privacy transition tool" results in more users shifting their privacy level to share their information with more people than before.¹⁵

This erosion of privacy should come as no great surprise. Social networks like Facebook benefit from loose privacy rules: "the more incentives [Facebook] create[s] for people to share data, the more valuable the network . . . because [Facebook] ha[s] data you can resell or study for marketing trends."¹⁶ Controlling, storing, using, and providing access to or analytics concerning vast stockpiles of user data is tremendously lucrative. Because Facebook makes money through targeted advertising and the like, reducing the privacy settings of its service is to its financial benefit.¹⁷ To this end, Mark Zuckerberg and Facebook have taken the position that "'Facebook has always been about friends and community and that therefore the default has been skewed towards sharing information rather than restricting it."¹⁸ This position also aligns with Facebook's profit motive, monetization end-game, and growing valuation.¹⁹

DEFAULT SETTINGS MATTER A GREAT DEAL

What is important to keep in mind in the ongoing debate about Facebook's privacy settings is the significant power of default settings in affecting user behavior and outcomes. When defending its increasingly "public" default privacy settings, Facebook often focuses on the fact that it gives its users the ability to change these privacy settings to control information (though not all information) more tightly, if they so choose. But the reality is that defaults are often determinative. Most users surely clicked through the new default settings without

¹⁵ *Id.*

¹⁶ *Privacy: The Slow Tipping Point*, Carnegie Mellon University (2007 Interview Transcript, Podcast Interview of Alessandro Acquisti).

¹⁷ Bruce Schneier, *Google and Facebook's Privacy Illusion*, *Forbes* (Apr. 6, 2010)(quoting Mark Zuckerberg), <http://www.forbes.com/2010/04/05/google-facebook-twitter-technology-security-10-privacy>.

¹⁸ Memmott, *Zuckerberg: Sharing Is What Facebook Is About*, <http://www.npr.org/alltechconsidered/2010/05/27/127210855/facebook-zuckerberg-> (May 27, 2010).

¹⁹ *See* Craig, *supra* note 6.

realizing it. And while users could, theoretically, change these more public “recommended” settings by navigating through the detailed privacy settings, doing so takes more effort.²⁰

Defaults have a particularly strong influence in software. System or device defaults are rarely altered by users. And commentators have observed that “psychological studies have shown that the tiny bit of extra effort needed to alter a default is enough to dissuade most people from bothering, so they stick to the default despite their untapped freedom.”²¹ With the rise of ubiquitous network software systems like Facebook, the outcome-determinative nature of defaults has the ability to fundamentally influence social concerns, such as privacy.²²

Indeed, the evolution of Facebook’s privacy settings demonstrate the company’s understanding of the importance of default settings. On the one hand, Facebook does provide a good deal of granular control to its users in terms of privacy settings. But on the other hand, as studies in human computer interaction and behavioral economics show, users tend to favor the status quo or default settings.²³ In the case of Facebook, these are the privacy recommendations and

²⁰ Forbes Magazine notes that companies like Facebook are driven by market forces “to kill privacy” by controlling defaults, limiting privacy options, and making it difficult to change such settings. This results in making it “hard ...to opt out.” Schneier, *supra* note 18.

²¹ See Pat Coyle, *Triumph of the default in sports social networks*, Technium Blog (Aug. 18, 2010) <http://www.coylemedia.com/2010/08/18/power-of-the-default-in-sports-social-networks>.

²² Jay Kesan and Rajiv C. Shah, *Establishing Software Defaults: Perspectives from Law, Computer Science, and Behavioral Economics*, Notre Dame Law Review, Vol. 82, pp. 583-634, 2006 (available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=906816).

²³ Examples that illustrate the power of defaults are found not only in the technology field but across many other fields. One oft-cited study of defaults is the work of Madrian and Shea, who studied the impact of defaults on money saving tendencies by changing the defaults of 401(k) retirement plans. Specifically, they changed the default enrollment rule so that new employees had to choose to opt out of contributing to the 401(k) plan rather than to opt into it. The results were striking. Changing this one simple default rule brought participation in the 401(k) plan from less than 40% to over 85%. Furthermore, those who participated made few subsequent changes to their default plan. This study indicates that defaults can strongly influence real-life decision-making, and that people generally defer to defaults in their decision-making. Whether the cause of this behavior is momentum, laziness, procrastination, passivity, a tendency to follow the guidance or advice of experts, or some other phenomena, the effect of defaults is very powerful and very real. See Simon Kemp, *Psychology & Economics in Regulation*, Institute of Policy Studies (Feb. 19, 2010); Sendhil Mullainathan, *Psychology and Development Economics* (June 2004) (unpublished manuscript) (on file with Harvard University Department of Economics) see also James M. Poterba, *Behavioral Economics and Public Policy: Reflections on the Past and Lessons for the Future*, in *Policymaking Insights from Behavioral Economics* (Christopher L. Foot et al eds., 2007); Kesan, *supra* note 24.

default settings that are provided. Furthermore, Facebook's programs that pass information to its third-party business partner sites, such as Yelp, require users to "opt out," which means that Facebook will freely disseminate user information unless the user affirmatively objects. Therefore, even though Facebook offers detailed privacy options, by pre-selecting the default settings for those user privacy settings and requiring users to affirmatively opt-out, Facebook is effectively "dictating what kind of privacy [users] will or will not have."²⁴

THE RISKS

So what? Aside from throwing around important-sounding words like "privacy issues," what is the big deal?

Recently, industry watch groups, like the EFF and Consumer Reports, as well as the U.S. government, have articulated a host of real-world concerns. For example, posting personal information (including birthdates, street addresses, whether you are home or away), can expose a user to crime of either the cyber- or real-world variety.²⁵ In addition, the privacy settings of users and users' Facebook friends can expose users to harassment, malware, spyware, identity theft, viruses and scams. For example, a recent article estimated that out of the 18 million Facebook users who used "apps" of Facebook's business partners and advertisers, roughly 1.8 million (or 10%) of their computers were infected by these applications. Many of these applications access a large swath of personal information, often without the user realizing it.²⁶

Aside from the above crime risks, there are serious "social" and "commercial" risks as well. Sharing the likes and dislikes of users and their friends, as well as the places to which they go and the products they recommend could lead to a world where companies, advertising agencies, and others who seek to influence your behavior are able to track each individual user to such an extent that they can compile a set of incredibly granular and personal details about each person, including what time he gets up, where he goes, what he buys, what he

²⁴ Acquisti, *supra* note 17. For humorous satirical commentary on this phenomena, see *Entire Facebook Staff Laughs As Man Tightens Privacy Settings*, *The Onion* (May 26, 2010), <http://www.theonion.com/articles/entire-facebook-staff-laughs-as-man-tightens-privacy,17508/>.

²⁵ See Jeff Fox, *Why Facebook Users Need Protection*, HuffPost Technology (May 4, 2010), http://www.huffingtonpost.com/jeff-fox/why-facebook-users-need-p_b_562945.html; see also *Protecting Your Computer from Online Threats*, Consumer Reports (June 2010), <http://www.consumerreports.org/cro/magazine-archive/2010/june/electronics-computers/so...>

²⁶ *Id.*

reads, what his political views are, etc.²⁷ For many, that may be an uncomfortable place to be.

ADDRESSING THE ISSUE OF ONLINE PRIVACY – PERSONAL CHOICE, REGULATION AND ENFORCEMENT, OR BOTH?

Broadly speaking, there are two general approaches to addressing the implications of online privacy settings, such as Facebook's. It is unlikely that either one of these approaches alone will adequately address the privacy concerns raised above.

The first approach is to rely on the market and users to drive changes to privacy settings, when required. This approach relies on users to recognize that their privacy settings are important and to take the time and responsibility to set them.²⁸ This laissez faire approach relies on individuals to take more care about what default settings they are agreeing to and to demand change in areas of paramount importance. Users who care should certainly take more care in setting their privacy options. However, there are limitations to relying on users alone. When settings and choices are not apparent to users, or defaults are repeatedly set in such a way that the vast majority of users are unlikely to understand the consequences of their selections or be able to demand change, it seems that more may be required.²⁹

²⁷ See e.g., JC Raphael, *Facebook Privacy: Secrets Unveiled*, PC World (May 16, 2010), http://www.pcworld.com/article/196410/facebook_privacy_secrets_unveiled.html.

²⁸ "It's very simple: Facebook is a business and their goal is to make money. They make money through advertising and selling virtual goods. The more of your personal information they can mine, the more likely their advertising will result in revenue for Facebook and to their clients. . . . What about privacy settings? You need to set them, **it's your responsibility** and no one else's. Facebook wants you to share as much as possible since it helps them monetize your account. Consequently the default settings tend to be "opt out" rather than "opt in," knowing that most people review their privacy settings. . . . You are responsible for what information you post about yourself, the Facebook friends you link to, the privacy settings and the applications you use." Howard Steven Friedman, *You Are Responsible for Your Own (Facebook) Privacy*, HuffPost Technology (Mar. 3, 2011) (emphasis added), http://www.huffingtonpost.com/howard-steven-friedman/you-are-responsible-for-y_b_830652.html.

²⁹ Another aspect of a laissez faire approach to dealing with online privacy would be to rely on the market to provide competing social networking systems that address privacy differently than Facebook. In other words, if clearer and tighter privacy controls are something that consumers want and value, a market competitor to Facebook should offer a competing alternative. Cf. Hiroki Tabuchi, *Facebook Wins Relatively Few Friends in Japan*, New York Times (January 9, 2011), <http://www.nytimes.com/2011/01/10/technology/10facebook.html> (noting Facebook's relative lack of success in Japan, whose Internet users are "fiercely private.")

The second approach is to rely on government regulation and enforcement to ensure that there are clearly laid-out privacy options.³⁰ In this regard, the U.S. government recently has begun to raise questions about Facebook's privacy policy. For example, when Facebook announced plans to enable its partners to access users' addresses and phone numbers, Congressman Edward Markey (D-Mass) and Joe Barton (R-Texas), the Co-Chairmen of the House Bipartisan Privacy Caucus, sent a letter to Facebook CEO Mark Zuckerberg seeking answers about the company's plans.³¹ Similarly, in May of 2010, the Article 29 Data Protection Working Party, a coalition of European data protection officials, sent a letter to Facebook criticizing the changes it made to its privacy policy and default privacy settings.³² The Working Party argued that significant changes to a privacy policy and settings relating to sharing of user information should require the active consent of users rather than mere notice of the changes to users.

The Federal Trade Commission (FTC) has likewise become more active in investigating online privacy violations. Section 5 of the FTC Act grants the FTC the power to pursue claims against entities which engage in unfair or deceptive acts or practices in interstate commerce with respect to consumers.³³ In the past, the FTC has taken action against websites for violating their own privacy policies as a

In Japan, Facebook's competitors, which "let members mask their identities, in distinct contrast to the real-name, oversharing hypothetical user on which Facebook's business model is based," have been far more successful). However, because the value of a social network is largely based on the fact that all of one's friends are members, the sheer size and momentum of Facebook in the U.S. market may well prevent viable competitors from easily emerging.

³⁰ Schneier, *supra* note 18 (stating that "[i]f we believe privacy is a social good, something necessary for democracy, liberty, and human dignity, then we can't rely on market forces to maintain it" and calling for broad legislation that would protect personal privacy by giving people control over their personal data).

³¹ See Thomas Clayburn, Facebook Faces Congressional Privacy Interrogation, *Information Week* (Feb. 5, 2011), http://www.informationweek.com/news/internet/social_network/showArticle.jhtml?articleID=229201226. Facebook responded to this inquiry in a letter on February 23, 2011 (available at http://markey.house.gov/docs/facebook_response_markey_barton_letter_2.2011.pdf) in which it highlighted that Facebook users have various different levels at which they can set their privacy options and that users must give applications seeking to access their personal information permission to do so. Information concerning the Congressmen's response to Facebook can be found at Markey, Barton Respond to Facebook (Feb. 28, 2011), <http://markey.house.gov/index.php?option=content&task=view&id=4238&Itemid=125>.

³² Article 29 Data Protection Working Party, Press Release, May 12, 2010, available at http://ec.europa.eu/justice/policies/privacy/news/docs/pr_12_05_10_en.pdf

³³ Act of March 21, 1938, ch. 49, § 3, 52 Stat. 111 (codified at 15 U.S.C. § 45(a)(1)(1994)).

deceptive trade practice. The FTC has also used its Section 5 powers to pursue claims against online companies related to spyware and adware, etc.³⁴

Most significantly, last month, the FTC settled its Section 5 investigation into the privacy practices of Google in relation to Google Buzz, a social networking tool in Gmail that Google introduced last year. As part of the settlement, Google agreed to start a privacy program, to undergo privacy audits for a period of 20 years, and to obtain user consent before changing the way that any Google product shares personal information.³⁵

As relevant to Facebook, privacy interest groups led by the Electronic Privacy Information Center (“EPIC”) have filed multiple Complaints with the FTC, accusing Facebook of violations to the privacy interests of Internet users.³⁶ EPIC’s first FTC Complaint against Facebook focuses on Facebook’s practices relating to the sharing of user information with third-party app developers. In particular, it alleges that the mandatory public disclosure of certain user information to the public, including third-party app developers, is an unfair practice. The Complaint also alleges that Facebook’s policies regarding third-party app developers are misleading and deceptive, and provide for more information sharing and less user control of that information without a clear way for users to opt out.³⁷ EPIC’s second Complaint against Facebook focuses on newer changes to Facebook, including the “like” feature and “instant personalization” feature, both of which, it is alleged, cause the sharing of user information in ways that are deceptive to the user.³⁸

EPIC’s Facebook Complaints may provide the FTC with the vehicle to take on Facebook, should it perceive the need to do so. At the very least, the FTC’s

³⁴ See e.g., Federal Trade Commission, Privacy Initiatives, <http://business.ftc.gov/legal-resources/29/36> (Last visited February 18, 2011).

³⁵ See C. Miller and T. Vega, *Google Unveils New Social Tool as It Settles Privacy Case*, New York Times (March 20, 2011); *Google Agrees to Implement Comprehensive Privacy Program to Protect Consumer Data*, <http://www.ftc.gov/opa/2011/03/google.shtm> (March 30, 2011). A copy of the consent order is available at <http://www.ftc.gov/os/caselist/1023136/110330googlebuzzagreeorder.pdf> (Last Visited, April 6, 2011).

³⁶ The EPIC Complaints are available at <http://epic.org/privacy/inrefacebook/EPIC-FacebookComplaint.pdf> (“EPIC I”) and http://epic.org/privacy/facebook/EPIC_FTC_FB_Complaint.pdf (“EPIC II”). For additional general background regarding the EPIC Complaints, see <http://epic.org/privacy/inrefacebook> and http://epic.org/privacy/facebook/in_re_facebook_ii.html.

³⁷ EPIC I, *supra* note 37.

³⁸ EPIC II, *supra* note 37 at ¶¶ 65-94.

recent landmark settlement with Google signals that the FTC is ready and willing to use its Section 5 powers to remedy privacy violations in connection with social networking, where it deems appropriate.

The FTC has also provided guidance by issuing a Privacy Report entitled “Protecting Consumer Privacy in an Era of Rapid Change: A Proposed Framework for Businesses and Policymakers,” which seeks to provide a framework for consumers, businesses, and policymakers to address online privacy issues.³⁹ The FTC Report concludes that industry efforts to address privacy through self-regulation have been too slow and have failed to provide adequate and meaningful protection to consumers. Among the recommendations in the FTC’s proposed framework is that consumers be presented with a clear and easy to understand choice about the collection and sharing of their data at the time and in the context in which they are making decisions. The FTC framework also addresses the tracking, collection, and sharing of user data with advertisers, recommending the adoption of a universal mechanism for implementing a user’s choice to opt out of such practices.⁴⁰ In response, Facebook has argued against excessive regulation, indicating that Internet companies should be self-regulated so as not to stifle innovation.⁴¹

³⁹ See generally *FTC Staff Releases Privacy Report, Offers Framework for Consumers, Businesses and Policymakers*, Federal Trade Commission (Dec. 1, 2010), <http://www.ftc.gov/opa/2010/12/privacyreport.shtm>; FTC Staff, *FTC Staff Report: Protecting Consumer Privacy in an Era of Rapid Change* (2010), <http://www.ftc.gov/os/2010/12/101201privacyreport.pdf>

⁴⁰ Similarly, the EFF recently proposed a “Bill of Privacy Rights for Social Network Users.” The Proposed Bill of Privacy Rights includes (i) “the right to informed decision-making” about who sees their personal data, (ii) “the right to control” the use and disclosure of their data, including requiring a default opt-in permission by users, so that user data is not shared unless a user makes an informed decision to share it, and (iii) “the right to leave” a social network, at which point the user data is permanently deleted from the social network’s databases and those of its partners. See Kurt Opsahl, *A Bill of Privacy Rights for Social Network Users*, Electronic Frontier Foundation (May 19, 2010), <http://www.eff.org/deeplinks/2010/05/bill-privacy-rights-social-network-users>; see also Dani Manor, *Proposed New Bill of Rights for Facebook Users*, Electronic Frontier Foundation (May 21, 2010), <http://www.allfacebook.com/eff-proposes-new-bill-of-rights-for-facebook-users-2010-05>.

⁴¹ See e.g., Katie Kindelan, *What You Should Know About Facebook’s Response to the FTC*, Social Times (Feb. 25, 2011), <http://www.socialtimes.com/2011/02/what-you-should-know-about-facebooks-response-to-the-ftc/>; see also Bianca Boscer, *Facebook Response to FTC’s Privacy Plans*, Huffpost Technology (Feb. 23, 2011), http://www.huffingtonpost.com/2011/02/23/facebook-responds-to-ftcs_n_827260.html; Leigh Goessl, *Facebook Response to FTC Privacy Investigation*, Helium (Feb. 27, 2011), <http://www.helium.com/items/2103119-facebook-response-to-ftc-privacy-investigation>.

It is unclear what ultimate impact the FTC Report and the proposals of other commentators will have on the industry or on policymakers, if any. These developments at least have the effect of bringing about public debate over many core privacy issues implicated by social networks and other online companies.

In this regard, some of the policies championed by the FTC and others are making their way before Congress in newly proposed privacy bills. Specifically, Representative Jackie Speier (D-California) introduced Bill HR 654 that would direct the FTC to put forth standards that provide an online mechanism for consumers to opt out of the collection and use of their personal information online and would require online advertisers and third-party website operators to disclose their practices with respect to data collection and use.⁴² These regulatory and legislative efforts may provide some baseline requirements for privacy policies and provide users with a privacy bill of rights. As with the FTC Report, it is not yet clear what shape such privacy legislation will take, and the extent to which legislators will seek to address such privacy issues through legislation.⁴³

CONCLUSION

In the age of instantaneous sharing of information on Facebook, it is fair to ask whether privacy is dead or dying, and whether online social networks like Facebook are killing it. Despite what may be seen as an unstoppable cultural imperative to socialize, connect, share, communicate, and post information about oneself at a dizzying pace, it is important not to lose sight of the risks to handing over control over our personal information. As we status-update our way through the information age, both users and regulators alike must continue to closely monitor companies that receive access to the information we share. At the same time, we must also carefully weigh the benefits of increased interconnectivity against the costs of reduced privacy.

⁴² See H.R. 654, 112th Cong. (2011).; See also Bert Knabe, *Two Privacy Bills Introduced by Representative Jackie Speier*, Lubbock Avalanche-Journal (Feb. 14, 2011), <http://lubbockonline.com/interact/blog-post/bert-knabe/2011-02-14/two-privacy-bills-introduced-representative-jackie-speier-d>.

⁴³ Cf. Farhad Manjoo, *No More Privacy Paranoia*, Slate (April 7, 2011), <http://www.slate.com/id/2290719/pagenum/all/#p2> (noting that regulators must carefully balance the costs of privacy protection with its benefits).

“TERM”INAL ILLNESS: CURING THE PATENT TERM USING EMPIRICAL ANALYSIS OF PATENT GLOBALIZATION

WESLEY D. MARKHAM*

As patent protection afforded outside the United States becomes increasingly lucrative, the time is ripe to consider recalibrating the duration of patent protection afforded within the United States. Wesley D. Markham takes an empirical approach to this policy-based issue. Specifically, he develops a new metric, the “global patent term” (GPT), and uses it to analyze the patenting strategies of three firms in three very different industries. Based on the results of these three case studies, he concludes that patent globalization is more lucrative in some industries than others. Accordingly, the United States should seriously consider technology-specific patent terms to ensure all firms receive appropriate incentives to innovate. This Article presents the key findings of Wesley D. Markham’s empirical study and is a condensed version of a longer paper reporting his research. The full paper is available at <http://ssrn.com/abstract=1796030>.

I. INTRODUCTION

This paper takes an empirical approach to a policy-based question: how long should patents last in the United States, especially given changes in the international patent law regime?

The overarching, even constitutionalized, policy behind the U.S.’s patent system is to promote the progress of science and the useful arts.¹ This is a laudable goal, but the devil is in the details. Utilizing an intellectual property regime to maximize innovation requires a delicate balancing act. On the one hand, inventors and the firms for which they work need an incentive to innovate. In the United States, one such incentive is a limited monopoly in the form of patents for new and useful inventions. On the other hand, every patent takes something away from the public domain, thereby making it more difficult for others to build on prior discoveries. In other words, patents both encourage and discourage

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¹ U.S. Const. art. I, § 8, cl. 8.

innovation. The key to a successful patent system is determining the correct balancing point, i.e., the smallest reward necessary to spur inventors to invent.

The term of patent protection embodies a primary variable in this balancing act. A relatively long patent term greatly rewards an inventor, but it also imposes a high burden on others who wish to use or improve upon patented technology. Under both U.S. and international law, patent terms generally run for approximately twenty years.²

But while U.S. patent terms have remained fairly – though not entirely – stable for the last fifteen years, international patents have become increasingly lucrative. To remain relevant, patent law in the U.S. must adapt to this patent globalization, in part by recalibrating the duration of the patent monopoly. I tackle this issue by asking whether we should reduce the patent term *in* the U.S. to compensate for the enhanced potential for patent exclusivity *outsidethe* U.S. Specifically, I developed a new metric, termed “global patent term” (GPT), to assess whether the average “reward per invention” has significantly increased over the last fifteen years given an expanding global patent regime. If it has become relatively easy for firms to secure a high level of protection for each invention, e.g., by receiving multiple patents on the same invention in many different countries, the “reward per invention” is high. In a well-functioning patent system, a high “reward per invention” should result in increased innovation. If the “reward per invention” has increased but the level of innovation has remained stagnant or decreased, then we might conclude that the current level of patent protection is too high and should respond by reducing the patent term in the United States. A shorter patent term would allow patented inventions to fall into the public domain more quickly, enabling others to take full advantage of the patented technology.

Furthermore, I conducted this analysis on three firms in three very different industries – Pfizer, the pharmaceutical giant; International Paper Company, a worldwide leader in paper products; and UNISYS, a large technology services provider. These three case studies indicate that patent globalization discriminates based on technology, i.e., rewards firms in some industries but not others. Given my results, I conclude that we should seriously consider implementing technology-

² See 35 U.S.C. § 154 (2006) (subject to certain exceptions, patents run for 20 years from application filing date); Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments – Results of the Uruguay Round, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement or TRIPS], art. 33 (prescribing a minimum term of patent protection of 20 years from application filing date).

specific patent terms in the U.S. For industries in which patent globalization has made a real difference, such as the pharmaceutical industry, the increased “reward per invention” outside the U.S. should offset any innovation incentives lost by shortening the duration of U.S. patents. For industries that depend on patent exclusivity in the U.S. but not elsewhere, a longer U.S. patent term may provide the optimum innovation incentives.

II. A SHORT HISTORY OF THE PATENT TERM IN THE UNITED STATES & ABROAD

A. *The U.S. Story*

The following history of the patent term in the U.S. serves to illuminate two important points. First, the chosen length of patent protection in this country is, and has always been, rather arbitrary, a product of compromise and historical accident instead of sound economic analysis. Second, as a practical matter, any proposal that might be interpreted as weakening the patent system in the U.S., e.g., an attempt to shorten the patent term, is likely to meet serious political resistance.³

Like so much of American law, the original duration of patent protection in the United States was borrowed from England.⁴ The Patent Act of 1790 provided that the exclusive rights associated with a patent shall last “for any term not exceeding fourteen years.”⁵ In 1836, a revised Patent Act made available a seven year patent term extension, above and beyond the original fourteen year term, in certain circumstances.⁶ This lasted until 1861, at which time Congress declared that “[a]ll patents hereafter granted shall remain in force for the term of seventeen years from the date of issue; and all extension of such patents is hereby prohibited.”⁷ One commentator proposes that the change from a fourteen year patent term to a seventeen year patent term was made, in part, because extensions were so common under the old “fourteen plus seven” system.⁸ Yet another opines

³ The intense debate over recently-proposed patent reform legislation exemplifies this point. See, e.g., Amy Schatz, *Patent Overhaul Gets Close, Draws Opposition*, Wall St. J., Mar. 28, 2011, at B3 (noting that Corporate America is divided over Congress’s current patent law reform efforts, despite “calling for an overhaul of U.S. patent laws for years”).

⁴ See David S. Abrams, *Did TRIPS Spur Innovation An Analysis of Patent Duration and Incentives to Innovate*, 157 U. Pa. L. Rev. 1613, 1618 (2009).

⁵ Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 110.

⁶ See Patent Act of 1836, ch. 357, § 17, 5 Stat. 117, 124-25.

⁷ See Act of Mar. 2, 1861, ch. 88, § 16, 12 Stat. 246, 249.

⁸ See Dana Rohrabacher and Paul Crilly, *Congressional Commentary: The Case for a Strong Patent System*, 8 Harv. J. Law & Tech. 263, 264 (1995).

that Congress selected the seventeen year term because seventeen is “the number midway between 14 and 21.”⁹

Between 1790 and 1875, Congress also passed approximately seventy-five private bills extending the patent terms of particular inventors who successfully lobbied Congress that the generally applicable statutory term had not afforded time to generate sufficient income from their inventions for one reason or another.¹⁰ Although many of these private bills extended the term of patents that had *already lapsed into the public domain*, a practice held categorically unconstitutional in *Graham v. John Deere Co. of Kansas City*,¹¹ Congress’s historical practice of enacting discriminatory, inventor-specific patent terms adds a degree of constitutional legitimacy to the more principled, industry-specific terms I ultimately propose.

The patent term of “seventeen years from issue date” remained in effect until 1994, when Congress brought U.S. patent law into compliance with the TRIPS Agreement.¹² Implementation of TRIPS modified the term of patent protection in the U.S. from “seventeen years from issue date” to “a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States...”¹³

The change in patent term from “seventeen years from issue date” to “twenty years from filing date” sparked controversy. Opponents of the new “twenty years from filing date” patent term stressed that pioneering technology typically takes a long time to evaluate and approve, which would result in shorter terms under the new system.¹⁴ Indeed, the biotechnology sector would be particularly hard hit “because the most commercially attractive patents can take

⁹ Eric E. Johnson, *Calibrating Patent Lifetimes*, 22 Santa Clara Computer & High Tech. L.J. 269, 283 (2006).

¹⁰ See, e.g., An Act for the Relief of Oliver Evans, 6 Stat. 70 (1808). See also *Eldred v. Ashcroft*, 537 U.S. 186, 234-35 (2003) (Stevens, J., dissenting) (providing historical analysis of early U.S. patent and copyright law).

¹¹ 383 U.S. 1, 6 (1966) (“Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain”).

¹² See S. Rep. No. 103-412 (1994) (discussing Section 532 of the Uruguay Round Agreements Act).

¹³ See Uruguay Round Agreements Act § 532, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

¹⁴ See H.R. Rep. No. 104-887 (1997) (discussing Hearing Volume No. 104-58, particularly the testimony of Ms. Gardner).

over fourteen years to issue.”¹⁵ Weaker patents, the opponents continued, would in turn reduce the royalties that are the lifeblood of private research and development (R&D) funds.¹⁶

To address these concerns, Congress passed the American Inventors Protection Act of 1999 (AIPA).¹⁷ Specifically, the AIPA adds a new provision to compensate applicants fully for PTO-caused administrative delays, and, for good measure, includes a new provision guaranteeing diligent applicants at least a 17-year term by extending the term of any patent not granted within three years of filing. Thus, no patent applicant diligently seeking to obtain a patent will receive a term of less than the 17 years as provided under the pre-GATT3 standard; in fact, most will receive considerably more. Only those who purposely manipulate the system to delay the issuance of their patents will be penalized...¹⁸

Today, the duration of patent protection in the United States remains “twenty years from filing date,” subject to the aforementioned patent term adjustment provisions.¹⁹

B. Patent Globalization Under TRIPS and the PCT

Patenting has gone global. The Patent Cooperation Treaty²⁰ (PCT) makes it possible for inventors and firms to seek patent protection simultaneously in many different countries by filing “international” patent applications.²¹ As of 1980, only 30 countries adhered to the PCT.²² By 1995, the number of PCT contracting states had grown to 82.²³ Today, 142 countries have signed on to the PCT.²⁴ According to the World Intellectual Property Organization (WIPO), the body that administers the PCT, the PCT “postpones the major costs associated with international patent

¹⁵ Patricia Montalvo, *How Will the New Twenty-Year Patent Term Affect You? A Look at the TRIPS Agreement and the Adoption of a Twenty-Year Patent Term*, 12 Santa Clara Computer & High Tech. L.J. 139, 160 (1996).

¹⁶ See Dana Rohrabacher and Paul Crilly, *Congressional Commentary: The Case for a Strong Patent System*, 8 Harv. J. Law & Tech. 263, 264 (1995).

¹⁷ See generally American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501.

¹⁸ *Id.* at 49-50.

¹⁹ See 35 U.S.C. § 154 (2006).

²⁰ Patent Cooperation Treaty, June 19, 1970, 28 U.S.T. 7645, 1160 U.N.T.S. 231.

²¹ About the Patent Cooperation Treaty, <http://www.wipo.int/pct/en/treaty/about.htm> (last visited May 5, 2010).

²² See PCT Contracting States (2010), http://www.wipo.int/pct/guide/en/gdvoll/annexes/annexa/ax_a.pdf.

²³ See *id.*

²⁴ See *id.*

protection” and “*brings the world within reach*” (emphasis added).²⁵ In effect, the proliferation of PCT contracting states makes it relatively easy for a patent applicant to pursue *de facto* worldwide patent protection on her invention.

Not only has it become easier to patent around the globe, but the minimum level of patent protection afforded by most countries has never been higher. The 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS, sets a floor below which intellectual property standards shall not fall.²⁶ For example, TRIPS requires that “patents shall be available for any inventions, whether products or processes, in all fields of technology,” with only limited exceptions.²⁷ Additionally, TRIPS mandates a minimum patent term of twenty years, measured from the patent application filing date.²⁸

III: METHODOLOGY:

GPT as a Proxy for “Reward Per Invention”

R&D Expenditures as a Proxy for “Amount of Innovation”

In this article, I investigate whether the average “reward per invention” has significantly increased over the last fifteen years, due in large part to the 1994 TRIPS Agreement and the proliferation of PCT contracting states. More specifically, I evaluate whether patent applicants are actually seeking and obtaining more widespread patent protection today than they were at the time of the TRIPS Agreement fifteen years ago. As stated above, if it has become relatively easy for firms to secure a high level of protection for each invention, e.g., by receiving multiple patents on the same invention in many different countries, the “reward per invention” is high. In a well-functioning patent system, a high “reward per invention” should result in increased innovation. If the “reward per invention” has increased but the level of innovation has not, then the prevailing level of patent protection may be too high, and we should respond by reducing the patent term in the United States. A shorter patent term would bring patented inventions into the public domain more quickly, enabling others to take early advantage of the patented technology.

²⁵ World Intellectual Prop. Org., Protecting Your Inventions Abroad: Frequently Asked Questions About the Patent Cooperation Treaty (PCT) 16 (2006), available at http://www.wipo.int/export/sites/www/pct/en/basic_facts/faqs_about_the_pct.pdf.

²⁶ See generally TRIPS Agreement, available at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf.

²⁷ TRIPS art. 27.

²⁸ TRIPS art. 33.

To measure the “reward per invention,” I developed a metric called the “global patent term,” or GPT. The GPT is the sum of the terms of protection of all the patents, worldwide, on a single invention. Of course, not all patents are created equal. For example, a twenty year monopoly in the United States is likely more valuable than a twenty year monopoly in Belgium. To account for this difference in value, each patent term in the GPT calculation is scaled according to the gross domestic product (GDP) of the corresponding country, using the United States GDP as a baseline.

A short hypothetical will illustrate the calculation. Suppose that in 1995, Company XYZ typically applied for patent protection for its inventions only in the United States. In this case, the GPT equals the U.S. patent term, or twenty years. Now, in 2009, suppose that Company XYZ typically applies for patent protection in the United States, China, and Canada. The GPT equals [(U.S. patent term)(U.S. GDP / U.S. GDP) + (China patent term)(China GDP / U.S. GDP) + (Canada patent term)(Canada GDP / U.S. GDP)], or [(20 years)(\$14,204 billion / \$14,204 billion) + (20 years)(\$4,326 billion / \$14,204 billion) + (20 years)(\$1,400 billion / \$14,204 billion)], or [20 years + 6.1 years + 2.0 years], or approximately twenty-eight years.

In this hypothetical, the “global patent term” for Company XYZ’s invention has risen from twenty years in 1995 to twenty-eight years in 2009, an increase of 40%. If the patent system is working properly, we would expect to see a higher level of innovation from Company XYZ as a result of this 40% increase in “reward per invention.” To test whether this is actually the case, we can examine the R&D spending of Company XYZ during the relevant timeframe.

The TRIPS Agreement and the steady growth in number of PCT contracting states have arguably facilitated patenting around the globe. If the reward for inventing, as measured by the “global patent term” metric, is greater than it has ever been before, then the level of innovation, as measured by R&D spending, should be similarly high. However, if innovation lags in the face of ever-increasing patent protection, the extra rewards are not fostering innovation but rather unjustly enriching some patent holders. If this is the case, we should consider shortening the patent term in the United States.

IV: THREE CASE STUDIES: PFIZER, INTERNATIONAL PAPER, AND UNISYS

To shed light on these difficult issues, I analyzed the “global patent terms” and R&D spending of three different firms in three very different industries: Pfizer, a pharmaceutical giant; International Paper Company, a global paper product producer; and UNISYS, a worldwide information technology provider. In

particular, I compared each firm's average GPT and R&D spending in 1995, just after TRIPS was enacted, and 2009, after the proliferation of PCT contracting states and the entrenchment of the TRIPS regime. The results vary widely among the three firms.

Of the three firms, Pfizer has most clearly taken advantage of the increased availability of patents around the globe. The average (mean/median) GPT of Pfizer's 1995 U.S. patents was 95.7/85.4 years. The average GPT rose significantly to 131.4/108.7 years in 2009. Even excluding U.S., EP, and WO filings, which heavily influence the overall GPT calculations due to their high GDPs, Pfizer's average GPT increased from 23.7/22.6 years in 1995 to 29.9/25.7 years in 2009. Not surprisingly, the average number of countries in which Pfizer filed for patent protection also increased, from 13 in 1995 to 16 in 2009.

Additionally, between 1995 and 2009, Pfizer drastically altered its approach regarding *where* to file for patent protection, turning away from filing in many Western European countries such as Austria, Germany, and Denmark, and towards filing in Central and South American countries such as Mexico, Argentina, and Brazil. For example, 66% of Pfizer's 1995 U.S. patents had counterparts in Germany. That number fell to just 13% in 2009. On the other hand, only 14% of Pfizer's 1995 U.S. patents had counterparts in Brazil, but by 2009, 72% of Pfizer's U.S. patents had related Brazilian applications.

The aforementioned data strongly suggests that Pfizer reaps the rewards of the strong global patent system buttressed by the Patent Cooperation Treaty and the TRIPS Agreement. In turn, we should see enhanced innovation in the form of increased R&D spending by Pfizer if the patent system is functioning properly. In one respect, we do. Pfizer greatly increased R&D spending from approximately \$1.4 billion in 1995 to approximately \$7.8 billion in 2009. However, measured as a percentage of total revenues, the increase in Pfizer's R&D spending from 1995 to 2009 was minimal – 14.4% to 15.7%.

If Pfizer were the only company playing the patent game, then it might make sense to reduce the term of patent protection in the United States. After all, the data shows that Pfizer gets significantly more worldwide patent protection for each invention today than it did before the TRIPS Agreement took effect. In return, Pfizer has only minimally increased its R&D spending as a fraction of its total revenues. This looks a lot more like unjust enrichment than enhanced innovation. And for a company like Pfizer, which relies heavily on patenting both inside and outside the United States, the increased availability and strength of patents around the globe will likely offset any harm to innovation that may come

from reducing the patent term in the U.S. But Pfizer is not the only company in town. Other firms, such as International Paper Company and UNISYS, that rely more heavily on the U.S. patent system and not on patenting in foreign countries, do not benefit nearly as much as Pfizer does from the worldwide patent regime ushered in by the Patent Cooperation Treaty and the TRIPS Agreement.

While International Paper’s average GPT (mean/median) rose from 42.9/20.0 years in 1995 to 66.1/40.0 years in 2009, most of that increase can be attributed to multiple related U.S. patents on the same technology, not higher global patenting activity on the part of the company. Excluding U.S., EP, and WO filings, International Paper’s average GPT remained relatively flat, rising slightly from 4.0/0.0 years in 1995 to 5.6/0.0 years in 2009. The average number of countries in which International Paper filed for patent protection was essentially flat as well – 3.2/1.0 in 1995 and 3.4/1.0 in 2009.

In stark contrast to Pfizer, International Paper does not appear to have benefited from heightened levels of global patent protection. The company simply does not pursue patents in enough countries outside the United States for the TRIPS Agreement and the proliferation of PCT contracting states to make an appreciable difference in terms of innovation incentives. Therefore, reducing the patent term in the United States may have a deleterious effect on innovation at a company such as International Paper, which has already seen R&D expenditures plummet from \$111 million (0.56% of net sales) in 1995 to \$13 million (0.06% of net sales) in 2009.

UNISYS finds itself in a similar position to International Paper when it comes to patenting on a global scale – it didn’t do it in 1995, and it doesn’t do it now. UNISYS’ average GPT (mean/median) actually *fell* from 54.1/20.0 years in 1995 to 42.0/20.0 years in 2009. Excluding U.S., EP, and WO patent application filings, UNISYS’ average GPT was flat and basically non-existent – 1.8/0.0 years in 1995 and 2.8/0.0 years in 2009. In general, UNISYS only seeks patents for its inventions in the United States, so the enhanced global patent protection made possible by TRIPS and the PCT has little effect on the innovation decisions and R&D expenditure incentives at UNISYS. This becomes painfully obvious when one considers that R&D expenditures at UNISYS have fallen from \$405 million (6.4% of revenue) in 1995 to \$102 million (2.2% of revenue) in 2009.

V: A MODEST PROPOSAL

To summarize, not all companies benefit from the availability of strong global patent protection facilitated by the Patent Cooperation Treaty and mandated by TRIPS. In fact, *not even all companies that pursue patents* benefit from the

aforementioned regime. Easy access to strong patents around the globe favors firms like Pfizer that seek protection for their inventions in many different countries. For companies like International Paper and UNISYS that file for patents primarily in the United States, the *theoretical* presence of strong patent regimes in other countries has little if any *practical* effect on the companies' incentives to innovate.

Therefore, even if it were possible under TRIPS to decrease the U.S. patent term to less than twenty years, an across the board patent term reduction would not be advisable. Such a move would likely have little influence on innovation at firms such as Pfizer because the enhanced innovation incentives provided by increased patent protection in the rest of the world would counterbalance the effect of a shorter U.S. patent term. However, for firms that believe it to be in their best interest to seek patents only or primarily in the United States, reducing the U.S. patent term might stifle their drive to innovate.

To solve this problem, we should consider setting different patent terms for different technology sectors. A relatively short U.S. patent term might provide the ideal level of innovation for industries such as pharmaceuticals in which the typical inventions (drugs) have worldwide profit-making power. In other industries, such as information technology and software, patenting in many less-developed countries just does not make economic sense because the market is so limited. A longer term of patent protection in the U.S. might be necessary to achieve the maximum amount of innovation in technology sectors such as these. By adopting technology-specific patent terms, it may be possible to increase innovation *and* to bring patented subject matter into the public domain more quickly.

NOT YOUR FATHER’S DOMAIN NAME: HOW GTLD EXPANSION IS POISED TO CHANGE THE WAY WE NAVIGATE THE INTERNET

ANDY McNEIL *

International domain-name overseer, ICANN, has been developing plans for the dramatic expansion of available g-TLDs, the .com’s and .gov’s currently so limited in variety that we have them all committed to muscle memory. Proposed regulations allowing for the creation of new dot.possibilities present intuitive marketing opportunities for companies interested in adding sophistication to their online presence. Andy Mcneil explores this potential and the legal challenges that ICANN’s costly and untested regulatory framework present in trademark protection and other strategic marketing competition.

INTRODUCTION – A PRIMER ON CURRENT GTLDS

For many of us, “.com” is the necessary element for most of the Internet addresses we use on a daily basis for shopping, banking, news or entertainment (think amazon.com, wells Fargo.com, cnn.com and espn.com, for example). The seemingly ubiquitous .com suffix is formally known as a generic top-level domain name (or “gTLD”) in internet parlance. Although there are 20 other gTLDs such as .net, .info, etc., .com is by far the most popular gTLD.¹ Suffice it to say that most Internet users, including this author, when faced with a domain name featuring anything other than a .com suffix, are immediately confronted with suspicions of inferiority and concerns regarding legitimacy.² Although the number of Internet users continues to grow exponentially, the number of available gTLDs to meet the ever-growing need for unique domain addresses has remained static. It appears, however, that the “.com-centric” way of Internet-addressing is prepped for change, and in a big way.

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¹ Dennis Fetterly, Mike Manasse, Marc Najorc, & Janet L. Wiener, *A Large Scale Study of the Evolution of Web Pages*, Software—Practice and Experience, 2004, at 213-237.

² Although no empirical data can support this claim, this is merely the opinion (albeit well-formed) of the author.

The Internet Corporation for Assigned Names and Numbers (ICANN), the non-profit entity chosen by the U.S. Department of Commerce in 1998 to oversee the Internet's naming system,³ is formulating plans for expanding the naming rights for gTLDs. While proponents of this gTLD expansion—including ICANN—argue that this expansion will provide for greater innovation and choice among Internet users and businesses, opponents contend that this expansion is akin to opening a Pandora's Box of problems for those with a significant intellectual property presence on the Internet. Considering that there are more than 270 country specific gTLDs, the scope of this unprecedented expansion is significant for those businesses with an international Internet presence.

The mechanism for the application and management of new gTLDs, known formally as the *Applicant Guidebook*, has been in the works since at least October 2007⁴ and is closer than ever to being finalized (the latest draft of the *Applicant Guidebook* was issued in December 2010). According to this latest (and some say final) draft of the *Applicant Guidebook*, during the initial rollout of the program, the sale of new gTLDs is to be limited to “[e]stablished corporations, organizations, or institutions in good standing,” and not “individuals or sole proprietorships.”⁵ Owners of a new gTLD will be able to sell “subdomain” names and will be able to exercise significant control over rules for who can register a subdomain.

On the highest level, the possibility for an infinite number of new gTLDs will allow similar companies and organizations a specialized web “suffix,” such as .apparel, for example. But this singular example also highlights the problems with the expansion of gTLDs—who would own and manage the commercially desirable gTLDs (such as .apparel)? Taking the previous example further, what about synonymous gTLDs: .attire or .clothing or .wardrobe, for instance? Could (or should) these closely related gTLDs co-exist?

The initial round of applications for new gTLDs is expected to begin as early as the second quarter of 2011.⁶ On one hand ICANN has stated that the increase in the number of gTLDs is not expected to affect the way the Internet operates, but on the other, ICANN admits that the new gTLDs have the potential to change how

³ See ICANN *About*, <http://www.icann.org/en/about/> (Last Visited Feb. 11, 2011). Although ICANN still operates under the oversight of the U.S. government, steps have been taken in recent years to decrease the United States' control over the nonprofit corporation.

⁴ A set of policy recommendations was approved in October 2007 by ICANN.

⁵ ICANN, *New gTLD Agreement: Proposed Final Version, gTLD Applicant Guidebook*, at 1-16 (Nov. 2010), <http://www.icann.org/en/topics/new-gtlds/draft-rfp-clean-12nov10-en.pdf>.

⁶ See *infra* note 10.

individuals and businesses use the Internet.⁷ This article sets forth a high level review of the gTLD process and addresses some of the business and legal implications of this virtual re-working of the domain nomenclature as we know it. In particular, this article addresses some of the issues and opportunities that smaller companies with trademark rights may face upon this imminent expansion of available gTLDs.

TWO OPTIONS UNDER THE NEW gTLD PROCESS

While the new gTLD process presents two immediate options for all trademark owners, only one option is worthy of practical analysis for the vast majority of those with trademark rights. For those corporations with ample coffers and the ambition to be the rulers over their own gTLD kingdom, so to speak, the first option is owning and managing a gTLD that either reflects a company's trademark (such as .levistrauss) or some other term related to their business (such as .dungarees). Under this expansion, new gTLD owners will be permitted to sell "subdomain" names to third-parties. Given this, .levistrauss will likely not be as broad and appealing to designers, manufacturers, distributors and retailers of blue jeans as the more generic .dungarees, for example. While the former might represent a strong brand presence, the latter is likely a more viable candidate for exploitation among the various layers of the blue jean commercial chain. Either option warrants significant analysis on the business, legal and financial fronts.

The keys to the gTLD kingdom will not be cheap, nor will these metaphorical keys be easy to use. Although applying for, managing and owning a new gTLD will be time- and resource-intensive, the complete picture in terms of costs to a prospective gTLD owner remains unclear at this point. Although certain initial costs associated with acquiring a gTLD are known (just the gTLD *evaluation fee* will be \$185,000), other costs are unknown.⁸ The costs involved with third-party objections to a gTLD application (think of the hypothetical Guess Jeans vs. Levi Strauss challenge over the right to buy and manage the gTLD for .dungarees, for example), or auctions that may occur in the event that multiple applicants are vying for the same gTLD, notwithstanding the

⁷ See *New gTLDs – Frequently Asked Questions – gTLD History & Policy Development*, ICANN (Feb. 4, 2011), <http://www.icann.org/en/topics/new-gtlds/strategy-faq.htm#history>.

⁸ Once acquired, the owner of a new gTLD must pay ICANN \$6,250 per calendar quarter in addition to a \$0.25 registry level transaction fee per domain name registered per year after a threshold of 50,000 domain names have been registered. [ICANN, *New gTLD Agreement: Proposed Final Version, gTLD Applicant Guidebook*, at 12 (Nov. 2010), <http://www.icann.org/en/topics/new-gtlds/draft-rfp-clean-12nov10-en.pdf>]. An owner of a new gTLD must abide by these obligations for a period of ten years.

resources to maintain and manage the new gTLD once obtained (whether run internally or outsourced), are uncertain. Most experts estimate that the total costs for obtaining and operating a gTLD could top \$2 million during the first one to two year period alone.⁹ Although the specifics of the application process are beyond the scope of this article, suffice it to say that this process will be rigorous and, as with any significant and far-reaching business decision, must be approached with the requisite level of diligence to ensure success. Any entity applying for a gTLD must be prepared to submit detailed financial, legal and technical documents as part of the vetting process to establish its qualifications to operate and manage a gTLD registry.¹⁰

gTLDs FOR THE REST OF US – PRACTICE POINTERS FOR TRADEMARK OWNERS

Most trademark owners will not be able to justify the tremendous resources, responsibilities and uncertainties associated with owning and managing their own gTLDs. Thus, in light of the imminent expansion of gTLDs, the prudent trademark owner should consider how to both protect her brand once the gTLD flood gates are opened, as well as how to capitalize on this opportunity to improve her business.

If owning and operating a gTLD is not in the cards, then trademark owners have other options to protect their trademark rights. Previously brand owners could obtain—for a nominal cost with little or no technical upkeep—a defensive domain name registration to protect their trademark, such as *levisfeellikeburlap.com*, for example. This “obtain and park” mentality is not feasible under the proposed gTLD expansion due to the requirement that a gTLD applicant must operate a functioning registry once obtained. If a brand owner chooses to forgo the application and operation of a gTLD (as many will surely do for the reasons highlighted above), these owners will find themselves in a position to “wait and see” which gTLDs are granted, who owns which gTLD, how the relevant new gTLDs are being marketed, the public response to the new gTLDs, etc.

Currently there are two stages of trademark rights assessment in the proposed gTLD application process. Upon receipt of an initial gTLD application,

⁹ Jaime Angeles et al., *To TLD or Not to TLD, That Is the Question*, INTA Bulletin, Nov. 1, 2010, at 5.

¹⁰ “All applicants for new gTLDs will need to meet very specific operational and technical criteria in order to preserve the security and stability of the Internet.” *New gTLDs – Frequently Asked Questions – Application & Evaluation Process*, ICANN (Feb. 4, 2011), <http://www.icann.org/en/topics/new-gtlds/strategy-faq.htm#application>.

ICANN will perform its own examination of the application, during which it will consider the likelihood of confusion with existing or applied-for gTLDs. If an application passes this initial examination, it will enter an “objection phase,” where those with trademark rights will have the opportunity to file a formal objection to an applied-for gTLD on various grounds, with disputes to be resolved by a third-party independent dispute resolution service provider. This public objection phase will be similar to the Uniform Dispute Resolution Process (“UDRP”) currently available to trademark owners against potentially infringing domain names. As in UDRP proceedings, the “complaint” in the objection phase of the expanded gTLD review process must contain all of the objector’s arguments and evidence (i.e., no discovery or subsequent briefing). Likewise, these objections will be heard by a third-party panel, and if the objector prevails before the panel, the gTLD application will be rejected.

As of the latest draft of the *Applicant Guidebook*, there are four separate grounds on which a trademark owner may object to a gTLD application¹¹:

1. String Confusion Objection: the gTLD is confusingly similar to an existing gTLD or to another applied-for gTLD string in the same round of applications;
2. Legal Rights Objection: the gTLD string infringes the existing legal rights of the rights holder;
3. Limited Public Interest Objection: anyone (not just a rights holder) has standing to object that a gTLD is contrary to generally accepted legal norms of morality and public order; and
4. Community Objection: “established institutions” have standing to object that there is substantial opposition within the targeted community to the applied-for gTLD.

Throughout the development of the *Applicant Guidebook*, ICANN has attempted to balance the opportunities of expanding the gTLD universe with the intellectual property rights of trademark owners. Third-party organizations (such as the International Trademark Association) have and continue to advise ICANN on the implications of the proposed gTLD rules, and ICANN has consistently encouraged forums for public comment and review of these policies, including those contained within the *Applicant Guidebook*. While ICANN has repeatedly offered its assurances surrounding the transparency of this process, trademark

¹¹ *Infra* note 5, at 1-12.

owners looking to protect and/or grow their marks once the gTLD application is underway are strongly encouraged to undertake the necessary steps to monitor this process, as all gTLD applications (likely in a truncated/redacted form) will be available on ICANN's website.¹²

Once brand owners weather the gTLD process and the available gTLD landscape is clearer, they will have the opportunity to apply for second-level registrations, defensive registrations and/or dispute resolution actions for the *second* level of the newly approved gTLDs that are owned by a third-party (think .dungarees.designsbysarah or .bluejeans.availableatsamsboutique, where .dungarees and .bluejeans are owned by Levi Strauss and Guess). These examples highlight one of the major concerns to smaller trademark owners in the new gTLD campaign—namely what to do if numerous closely-related gTLDs are approved and become operational (e.g., .dungarees vs. .bluejeans vs. .denim). While this example assumes that ICANN would approve all three of these hypothetical gTLDs, which is unlikely given that ICANN will review each application for a likelihood of confusion analysis, at this stage we simply do not know how, or on what basis, this likelihood of confusion analysis will be made.

CONCLUSION

Only time will tell which of the new gTLDs (if any) will obtain the popularity of .com in their respective industries/applications, and it is simply too early to tell which of .dungarees, .jeans or .bluejeans, for example, will be the “it” gTLD for the latest and greatest brand or trend in denim. Of course, this assumes that the new gTLDs will supplant the existing gTLDs, and .com in particular, as the preferred suffix for Internet users. It also remains to be seen whether any of the new gTLDs will be commercially viable (given the high costs of acquisition and maintenance), or whether this process will result in a “land rush” as was experienced during the rapid .com boom in the 1990s. The vast majority of trademark owners will have to let the dust settle between the mega-corporations vying for a particular gTLD before initiating a realistic analysis of the viability of any given gTLD. Once this dust does settle, any analysis of a prospective gTLD must consider the marketing, business and legal implications for choosing a particular gTLD over another. This analysis, just like the expanding gTLD landscape, should be approached with a fresh re-evaluation of a company's domain name and trademark marketing strategy, including the manner in which a company monitors and enforces its intellectual property rights on the Internet.

¹² <http://www.icann.org> (last visited Mar. 7, 2011).