

# USE REQUIREMENTS IN INTANGIBLE FRANCHISES

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## ABSTRACT

The requirement that a grantee of a government-granted franchise use that franchise was a widespread assumption in all western legal regimes since the thirteenth century. In particular, intellectual property (IP) had reduction to practice or working requirements which have now faded from the fundamental understanding of IP. The loss of these requirements and the reasons for their existence has resulted in widespread abuse of IP rights. Now international trade practitioners are beginning to rediscover some of these requirement mechanisms. Accordingly, this article provides an overview of various use requirement mechanisms, their trade offs, and their relative conformity with the TRIPS agreement.

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## I. INTRODUCTION

The American intellectual property community has difficulty imagining rationales for property systems that treat intellectual property differently from what is presently implemented in the United States. As a result requirements in other countries that intellectual property generally must be used or worked in the country to maintain a monopoly benefit are summarily rejected without due consideration of their broader benefits.<sup>1</sup> Indeed, the rights inherent in occupation or use of property versus those inherent in ownership of property have generated much debate between property theorists and jurists since at least the Roman Empire.<sup>2</sup> Because intellectual property lawyers in the United States do not engage with the broader property debate, they have failed to recognize how fundamental these requirements have been throughout history. In contrast, lawyers and diplomats from developing countries, where the rules and limits of property writ large are still being tweaked, are much more willing and able to engage in these fundamentals and adjust their intellectual property regimes accordingly.<sup>3</sup>

Part one of this paper will examine the various mechanisms used throughout history to require use of government-granted franchises. These examples should provide a broad procedural landscape so that practitioners and negotiators can be aware of the full toolbox available for implementing use and working requirements in franchises. Part two will argue the applicability and usefulness of these measures in different intellectual property sub-fields and in different countries. Part three will look at which mechanisms previously used throughout history best fit the TRIPS objectives and principles. Because this paper is intended for practitioners,

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<sup>1</sup> Summary of Comments on proposed Form 27, *Comment 58 by USPTO Attache, India Patent Office*, 64 (requiring reporting of working of a patent in India via Form 27 does not “align with international best practices.”)

<sup>2</sup> H. Hausmaninger and R. Gamauf, Casebook zum römischen Sachenrecht 1 (George A. Sheets trans., Weinz 10th ed. 2003) (2012).

<sup>3</sup> Laurence Helfer, *Regime Shifting*, 29 YALE J. INT’L L. 1, 3 (2004).

many property concepts and intellectual property terms will not be as fully explained as they would be in a thesis or a broader policy argument.

## II. MECHANISMS FOR REQUIRING USE OF FRANCHISES

All forms of property rights attempt to balance the rights given to those who use property and those who hold title to property.<sup>4</sup> In most cases, at least in real property, these two groups have significant overlap. That is, most title holders of real property are also the users of that property.<sup>5</sup> As a result, the balance in real property has been struck in the stringent requirements of adverse possession which need to be met for a mere user to perfect title.<sup>6</sup> Elsewhere in property, the balance or rights between those that use and those that hold title are far more tilted in favor of the user. These balances and tradeoffs are fundamental to all property, but are based on the unique characteristics of each type of property and its users.

Government-granted franchises have been treated differently from real property throughout history with good reason. Most such franchises are necessarily monopolies over public necessities which require safeguards from bad actors (e.g. FM radio bands). Other franchises are economically necessary (e.g. water rights in the American West and bridge construction licenses). Finally, some franchises assist government in providing services to their citizens (e.g. electrical utilities and tax collectors in the Middle Ages).

The scope of each franchise is flexible by virtue of the fact that their parameters are defined by government. The founders of the United States

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<sup>4</sup> Pierre-Joseph Proudhon, What is Property? An Inquiry into the Principle of Right and of Government 50 (Benjamin Tucker Trans., Humboldt, 1890)(1840).

<sup>5</sup> US Census Bureau, Quick Facts, available at [www.census.gov/quickfacts/fact/table/US/PST045217](http://www.census.gov/quickfacts/fact/table/US/PST045217). (the owner-occupied housing rate is 63% and was much higher in the past).

<sup>6</sup> *See generally* Van Valkenburgh v. Lutz, 304 N.Y. 95, (1952) (Adverse possession requires at least 20 years of open, hostile, occupation with improvements to the land, a high bar.).

understood that these franchises were both dangerous as avenues of corruption and also necessary in many cases. Therefore, the early states governments and early Supreme Court decisions gave democratic government far more power over these types of property than over real property. These distinctions are often lost in the recently popular neo-liberal and libertarian meme which holds that strong property rights in all areas of property are essential to democracy. Nevertheless, the flexibility and revocability of such franchises is essential in balancing the state monopoly on police power with that of private monopolies.

*(a) Feudal Franchises and Revocability Mechanisms*

Feudalism is primarily known for treating real property as a government franchise revocable and re-assignable by the king or his feudal lords via subinfeudation. As a result of this sovereignty regime, all other property rights and franchises were also government granted and inherently revocable.<sup>7</sup> The king, therefore, granted many different franchises and often retained a royalty interest in the franchise or demanded a flat payment upfront for the right.<sup>8</sup>

Inherent in these grants was the requirement to use the franchise in the manner intended and not abandon it.<sup>9</sup> For instance, a jailor's franchise required the holder to be willing and capable of holding prisoners when and if prisoners needed to be held by locals within the franchisee's territory. If the jailor or the jailor's children instead turned to farming and the franchise fell into disuse, despite the need to hold prisoners, then the king could and would re-assign the franchise to a more diligent owner.<sup>10</sup> In feudal England this process of re-assignment was called the Writ of Quo Warranto and

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<sup>7</sup> Donald Sutherland, Quo Warranto Proceedings in the Reign of Edward I 1278-1294 13 (1963).

<sup>8</sup> *Id.* at 4.

<sup>9</sup> *Id.* at 9.

<sup>10</sup> *Id.* at 11.

often involved a court proceeding in the King's Courts.<sup>11</sup>

This use requirement mechanism is perhaps the cheapest and most flexible of all those used in history. Initially a franchise right is given to a group or an individual with a requirement to use and make payments. Loss of the right is automatic when a threshold for non-use is reached. This loss can then be asserted by the government at its convenience by filing a Writ of Quo Warranto in a local court, which in feudal England was typically whenever the king needed money.<sup>12</sup> Therefore, if non-use was ever an issue to the government, the remedy was immediately available.

Furthermore, the law which arose around the Writ created a practice of transferring ownership in the franchise to the actual local user rather than the mere title holder.<sup>13</sup> Thus, the need for a full court proceeding was avoided in cases where someone new now performed the duties of the franchise without interference by the prior right holder.

Additionally, the remedy was flexible. Once a Writ of Quo Warranto was proven to a court, the king could re-negotiate with the current holder, if they remained the best user of the franchise right, or the king could re-assign the right to someone else. This gave the government leverage much like a compulsory licensing right while also giving the government full discretion on who would be the best user going forward.<sup>14</sup> Therefore, this revocability mechanism was ad hoc and applicable after grant to maintain leverage.

*(b) Revocable Licenses in the United States*

The United States Supreme Court was required to decide early in its history the extent to which a government-granted license was revocable. Private property purists, then and now, would have had such licenses be

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<sup>11</sup> Id. at 8-9, 27.

<sup>12</sup> Id at 19.

<sup>13</sup> Id. at 21.

<sup>14</sup> Id. at 44.

irrevocable unless expressly stated in the license.<sup>15</sup> At issue in the US case, was a monopoly right for a bridge which was used to induce several investors to build the bridge across a river (since they could be guaranteed profits for a long time).<sup>16</sup> The local government later reconsidered the monopoly and issued another license to second group. By this time, the first group had already repaid their investment and was making profits.<sup>17</sup> Therefore, the issuance of another license only revoked the monopoly on cross-river traffic but still allowed the first group to operate. This revocation was done to prevent excessive profits from being extracted by the first group; in other words, the local government needed legal flexibility.

The Supreme Court ultimately decided that such private monopolies are inherently subject at all times to government intervention and revocation.<sup>18</sup> That is, a strict takings clause analysis shouldn't apply where the government grants monopoly rights. This allows local governments to prevent over-exploitation of government-granted franchises and was essential to the early development policy of state governments in early America.<sup>19</sup> The continued importance of this flexibility is evident from the recent Supreme Court case finding that the government can revoke an exploitive, overly broad patent after grant under this precedent.<sup>20</sup>

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<sup>15</sup> Adam Liptak, Supreme Court Upholds Procedure That's Said to Combat 'Patent Trolls', NY TIMES <https://www.nytimes.com/2018/04/24/business/scotus-patent-trolls.html> (quoting Adam Mossoff as stating that the decision "destabilizes the foundation that patents provide to the U.S. innovation economy").

<sup>16</sup> Naomi Lamoreaux, *The Mystery of Property Rights: A U.S. Perspective*, 71 J. ECON. HIST. 275, 280 (2011).

<sup>17</sup> Id.

<sup>18</sup> *Proprietors of Charles River Bridge v. Proprietors of Warren Bridge*, 11 Pet. 420, 421 (1837).

<sup>19</sup> Naomi Lamoreaux, *The Mystery of Property Rights: A U.S. Perspective*, 71 J. ECON. HIST. 275, 277 (2011) (arguing that the US property model as currently told is historically a fiction and should not be followed by developing countries).

<sup>20</sup> *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1385 (2018) (citing *Proprietors of Charles River Bridge v. Proprietors of Warren Bridge*, 11 Pet.

This mechanism of granting parallel licenses or revoking abused monopolies as a right of sovereign grant is both powerful and limited. It is powerful in that it introduces competition to limit profits and windfalls. Likewise, it ensures that abused monopolies do not damage the economy with unproductive rent-seeking. The mechanism, however, is limited in its ability to give a government the power to demand fairness or justice, since revocation is all or nothing and does not guarantee a successor. Therefore, as a mechanism for ensuring proper use of a granted franchise, revocation is a blunt instrument which has always been present in common law but is rarely used.

*(c) Use requirements for patents in Europe*

In the early common law of England, patents were granted after a demonstration of the working model.<sup>21</sup> Later in common law, this became a requirement for the patentability of the invention called “reduction to practice.”<sup>22</sup> While this requirement still exists in U.S. patent law it is rarely applied or demanded by the USPTO.<sup>23</sup> As a result, the U.S. patent system is flooded with unused, unworked patents which are often acquired and abused by non-practicing entities.

Likewise, in mainland Europe, the early patent law had working requirements which required a patent owner to work or implement the patent in the country or risk forfeiture of the patent.<sup>24</sup> In contrast to English

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420, 544 (1837)).

<sup>21</sup> Oren Bracha, *The Commodification of Patents 1600-1836: How Patents became Rights and Why We Should Care*, 38 LOY. L.A. L. REV. 177, 189 (2004).

<sup>22</sup> William Macomber, *Reduction to Practice of Patentable Inventions*, 63 U. PENN. L. REV. 353, 354-56 (1915).

<sup>23</sup> Christopher Cotropia, Note, *Physicalism and Patent Theory*, 69 VAN. L. REV. 1543, 1549-1550 (2016).

<sup>24</sup> Marketa Trimble, *Patent Working Requirements: Historical and Comparative Perspectives*, 6 UC IRV. L. REV. 483, 488-490 (citing several European patent statutes from the early 1800s with working requirements).

common law which required implementation as a pre-requisite, European patent law granted the patent and held revocation out as a threat to non-working inventors. This mechanism is similar to how the U.S. treated early public franchises as seen in the previous section.

These working requirements were sometimes applied only to foreigners. While this raised the burden for foreign filers, it was also an efficient policy which targeted the primary group most likely to not work the patent in the country. Indeed seen through this lens, upfront working requirements for foreigners simply gave nationals a presumption of working the invention. Considering the widespread requirement for working models and demonstrations in the prior law as well as the costs of travel at the time, it is not surprising that Europeans forced an upfront requirement for local use on foreigners. Thus, the early working requirements can be seen as being derived from physicalism and practice requirements in patent law generally, not as a barrier to trade.

Later the working requirements gave way to government-instituted compulsory licenses.<sup>25</sup> Under this regime, the government could, if necessary, license a patent to a third party in the country to ensure production so long as the patent owner did not have local production. Again, even these early compulsory licensing regimes were grounded in an idea of the need to practice an invention in order to receive a valid patent. Some countries also acknowledged the need to have products produced locally to enable technology transfer.<sup>26</sup> Thus, working requirements do not seem to have been intended as a barrier to trade but rather were used to curb abuse by non-practicing entities. These same concerns prevail today.

As policy instruments, however, working requirements and compulsory licenses are cumbersome and expensive. It is also impossible to verify use upfront with sufficient certainty.<sup>27</sup> Furthermore, the lawsuits necessary for

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<sup>25</sup> *Id.* at 488.

<sup>26</sup> *Id.*

<sup>27</sup> Jacob Gershman, *Flood of Trademark Applications From China Alarms U.S.*

enforcing and negotiating a compulsory license must be brought by the government and are very expensive. As a result of the inefficiencies inherent in these policy tools, countries rarely use compulsory licenses except in pharmaceutical cases where the benefit to the public is massive and third party producers are readily available. Therefore, for mechanical or computer code patents where the compulsory license lawsuit would be prohibitive, perhaps outright revocation for failure to work would be cheaper and more effective. These trade offs will be examined in more detail in the next section.

### III. TRADE OFFS OF VARIOUS USE REQUIREMENT MECHANISMS

Trade practitioners have increasingly needed to find flexibilities to address abuse of intellectual property rights, gain negotiating leverage, ensure technology transfer, and tailor their intellectual property regime to their country's specific circumstances. While many of the possible flexibilities involve requirements in the pre-grant process,<sup>28</sup> the more useful flexibilities for negotiation involve those applicable after grant of the IP right or government franchise.<sup>29</sup> Furthermore, the present discussion of TRIPS flexibilities is dominated by the controversy over access to life essential pharmaceuticals. This focus has resulted in only one TRIPS flexibility dominating the discussion, namely compulsory licenses, when in fact many more efficient and general flexibilities are available.

As can be seen above, throughout history various mechanisms have been used under very different legal regimes to enforce the proper use of

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*Officials*, available at <https://www.wsj.com/articles/flood-of-trademark-applications-fromchinaalarms-u-s-officials-1525521600>.

<sup>28</sup> For instance, pre-grant flexibilities include more strenuous disclosure requirements to ensure technology transfer, exclusions on evergreening, broader definitions of obviousness, disclosure of best mode, etc.

<sup>29</sup> That is, regulations which can be enacted to apply to all IP, including that already granted, pursuant to an international agreement.

government-granted franchises. Strict use requirements have been maintained for trademarks such that use of the trademark in commerce is usually required for registration and also as a continuing duty to prevent abandonment. Patent law has in theory retained some fundamental use requirements in the form of reduction to practice, even if these requirements are not enforced (in the U.S. this requirement was further undermined by the America Invents Act of 2011). Finally, in copyright law, where fair use has developed as the dominant flexibility, use is interpreted as publication and is satisfied by any form of publication.

Trademark registration in most countries requires that an applicant file specimens of use of the trademark on all the types of goods alleged to be covered by the trademark. Recently, however, applicants, mostly from China, have been filing fraudulent specimens of use, squatting on the trademark rights, and suing actual users of the trademarks for quick settlements.<sup>30</sup> While most countries, including China, have instituted upfront use requirements (much like Europe did for all IP in the 18<sup>th</sup> century) in the era of Photoshop these upfront requirements are easily subverted. To solve this issue, the USPTO has instated random use checks on already registered trademarks to ensure the quality of the U.S. trademark registry.<sup>31</sup> In addition, the USPTO opened a reporting portal for apparent fraud so other trademark users can report non-use and have invested in expensive reverse-image search artificial intelligence to aid their trademark examiners. However, all these solutions simply highlight the changing effectiveness of an upfront use requirement.

While this problem in trademarks is in its infancy, perhaps revocation of all trademark rights even common law rights in the event of fraud can

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<sup>30</sup> Jacob Gershman, *Flood of Trademark Applications From China Alarms U.S. Officials*, available at <https://www.wsj.com/articles/flood-of-trademark-applications-fromchinaalarms-u-s-officials-1525521600>.

<sup>31</sup> USPTO, Post Registration Proof of Use Audit Program, November 2017, available at <https://www.uspto.gov/trademarks-maintaining-trademark-registration/post-registration-audit-program>.

provide a stronger deterrence than the mere loss of registration or date of first use. Furthermore, because the economics of squatting require assignments and settlements, registration and scrutiny of assignments and settlements after grant may prevent these bad actors from profiting. Indeed because trademark assignment absent a business acquisition is somewhat rare, each assignment at the national patent agency without a corresponding corporate shell sale could require detailed prior use information in the form of sales rather than mere specimens. At the court level, the unclean hands doctrine (already used in trademarks) could effectively revoke all rights where fraudulent filings are present. Thus, revocation of all franchise rights seems to be a useful addition to the use requirement mechanisms already widely used in trademark law.

In patent law, the idea of reduction to practice still exists in theory but is no longer applicable at any stage of the examination of the patent application in most jurisdictions.<sup>32</sup> Most patent systems around the world function on a first-to-file priority right where the patent rights are given to the first person to file a disclosure not to the first person to reduce the inventive idea to practice. While most patent systems require sufficient disclosure necessary to instruct one of skill in the technical field how to practice invention, including a best mode of practice, these requirements have been diluted such that meeting the requirement rarely requires testing or actual reduction to practice prior to filing.<sup>33</sup> To insure use, countries instead switched to an ongoing fee requirement to maintain rights in a patent and allow abandonment of unused monopolies. As a result, countries worldwide have problems with patent thickets discouraging investment and development.

In the field of telecommunications, hundreds of patents often cover a single technology. In this situation, patent pools have developed to lower licensing costs. Bad actors like Qualcomm, however, can refuse to join the

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<sup>32</sup> USPTO, MPEP 2138.05 (9<sup>th</sup> ed., 08.2017, revised January 2018) (see editors note).

<sup>33</sup> *See* UKIPO, Manual of Patent Practice 7.12.3 and 7.12.4 (April 2018).

pool and, as a hold out, increase costs or demand excessive royalties. This issue can be dealt with under anti-trust law as it is in the Qualcomm case.<sup>34</sup> In reality a better remedy may be forced inclusion into the patent pool. This action wouldn't be available under compulsory licensing regimes, since the patent pool (the third party) must be able to license the patent itself. Therefore, the forced inclusion in the patent pool is instead closer to a loss of the monopoly right, like in the Charles River bridge case, where the governance of the patent pool determines royalties not the patent owner. Thus, where hold outs exist that prevent development or use of a technology, loss of the monopoly right may be an effective and efficient solution.

Furthermore, in regard to the abuse of patent rights by non-practicing entities, a general working requirement may be useful. This is particularly applicable in nascent fields like internet streaming where broad patents on podcasting, for instance, unduly restrict development. In the technology fields working the invention is easily proven, but does not stop the abuse (e.g. suing all podcasters). Therefore, a more effective solution seems necessary. Once again, complete revocation at the discretion of the government seems to be the best option. To implement this revocation post-grant, the process should be isolated to particular situations. For instance situations where inventions that initially seemed like a technology (podcasts) are later determined or later purport to cover an entire idea (delivery of serial audio content).

More generally the issue is that the patent over a commonly used technology is restricting the creation of non-rival goods. That is, even if the patent owner works the invention, the invention covers goods which if produced would not compete with the patent owner's product. This should hint to policymakers that the patent covers an idea rather than a specific device. In cases like these, the monopoly may be partially revoked, so that

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<sup>34</sup> Reuters, *U.S. Antitrust Agency Sues Qualcomm Over Patent Licensing*, FORTUNE, available at <http://fortune.com/2017/01/17/qualcomm-antitrust-case>.

the patent owner only has exclusive rights in the area in which the patent owner actually practices (e.g. political podcasts) and must still license the patent at reasonable rates to competitors in this area. This exclusivity regime is closer to that present in trademarks, where exclusivity is regionalized geographically and by type of goods. While such a restriction in the monopoly right is not easy at the government level, it would be an effective ground for dismissal of suits at the preliminary stages of litigation.

Finally, the commonly-used compulsory license regime in patents seems to be restricted in usefulness to the pharmaceutical industry. The issuance of compulsory licenses requires two fundamental assumptions to be practical. First, the good to be produced must be high margin and easily produced at equal levels of quality. Second, the good to be licensed must be covered by very few patents and the good itself must be so necessary that the millions of dollars spent litigating and issuing the license is justifiable by the government. These factors are only present in the pharmaceutical field.

Regarding copyright, the issue of non-use and lack of availability is probably the largest. Indeed, were it not for the ease with which copyrighted materials can be pirated, non-practicing entities of published works would certainly be the most hated bad actors in intellectual property. Let's begin with a few examples of the problem.

A U.S. anime fan wants to translate an anime series and add subtitles or dubs for the English-speaking fan base, while the Japanese publisher does not provide any equivalent (the publisher is a local, de facto, non-practicing entity). A search engine wishes to scan and convert out of print books for easy search and reference to individual pages only, and the only public access to the work is scattered libraries across the U.S. in hard copy form, no additional printing of the book has occurred in decades (the publisher seems to have abandoned the work). A movie publisher provides the movie in theaters for a set period, then on paid on-demand services, then on DVD, then on streaming services for select periods at each stage as the publisher price discriminates between consumers. As a result the poor receive the content last; as do persons far from a large city with different movie theaters

(this abuse mirrors the economics in the drug access problem).

Copyright policy generally was derived in a time when instantaneous and continuous access to published works was at worst impossible and at best a privilege reserved only for those with huge private libraries. Thus, abandonment is essentially non-existent as a defense for users or copiers of a work.<sup>35</sup> Likewise, translators who subsequently published were, in the past, very sophisticated individuals, whereas today many are laymen fans. As a result, the licensing requirements and royalty structure for translations is convoluted and backwards.<sup>36</sup> Finally, some aspects of copyright policy have regressed such that sharing of a legitimate published work via any means besides the actual physical transfer of the work is an unworkable grey area of law.<sup>37</sup> Thus, copyright law systems throughout the world are struggling to deal with the digital age.

The solutions to these access problems are also not as easy as in other areas of IP law. Rights holders since the 1990s have been correct that allowing full sharing would destroy their market. Presently where streaming is largely the primary mode of content access, the validity of this objection is beginning to fade away.<sup>38</sup> This opens the possibilities somewhat.

In particular, abandonment based on non-use should be a more straight forward solution or defense. Since every publisher could simply provide digital versions of works to prevent abandonment, the lack of availability (e.g. out of print books) of a work in any format should be grounds for abandonment. Thus, automatic revocation for non-use much like in trademark law would probably be the preferred mode of ensuring

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<sup>35</sup> *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100 (9th Cir. Cal. 1960)(requiring an overt act for abandonment).

<sup>36</sup> Berne Convention, Paris Act of July 24, 1971, amended Sept. 28, 1979, Art. 2, p. 3.

<sup>37</sup> Aaron Fellmeth, *You Bought It, but You Don't Own It*, SLATE, available at [http://www.slate.com/articles/technology/future\\_tense/2016/10/the\\_uncertain\\_future\\_of\\_copyright\\_in\\_the\\_on\\_demand\\_age.html](http://www.slate.com/articles/technology/future_tense/2016/10/the_uncertain_future_of_copyright_in_the_on_demand_age.html).

<sup>38</sup> Pirated streams are increasingly a problem for live events and broadcasts do not seem to be covered by the Berne copyright regime.

availability of older or rarer copyrighted works.

Furthermore, with technological advances in digital rights management and the continuity of platforms, copying for personal use can be more easily authenticated and sharing of a digital file can be limited to a specific number of copies via DRM. For instance, a share from the limited number of shares would be a source of the good, with the shared file itself not being shareable. While this is simply a more reasonable interpretation of the first sale doctrine for digital works, the monopoly power of the right owner is reduced as they are no longer the only possible source of the work.

Finally, Berne needs to be updated for the digital age so that derivative works which do not directly compete with a right owner's work can be created without licensing the original. This would allow African and Indonesian countries to translate textbooks into their languages without violating Berne. Perhaps the derivative work can be limited to non-commercial, which should include fan-sourced translations. In any case, local *de facto* non-use of a copyright should result in abandonment or revocation of the right. Then, even if the work is available locally, translations that do not directly compete with a publisher's translation should be unburdened by copyright obligations.

#### IV. INTRODUCTION OF USE-BASED FLEXIBILITIES UNDER TRIPS

The IP-related amendment to the General Agreement on Trade and Tariffs (GATT) which was agreed to in the Uruguay round was the Trade Related Aspects of Intellectual Property Rights (TRIPS) appendix. It too predated the internet and has been impossible to amend since it has been enacted. Nevertheless, TRIPS has been interpreted as incorporating Berne, meaning that the additional flexibilities under TRIPS should apply to copyright as well.<sup>39</sup> Therefore, we will examine the relative legality under TRIPS of the various use requirement mechanisms previously used

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<sup>39</sup> Panel Report, U.S. – Copyright 2000, ¶6.42 WTO Doc. WT/DS160/ARB25/1 (adopted July 27, 2000).

throughout history.

First, the retention of the right to reassign a public franchise like intellectual property rights by government in a manner similar to the Writ of Quo Warranto is unlikely to be available under TRIPS in an absolute form. Reassignment would directly prevent enjoyment of the IP right, likely violating Article 13 of TRIPS. The absolute form, though, can be softened with some remuneration mechanism. In addition, reassignment could be justified as preventing market abuse (e.g. patent pool hold outs) under TRIPS Article 8.2, or justified as promoting innovation and development under Article 7, or justified for health emergencies under Article 8.1. While these justifications are well known and recent panel decisions indicate increased deference to national interests,<sup>40</sup> reassignment is a drastic but necessary tool in a few instances, like patent pool hold-outs, where other mechanisms are inadequate. In cases where re-assignment (in whole or in part) is economically necessary based on the structure of the transaction, the appellate body may be open to the mechanism as long as some royalty structure remains to satisfy Article 13.

Second, selective revocation of IP rights that have been granted for any of the reasons above is also likely acceptable. For instance, Australia in the tobacco plain packaging case seems to have succeeded in revoking trademark use on tobacco products.<sup>41</sup> In patent law, revocation is more restricted because it may result in *de facto* exclusion of certain fields from patent protection (most commonly medicines). To prevent allegations that certain fields are being targeted,<sup>42</sup> countries can couch the revocation in terms of obviousness or lack of patentable subject matter.<sup>43</sup> The intended

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<sup>40</sup> Panel Report, Australia – Tobacco Plain Packaging, WTO Doc. WT/DS467/R (published June 28, 2018).

<sup>41</sup> *Id.*

<sup>42</sup> See Trade Related Aspects of Intellectual Property Rights art. 27, Apr. 15, 1994, Annex 1C, Marrakesh Agreement.

<sup>43</sup> See generally *Alice Corp. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014); see also the USPTO post-grant review process for Covered Business Methods which was introduced to

result of these targeted revocation programs is to open up a particular field where patents are hindering development more than aiding it. In this context, increased scrutiny of a technology field to prevent pre-emption of entire ideas (like podcasting) is likely to avoid violating Article 27 of TRIPS.

Third, working requirements as a basis for revocation or compulsory licensing has been dealt with extensively elsewhere since it is the foundation for reducing drug costs in developing countries.<sup>44</sup> In copyright, compulsory licensing for translations or educational materials in rarer languages is equally contentious. However, so long as the translation does not “conflict with a normal exploitation of the work” as required in Article 13 of TRIPS, then the license or revocation for failure to work in the national language may be acceptable. Finally, local use requirements are directly enshrined in the TRIPS trademark section in Article 19.

As the policies surrounding IP rights shift around the world, various licensing regimes and working requirements are likely to remain the primary policy tools because of their widespread use and apparent acceptance by WTO members. Nevertheless, as seen in section III, special cases may require using other mechanisms which were previously used to maintain government control over intangible franchises.

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revoke financial transaction patents and aid the U.S. financial services sector.

<sup>44</sup> UNCTAD, *UNCTAD-ICTSD Project on Intellectual Property Rights and Sustainable Development*, <http://unctad.org/en/Pages/DIAE/Intellectual%20Property/IPRs-and-Sustainable-Development.aspx>.