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Book Review: Beyond Intellectual Property: Matching Information Protection to Innovation

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BEYOND INTELLECTUAL PROPERTY: MATCHING INFORMATION PROTECTION TO INNOVATION, by **William Kingston**. Edward Elgar, 2010, 256 pp. Hardcover \$115.00.

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William Kingston frames this book around a clearly stated premise: the focus of information protection regimes has shifted from benefiting the public to benefiting private individuals with interests in the game—and this shift is not good. Early on, protection of information was shaped by actors with no personal stake but rather a desire to encourage invention and innovation for the public good. These actors were primarily limited by constitutional provisions and bureaucratic inefficiencies. As time went on, and as information became a more important commodity, information protection schemes were fashioned, or perhaps twisted, by the parties that would derive the most benefit. Stakeholder driven systems are unlikely to be able and willing to adapt to changing technology and innovation. The transition from public interests to individual interests, Kingston claims, has resulted in a “dysfunctional system” in need of “rescue” (p.125). Public good must be the heart of any reform to information protection, and Kingston concludes by offering a set of proposals to that end (pp.136-37).

The book proceeds in two parts: First, the book explains the transition of information protection regimes from focusing on protecting the public interest to benefiting private interests. Second, the book presents a number of reforms that would return the balance of information protection to the public good (p.vii). He treats the first goal in roughly the first half of the book. Perhaps because of my familiarity with intellectual property, law, and information protection, I found the first half of the book to be less relevant. One intended audience for the book, as stated on its back cover, includes “students of IP and innovation [and] patent agents and attorneys.” I imagine these groups would react much as I did to the first half of the book. To be fair, throughout this first half, there are a number of interesting

historical nuggets buried, even where the topic being described was old hat. Another intended audience, “economic policy-makers,” may find the first half of the book somewhat more practical, particularly as Kingston weaves economic literature and commercial data throughout his discussion of the evolution of information protection. The second half of the book, where Kingston sets forth his proposals for improving protection of information, will likely be more appealing for all types of readers. In the context of reform proposals, the author shares his wide-ranging knowledge of protection regimes in multiple jurisdictions, as well as how protection particularly affects different technology areas such as software or genes, to provide a solid base on which to understand and evaluate his proposals. Although the latter half of the book was much more attention-grabbing from my perspective, there are note-worthy portions throughout this book for most every reader.

A quick review of the topics of this book may help elucidate what any particular individual reader would find interesting. Of course, a book discussing information rights must necessarily begin by defining what is meant by “information” and protection thereof. In an interesting chapter that traverses from Bell’s telephone to Mozart to Murano glass makers in Venice, Kingston presents a comprehensive conception of information rights by integrating mathematical and biological models of information with commons theory and economic thought.

The next three chapters discuss the historical and current state of information rights. Kingston starts off, not addressing intellectual property regimes, but discussing how other means of protecting information may be more effective (p.17). Again he incorporates historical points of interest, using the story of Boulton and Watt’s steam engines to demonstrate how information is initially valuable only to those with the capability to make use of it, providing a basic advantage to the originator even in the absence of protection regimes. The introduction of corporate structures, such as limited liability partnerships and corporations, allowed originators to pair with investors to exploit capability (pp.21-25). After capability, Kingston contends that marketing is the second most important means of protection. He then covers the basics of trademark law and how it too provides the originator of information with market power. The following chapter on patent and copyright protection of information is less intriguing, perhaps because it covers well-worn territory or because some of the discussion stretches to cover subject matter that is not typically considered information, such as pharmaceuticals (p.53), music (p.59), and plants (p.64). Kingston wraps up his discussion of existing regimes with a survey

of international protection of information under various intellectual property conventions and agreements.

At this point in the text, Kingston approaches the first of his goals: discussing how information rights evolved from a system for public good to a system driven by interested parties. Although information protection regimes started with the best intentions, a number of limitations prevented these regimes from keeping pace with the evolution of technology. One reason that American law is particularly ill-suited to protect information rights is a “particularly strong tether to the past” and a Constitution that prohibits forward-looking law (p.85). The Constitution is used to explain why the growth of federal trademark law was hampered; why bodies that could react quicker to technology change, such as state legislatures, are prohibited from doing so; and even why patent office procedures are less than effective. Kingston also considers how bureaucratic influences, such as lobbying, led to the shift of information protection for the public good to the protection of private interests.

While the reasoning behind the shift, i.e., that legal development was occurring at a much slower pace than technological advancement, seems fairly straightforward, the assault by these private interests took place on many fronts. Kingston points to activities at the international, national, and industry level, all with the intent of shaping the future of information protection for the benefit of the actors involved. Many of the key international intellectual property conventions were negotiated with the best interests of the United States and Britain in mind (p.101). At the national level, countries often enacted intellectual property laws that were not the product of careful legislation to protect the states’ interests, but were based on proposals offered either overtly or quietly by interested groups. Kingston offers as examples the 1952 United States Patent Act, written by patent attorneys but passed by a Congress that did not know what it contained or meant (p.102) and the Japanese patent system, which facially fulfilled the country’s obligations under international intellectual property treaties but worked to the benefit of Japanese conglomerates (pp.106-108). Other groups also took advantage of their size and power to focus information protection benefits on themselves, including alliances like the European Union and industry organizations like the Union of Industrial and Employers’ Confederations of Europe, (UNICE), the tobacco industry, and the American music and movie groups, including the Recording Industry Association of America (RIAA) and the Motion Picture Association of America (MPAA).

Because the existing regimes were not adapted to today's technology, including software, biotechnology, genetic inventions, and business methods, the interested parties have forced current systems to accommodate these and other advancements as they saw fit. At the end of the day, we have been left with a patent system that is "in crisis," a copyright system that is protecting software in a way that is "bad logic and bad law," and international protection schemes that are simply "imperialistic, outdated, and overprotective" (pp.127-28). Of course, as Kingston acknowledges, others have made similar observations and suggested various routes to improvement, such as prizes, second-tier patent protection, and compensatory liability.

With this as a background, Kingston sets out a number of proposals to improve the protection of information. He contends that his ideas can be put into effect without revamping the system (pp.146-47). These suggestions are as wide ranging as the problems he seeks to repair, such as setting out compulsory arbitration, changing the contours of information protection, focusing protection on small and medium enterprises (SMEs), and considering sui generis protection of information. Perhaps because of this broad scope of proposals he takes on, I feel that some of the proposals could use additional consideration and support.

Kingston begins with those proposals that would require less difficulty in implementation. The easiest to implement, according to the author, would be to require arbitration for dispute resolution. Because this proposal does not run afoul of TRIPS so long as an appeal is possible and because only a provision of national treatment would be required to make the proposal compliant with the Paris Convention, he contends that this solution is well within reach. In fact, Kingston states that there should not be any difficulty in introducing compulsory arbitration in the United States, although there may be some issues with implementing arbitration in the European Union (pp.159-160). Aside from being easy to implement, Kingston states that arbitration is a less expensive option than litigation, which is useful particularly for information because of the fuzzy boundaries of these rights. Also arbitration is becoming more and more popular in various technical industries because of the ability to have an expert arbitrate technical disputes. Kingston points to the interference proceedings in the United States Patent and Trademark Office, as well as the British Patent Office opinions procedure, as being potential models when creating the arbitration system. Although I question whether the implementation of such a system would be as simple as Kingston contends, I agree that this would certainly allow for smaller entities, which may not be able to afford litigation, to be

able to participate in shaping information protection, weakening the opportunity for large firms to solely control the shape of the laws.

Kingston next proposes to change the parameters of protection for information. He takes particular issue with the time component of existing intellectual property protection—20 years from filing for patent protection, 50-70 years after the author's death for copyright protection, and nearly indefinite trademark rights. These time frames simply are not rational measures for information. Kingston instead suggests that money should be a better parameter; specifically, protection should last as long as it takes for the creator to receive a socially acceptable multiple of the investment he made in developing the information. This multiple should ideally be based on the subjectively assessed risk of the endeavor. The multiple would, of course, be difficult to value, but at least a rate that corresponds to the amount of investment would lead to more appropriate protection. The multiple would be used as the price to be paid for compulsory licensing of the information, and late-comers would be able to use the information by sharing in the investment made by the originator. As further enticement, Kingston also proposes that the compulsory licenses be imposed as a one-time payment, rather than as a royalty. The originator then has a more secure source of recoupment of his risk and the late-comer would have greater incentive to make the most use of the licensed information.

The idea of compulsory licensing based on a multiple is more difficult to swallow than the mandatory arbitration proposal. Kingston acknowledges this by providing substantially more support for this suggestion, addressing many of the thornier aspects. Estimating the value of the investment risk, and thus the determination of the multiple, is going to be one of the most difficult pieces of this proposal. To this end, Kingston relates how existing research programs, such as the Small Business Innovation Research (SBIR) Programs in the United States, have had some success in developing numbers of this type. There is also discussion on how to establish the research and development cost basis on which to apply the multiple. Next, he considers the effects of this proposal on a number of information-heavy industries, such as university patents on biotechnology, computer software, databases, and pharmaceuticals, concluding in each case that adopting this proposal is better than any system currently in place.

Against the most typical argument, that compulsory licensing decreases incentives for firms to engage in research and development, Kingston cites to "more than 100 antitrust settlements" that involved compulsory licensing, none of which, according to Kingston, had a significant adverse effect on research incentives. Kingston also argues that some of the most widely

licensed patents are also the most profitable, such as the Cohen-Boyer gene-splicing patent (p.165). On this point, because it is such a regularly raised issue and because, by its very nature, compulsory licensing dilutes the incentive of exclusive rights, I would have liked to see a more vigorous discussion.

Even were the compulsory licensing system put in place, Kingston notes that it would not have the desired effect for smaller firms. Additional changes to any information protection system would need to be made to account for these actors. While Europe and other areas recognize the potential of smaller firms, known as small and medium-sized enterprises (SMEs), these firms have made the most impact in the United States, both in terms of their financial success as well as the number of United States Patents received by smaller firms from other countries (p.177). But regular information protection regimes are failing these firms. Either their inventions do not reach the level required for protection, because they are not novel or obvious in the patent field, or they are sufficiently inventive but lack seed capital to go forward. To address these problems, Kingston makes a wide range of suggestions. For example, inexpensive routes to protection would be helpful, such as the concessions made by the British Patent Office for individuals and SMEs or petty patents. He also makes suggestions for assisting SMEs to enforce their information protection rights, including litigation insurance. However, as he explains, a feasibility study of patent insurance was performed at the behest of the European Union and the results were not favorable. Indeed, the study determined that there would need to be compulsory participation for the system not to fail (p.186).

Another proposal that has been better received provides for a period of incontestability for SMEs' intellectual property, not unlike the incontestability provision of the United States Orphan Drug Act of 1983. In addition to avoiding the threat of litigation early in the life of the patent, the incontestability provision would also make these inventions more attractive to investors, thereby negating some of the negative effects of information protection that apply particularly to SMEs. As part of implementing an incontestability period, Kingston points to Open Review, a process similar to the Peer-to-Patent pilot study occurring in the United States.

The last proposal that Kingston makes is also the most challenging for implementation. One way to overcome the disadvantages of the existing intellectual property regimes as applied to information is to protect information directly as information (DPI). The author was the creator of one of two DPI proposals studied by the European Union.¹ Kingston's

proposed “Innovation Warrant,”² the subject of this chapter, is not surprisingly the one regime change in the book that is well explained and well supported. It is also the proposal that he indicates is the “best candidate” (p.236).

Kingston lays out the case for and the basics of DPI. The focus is not the information itself, but the investment required to make the information into something useful. For example, the question about whether the information is sufficiently novel becomes: “Is the subject-matter of the application for protection available now in the ordinary course of trade?” If the answer is “no”, what is protected is the investment required to change the answer to “yes” (p.210). In order for the DPI to address some of the problems associated with traditional information protection schemes, it is important for the protection granted to reflect the risk taken in making the investment. The first prong that Kingston poses is that the state should both grant the protection and enforce what it grants. The second prong is how risk should be determined. Kingston illustrates this with a matrix relating type of innovation (low, medium, and high) to type of risk (incremental, tech-transfer, and radical) resulting in some number of years of protection (p.215). Although the terms listed in the matrix are generally shorter than patent protection, DPI would be preferable because of the period of incontestability and because it would be the state’s duty to enforce. Kingston discusses in detail the workings of the system, including the application and enforcement processes. Included in these processes are elements of opposition proceedings and compulsory licensing, as well as the opinion practice used in the British Patent Office. Some of the other key features of the DPI system include protection of expectations, because there are categories of risk, calculated in the abstract and not subject to discretion; reliance on third-party expertise; and flexibility to adapt to new technologies or even to allow for different treatment of particular technologies.

In Kingston’s epilogue, however, he concludes that implementing this system in the countries most likely to influence international information protection will be quite difficult. The DPI proposal is unlikely to fall within the intellectual property clause of the Constitution and the Department of Commerce will not want to set up, under the Commerce clause, a system that overlaps so much with the patent system that they already oversee. Europe, too, is an unlikely candidate because the European Union has long worked on a universal patent for its members and has situated its intellectual property matters in Brussels (frustrating the DPI provision of enforcement by state). By considering DPI not as intellectual property, but as economic policy, it is possible that European Union members could

introduce the system nationally, although single implementations may not give as much bang for the buck. Kingston suggests that Canada or Australia may be better suited, but these countries have concerns about international intellectual property that would make their adoption of DPI improbable.

As is often the case when trying to convey an extraordinary amount of information, not to mention describing and justifying a broad range of proposals, it is likely impossible to make all readers happy with what has been included and what has not. There were areas I wish that the author had covered more concisely or not at all and areas that I would have liked to have seen more analysis and detail. That being said, this book provides a broad, if occasionally superficial, panorama of the current and potential future landscape of information protection.

ENDNOTES

¹ DIRECT PROTECTION OF INNOVATION. (W. Kingston ed., Dordrecht, Netherlands and Boston, MA, USA, Kluwer Academic Publishers for the Commission of the European Communities, 1987).

² W. Kingston, An Investment Patent, 7 *European Intellectual Property Review* 131-136 (1981).

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