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## Bits and Bytes from the Chair

By Christopher J. Falkowski, *Falkowski PLLC*

“Not all those who wander are lost.”  
J.R.R. Tolkien (1892-1973), Author

The busy season for the [IT Law Section](#) is about to begin. The section holds three big events each year, and all three are held in the six month period from May through October. I know that economic concerns are weighing heavily on a lot of people (author included), but I am convinced that our events are a great value-added opportunity, and hope that as many people as possible can participate.

This year’s spring networking event will be held in the [Eclipz Lounge](#) at the [Greektown Casino](#) on Wednesday, May 20<sup>th</sup> from 5:30 pm to 8:30 pm. Whether or not you like to gamble, this event is an opportunity to have some fun and do some networking. Major kudos to Anthony Targan and his committee members for their work on what should be a very fun event. If you have any questions regarding the details of this event, please feel free to send out an e-mail to [Anthony.Targan@proquest.com](mailto:Anthony.Targan@proquest.com). More details about this event will be forthcoming, but please don’t wait to block out the evening of May 20<sup>th</sup> on your calendar.

This year’s two significant substantive events will be the [Annual Meeting](#) in September (sometime from the 17<sup>th</sup> through the 19<sup>th</sup>-the exact date and time are TBD) and our second annual IT Law Seminar with [ICLE](#) will be held on October 29<sup>th</sup>. We are currently in the process of setting topics and recruiting speakers. If there are certain topics that you would like to see addressed or if you have suggestions with regards to speakers, please e-mail me at [chris@falkowskipllc.com](mailto:chris@falkowskipllc.com). This is your opportunity to help shape those events so that they are as helpful to your practice as possible. Please do speak up and share your thoughts.

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Bits and Bytes . . .

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If there are things you think the section should be doing that it isn't, please let us know. If your law firm or corporation has a job opportunity that needs to be filled, let us know and we can include a mention in our section communications. If you read an article that would be of interest to our membership or find an extremely helpful online resource, please send it us so that we can share it with the members of the section. I encourage each individual to help shape the section so that it becomes a more valuable resource for all members.

I have always heard it said that with adversity comes opportunity. Can there be any doubt that there are many valuable opportunities to be had in today's challenging times?

Chris Falkowski

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IT Law Section

Statement of Editorial Policy

The aim and purpose of the Information Technology Law Section of the State Bar of Michigan is to provide information relative to the field of information technology law and other information that the section believes to be of professional interest to the section members. Unless otherwise stated, the views and opinions expressed in the *Michigan Information Technology Lawyer* are not necessarily those of the Information Technology Section or the State Bar of Michigan.

# Recent Developments in Information Technology Law

By David R. Syrowik, *Brooks Kushman PC*

## U.S. Courts of Appeal

### Patents

As reported at 86 USPQ2d 1609, on April 18, 2008, the U.S. Court of Appeals for the Federal Circuit held that structure recited in specification of allegedly infringed patent, which simply recites "software" without providing some detail about means to accomplish function, provides no algorithm or description of structure corresponding to claimed function, and thus does not supply minimal disclosure necessary to render asserted claims definite. *Finisar Corp. v. DIRECTV Group Inc.*

As reported at 86 USPQ2d 1235, on March 28, 2008, the U.S. Court of Appeals for the Federal Circuit held that, in a case involving computer-implemented invention in which inventor has invoked means-plus-function claims, structure disclosed in specification must be more than simply general purpose computer or microprocessor, which, because it can be programmed to perform very different tasks in very different ways, does not limit scope of claim to corresponding structure, material, or acts that perform function, as required by 35 U.S.C. § 112. *Aristocrat Technologies Australia Pty Ltd. v. International Game Technology Co.*

As reported at 77 BNA's PTCJ 134, on December 1, 2008, the U.S. Court of Appeals for the Federal Circuit, expanding on its 2003 *Rambus* decision on misconduct in standards-setting organizations (SSOs), holds that Qualcomm has a duty to disclose its patents to an SSO that eventually adopted a standard that infringed the patents. Affirming a lower court's findings of Qualcomm's bad-faith behavior in its SSO participation, the appellate court says the difference in the *Rambus* case is the relevance of the patents to the standard adopted. However, the court vacates an order making the patents unenforceable against the world, instead remanding on that issue to limit the unenforceability to standards-compliant products. *Qualcomm Inc. v. Broadcom Inc.*

As reported at 88 USPQ2d 1564, on September 19, 2008, the U.S. Court of Appeals for the Federal Circuit ruled that any need or problem known in art at time of invention and addressed by patent can provide reason for combining elements of prior art in manner claimed in patent, and genu-

ine issues of material fact as to whether there was motivation to combine prior art references preclude summary judgment that patent relating to indoor wireless local area networks is nonobvious. *Commonwealth Scientific and Industrial Research Organisation v. Buffalo Technology (USA) Inc.*

As reported at 77 BNA's PTCJ 189, on December 11, 2008, the U.S. Court of Appeals for the Federal Circuit ruled in a case of first impression that the fact that a district court's order states that an "action" is dismissed with prejudice and that there is "no just cause for delay" does not mean that the judgment is final and that all of the issues in the case are immediately appealable under Fed. R. Civ. P. 54(b). The case involves a hyperlink patent. *ILOR LLC v. Google Inc.*

As reported at 77 BNA's PTCJ 190, on December 9, 2008, the U.S. Court of Appeals for the Federal Circuit ruled that the PayPal Internet billing does not infringe patent on same function, different service provider. *Netcraft Corp. v. eBay Inc.*

As reported at 77 BNA's PTCJ 217, on December 24, 2008, the U.S. Court of Appeals for the Federal Circuit ruled that contributory patent infringement is not negated by a product that has separable components, one of which infringes and the other of which provides a "substantial noninfringing use." The court relied on the Supreme Court's copyright decisions in *Sony* and *Grokster* in its contributory patent infringement and inducement analyses. *Ricoh Co. v. Quanta Computer Inc.*

As reported at 77 BNA's PTCJ 266, on January 13, 2009, the U.S. Court of Appeals for the Federal Circuit, in an *en banc* order, vacates a 2007 panel ruling that claims in a patent application directed to resolving a legal dispute between two parties are unpatentable abstract ideas under 35 U.S.C. § 101. The court declines to rehear the case *en banc*, instead reassigning it the original panel for revision. On the same day, the original panel issues its slightly revised decision. The refusal to rehear the case *en banc* is accompanied by several separate opinions. *In re Comiskey.*

As reported at 77 BNA's PTCJ 289, on January 12, 2009, the U.S. Court of Appeals for the Federal Circuit in a

non-precedential decision ruled that RealNetworks Inc., a pioneer in the Internet media industry, successfully defends a charge of infringement by a technology licensing company with patents on on-demand music playback services. *Friskit Inc. v. RealNetworks Inc.*

### Trademarks

As reported at 77 BNA's PTCJ 32, on November 5, 2008, the U.S. Court of Appeals for the Ninth Circuit held that the appearance of a name and logo similar to that of a real Los Angeles strip club in a popular video game seeking to create a heightened experience of an inner city Los Angeles neighborhood is protected as free speech under the First Amendment. Affirming a district court's award of summary judgment, the court applies a two-part test that previously has been used only for cases in which the question is whether the title of a creative work infringed a trademark. *E.S.S. Entertainment 2000 Inc. d/b/a Play Pen v. Rock Star Videos Inc. e/s/a Rockstar Games Inc.*

As reported at 89 USPQ2d 1194, on December 23, 2008, the U.S. Court of Appeals for the First Circuit held that evidence supports jury's finding that defendant's use of "3D Visible Enterprise" mark for consulting services with enterprise modeling is likely to cause reverse confusion with plaintiff's "Visible" marks for enterprise modeling software and consulting services, since parties' marks, and their goods and services, are sufficiently similar to raise realistic likelihood of reverse confusion. *Visible Systems Corp. v. Unisys Corp.*

As reported at 77 BNA's PTCJ 315, on January 20, 2009, the U.S. Court of Appeals for the Ninth Circuit held that a Yakama Indian Reservation Tribal court does not have jurisdiction over a non-member corporation's federal and state claims for trademark infringement that occurred on the Internet and beyond the reservation. *Philip Morris USA Inc. v. King Mountain Tobacco Co.*

## U.S. District Courts

### Patents

As reported at 77 BNA's PTCJ 348, on January 23, 2009, the U.S. District Court for the District of Delaware construed the phrase "automatic tax reporting" as meaning "fully automated" in a software patent suit. *Simplification LLC v. Block Financial Corp.*

### Copyrights

As reported at 89 USPQ2d 1403, on January 14, 2009, the U.S. District Court for the District of Massachusetts granted a motion to permit recording and "narrowcasting" of hearing in infringement action brought by major record companies against alleged users of peer-to-peer file-sharing software, since broadcast of hearing is within public interest, since First Amendment suggests that court proceedings be open to public "whenever practicable," and since defendants are primarily members of "Internet generation," and narrowcasting to public Web site thus is uniquely appropriate. *Capitol Records Inc. v. Alaujan.*

As reported at 89 USPQ2d 1397, on January 13, 2009, the U.S. District Court for the District of New Hampshire held that infringement plaintiff's predecessor corporation obtained valid copyright registration for portable document software program, even though corporation had been administratively dissolved, before registration, for failure to comply with filing requirements under New Hampshire law, since law states that administratively dissolved corporation "continues its corporate existence," and there is no reason to believe that Copyright Office would have rejected corporation's application on ground that its conduct was ultra vires. *Embassy Software Corp. v. eCopy Inc.*

As reported at 77 BNA's PTCJ 273, on January 5, 2009, the U.S. District Court for the Northern District of California ruled that a plaintiff seeking a preliminary injunction for infringement of his copyrighted "open-source" software failed to show the likely irreparable harm needed for such relief. *Jacobsen v. Katzer.*

As reported at 77 BNA's PTCJ 274, on December 29, 2008, the U.S. District Court for the Central District of California ruled that automated functions for user access to Web data are protected by the DMCA safe harbor provision of 17 U.S.C. § 512(c). *UMG Recordings Inc. v. Veoh Networks Inc.*

As reported at 77 BNA's PTCJ 96, on November 17, 2008, the U.S. District Court for the Southern District of New York gave preliminary approval to an agreement between Google Inc., the Authors Guild, and the Association of American Publishers to settle lawsuits in which the copyright holders alleged that Google's Book Search project infringed their copyrights. *Authors Guild v. Google Inc.*

As reported at 88 USPQ2d 1779, on September 25, 2008, the U.S. District Court for the Eastern District of Pennsylvania held that plaintiff's complaint, in which he alleges that defendant Internet search engine operators directly infringe his copyrights in literary works by making "cached" copies of plaintiff's Web sites available to users, conclusively establishes affirmative defense of implied license, since complaint indicates that plaintiff knew search engines would display copies of his works unless he employed electronic protocol that would prevent them from doing so, or sent defendants take-down notices, since defendants could properly infer, from plaintiff's silence and lack of earlier objection, that plaintiff knew of and encouraged their activity, and since they could reasonably interpret plaintiff's conduct to be grant of license for that use. *Parker v. Yahoo! Inc.*

As reported at 88 USPQ2d 1679, on September 5, 2008, the U.S. District Court for the District of Arizona held that the general rule that permanent injunction should be granted in copyright infringement action if liability has been established and there is threat of continuing violations is clearly inconsistent with precedent holding that "traditional" four-factor test for injunctive relief must be applied; in present case, plaintiffs have shown that they will suffer irreparable harm if defendants are not permanently enjoined from infringing plaintiffs' copyrights in electronic renderings of their indoor tanning products, and balance of hardships and public-interest factors favor issuance of injunctive relief. *Designer Skin LLC v. S&L Vitamins Inc.*

As reported at 88 USPQ2d 1629, on August 20, 2008, the U.S. District Court for the Northern District of California held that copyright owner issuing "take down" notice to an Internet service provider must consider the fair use doctrine in formulating "good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law" as required by 17 U.S.C. § 512(c)(3)(A)(v). *Lenz v. Universal Music Corp.*

As reported at 88 USPQ2d 1475, on August 29, 2008, the U.S. District Court for the District of Arizona entered default judgment against defendant in copyright infringement action brought by recording companies based on defendant's alleged use of file-sharing program to download sound recordings and distribute them to other users, since defendant repeatedly destroyed evidence central to factual allegations in case by removing file-sharing program from his computer, deleting contents of shared-filed folder, and later deleting all traces of certain files on his computer, since defendant admitted that he acted with full knowledge of duty to preserve all evidence relevant to plaintiffs' claims, and since timing and

character of defendant's actions show deliberate calculation to conceal truth. *Atlantic Recording Corp. v. Howell.*

As reported at 88 USPQ2d 1532, on September 5, 2008, the U.S. District Court for the Northern District of Illinois held that a claim for unjust enrichment under Illinois law, based on alleged copying of plaintiff's prototype Web site, is not preempted by 17 U.S.C. § 301 (a), even though Web site is fixed in tangible form and comes within subject matter of copyright as specified in Section 102, and both unjust enrichment claim and plaintiff's copyright infringement claim are based on same conduct, since unjust enrichment claim includes allegation that defendants obtained benefit of prototype Web site developed by plaintiff without paying for it, and construed in this manner, unjust enrichment claim is qualitatively different from plaintiff's copyright claim. *International Union of Operating Engineers, Local 150 v. Team 150 Party Inc.*

As reported at 89 USPQ2d 1015, on July 14, 2008, the U.S. District Court for the District of Arizona granted summary judgment to declaratory defendants that use of plaintiff's "bot" program by users of defendants' multiplayer online role-playing game, allowing for continued play of game when user is away from computer, gives rise to liability on plaintiff's part for contributory and vicarious infringement; however, plaintiff is granted partial summary judgment on defendants' counterclaim for violation of Digital Millennium Copyright Act under 17 U.S.C. § 1201(a)(2). *MDY Industries LLC v. Blizzard Entertainment Inc.*

### Trademarks

As reported at 77 BNA's PTCJ 296, on January 8, 2009, the U.S. District Court for the Northern District of Illinois ruled that there is no cause of action under the Lanham Act for attempted reverse domain name hijacking for the 2016 Olympic Games. *Frayne v. Chicago 2016.*

As reported at 77 BNA's PTCJ 95, on November 13, 2008, the U.S. District Court for the Northern District of Illinois allowed a lawsuit by the Jones Day law firm to go forward claiming trademark rights against a real estate news Web site that listed houses bought by two Jones Day attorneys and then linked to the attorneys' profiles and pictures on the Jones Day Web site. *Jones Day v. Blockshopper LLC.*

As reported at 88 USPQ2d 1771, on June 30, 2008, the U.S. District Court for the Central District of California stated that plaintiffs asserting cyber squatting claim against accredited Internet registrar and its affiliate/customer, who use proprietary automated tool to search for and register previously unregistered domain names, are granted preliminary injunction prohibiting defendants from using domain names that

are confusingly similar to plaintiffs' marks, since plaintiffs are likely to succeed on merits of their claim, have established irreparable harm, and are favored by balance of hardships; however, defendants' use of automatic registration process will not be enjoined. *Verizon California Inc. v. Navigation Catalyst Systems Inc.*

As reported at 89 USPQ2d 1562, on October 29, 2008, the U.S. District Court for the Eastern District of Virginia ruled that plaintiffs have established all elements of infringement claim against Internet domain name "volkswagentalk.com," since plaintiffs' "Volkswagen" and "VW Emblem" marks are famous and distinctive of plaintiffs' services, since marks and domain name are similar, since services provided by plaintiffs are closely related to services offered at "volkswagentalk.com," and since registrant had bad faith intent to profit from plaintiffs' marks when it registered domain name; registrant will be ordered to transfer domain name to plaintiffs. *Volkswagen AG v. Volkswagentalk.com.*

#### Lanham Act/False Advertising

As reported at 77 BNA's PTCJ 234, on December 15, 2008, the U.S. District Court for the District of Colorado refused to enjoin an online insurance quote service advertising campaign for false advertising under the Lanham Act. *NetQuote, Inc. v. Byrd.*

#### U.S. Patent and Trademark Office

##### Patents

As reported at 77 BNA's PTCJ 130, on November 24, 2008, the Board of Patent Appeals and Interferences ruled that patentability tests for indefiniteness (*i.e.*, 35 U.S.C. § 112), obviousness (*i.e.*, 35 U.S.C. § 103), and statutory subject matter (*i.e.*, 35 U.S.C. § 101) are staged and in part merged. *Ex Parte Halligan.*

As reported at 77 BNA's PTCJ 132, on November 6, 2008, the Board of Patent Appeals and Interferences reversed an examiner's rejection of the claim as non-statutory subject matter under 35 U.S.C. § 101 for failure to produce the tangible result required under the *Bilski* decision by construing a software invention's method claim as a product claim (*i.e.*, "Beauregard" claim). *Ex Parte Li.*

As reported at 88 USPQ2d 1883, on January 28, 2008, the Board of Patent Appeals and Interferences held that the

specification of patent application directed to computer-based system for comparing nucleic acid sequences does not disclose utility for claimed computer system that satisfies 35 U.S.C. §§ 101 and 112, since system is said to be useful for identifying nucleic acid sequences that are similar to 1000 sequences listed in application, but such use is neither "substantial" nor "specific." *Ex parte Nehls.*

As reported at 89 USPQ2d 1297, on November 26, 2008, the Board of Patent Appeals and Interferences rejected a claim in application directed to method for optimizing queries in relational database management system for failing to recite statutory subject matter under 35 U.S.C. § 101, since claim is not directed to machine, manufacture, or composition of matter, and since none of steps recited in claim calls for transformation of article to different state or thing, requires any transformation of data or signals, or recites any particular machine or apparatus to perform those steps. *Ex parte Koo.*

As reported at 89 USPQ2d 1557, on January 13, 2009, the Board of Patent Appeals and Interferences held that claims in application directed to method for predicting and calculating results of floating-point mathematical operations fail "machine-or-transformation" test for patent-eligible subject matter, since recitation of "processor" that performs series of steps does not limit steps to any specific machine or apparatus, and since data acted on by method do not represent physical and tangible objects, and instead represent information about intangible, abstract floating-point number. *Ex parte Cornea-Hasegan.*

#### State Courts

##### Utah

As reported at 88 USPQ2d 1616, on August 19, 2008, the Supreme Court of the State of Utah held that there is no *per se* rule that "pop-up" advertisements do not violate Utah unfair competition law; in present case, however, plaintiff has failed to show that defendant's pop-up ads for its "SmartBargains.com" Web site, labeled with defendant's "SmartBargains" logo and appearing in separate window on top of plaintiff's "Overstock.com" Web site, are deceptive, infringe any trademark, pass off defendant's goods as those of plaintiff, or are likely to cause confusion, since, in absence of survey evidence, court is entitled to assume that pop-ups appearing in separate window and labeled with sponsor's name are not unfairly competitive. *Overstock.com Inc. v. SmartBargains Inc.*

### South Carolina

As reported at 88 USPQ2d 1520, on June 16, 2008, the Supreme Court of the State of South Carolina held that digital geographic data, which contains sufficient original material, research, and creative compilation to qualify for copyright protection, is not exempt from disclosure under South Carolina's Freedom of Information Act; however, county

government can restrict such data from further commercial dissemination, since purpose of FOIA is satisfied once public information is provided to requester, and, once information is provided, it does not frustrate purpose of FOIA for county government to restrict subsequent commercial use of data. *Seago v. Horry County*. ■



## U.S. and Chinese Copyright Law—Differences and Effects on Intellectual Property Protection

By Theo Kountotsis

### Introduction

#### As of 2007, the People's Republic of China was the Biggest Contributor to International Intellectual Property Piracy

Piracy is the greatest threat to the world's entertainment industries.<sup>1</sup> The country that contributes the most to the international piracy problem is the People's Republic of China (the PRC).<sup>2</sup> Any realistic solution to the international piracy problem must include a solution that involves the PRC.<sup>3</sup>

In February 2007, the International Intellectual Property Alliance, which is a coalition of U.S. movie, software, music, and book industry groups, estimated that it lost approximately \$2.2 billion in the PRC market in 2006 because of piracy.<sup>4</sup> Nevertheless, the U.S. agreed to delay filing a World Trade Organization (WTO) case against the PRC since the PRC indicated its willingness to do more to address U.S. concerns.<sup>5</sup> However, many U.S. lawmakers are frustrated that the PRC's piracy rates still remain among the highest in the world.<sup>6</sup> In fact, Senator Carl Levin of Michigan stated, "one reason for this glaring trade imbalance is China's continued non-compliance with its WTO obligations and our failure to challenge this non-compliance."<sup>7</sup>

#### What has the People's Republic of China Done to Combat Intellectual Property Piracy?

In response to previous claims by the International Intellectual Property Alliance, the PRC had launched a "spring campaign" against illegal and pirated publications that

lasted until May of 2006, as illegal publications and piracy reemerged in some areas of the country.<sup>8</sup> The PRC also launched a 100-day nationwide campaign against pirated audio and video products and computer software from July 15 to late October in 2006.<sup>9</sup> According to the official statistics, 19.46 million illegal publications were seized each month on average from July through September, more than double the monthly average for the January-June period of the previous year.<sup>10</sup> In addition, in an unprecedented move, Chinese companies are also seeking to protect their own copyrights against copyright infringement by other Chinese companies. A lawsuit filed by one of the PRC's largest newspapers against one of the country's leading Internet portals over the issue of massive copyright violations is described as the opening salvo in a media war.<sup>11</sup> In particular, the Beijing News is seeking \$400,000 in damages from a popular Internet site called Tom.com for having copied and republished more than 25,000 articles and photographs without authorization since 2003.<sup>12</sup>

Therefore, despite worldwide frustration of inadequate protection of intellectual property, and, specifically, copyrights in the PRC, the PRC is making significant attempts to fight copyright infringement in its country. In addition, Chinese companies themselves have started to fight back on copyright infringement by the PRC's own citizens. However, the question remains, why has the PRC been historically lax in protecting intellectual property rights within its borders?

### Copyright Law in the United States and the People's Republic of China

This paper explores the differences between American and Chinese copyright laws by delving into societal needs, concepts of intellectual property rights, and differing cultural norms. In particular, to prevent piracy in the PRC, an understanding of the Chinese copyright system is necessary. Thus, a comparison of the Chinese copyright system with its American counterpart will reveal characteristics of the Chinese copyright system that make enforcement of intellectual property rights difficult. Such areas include a differing underlying philosophy, exceptions to liability, criminal prosecution initiatives, and a lax enforcement structure.<sup>13</sup> This comparison will also help in determining the effectiveness of American responses in the PRC.<sup>14</sup>

Specifically, the paper begins with a historical perspective of copyright law development in the U.S. and the PRC. The paper then proceeds by comparing basic U.S. and Chinese copyright laws. Next, the paper compares U.S. and Chinese copyright infringement and fair use theories, and U.S. and Chinese remedies provided to victims of copyright infringement. Finally, the paper analyzes Articles 3, 4, and 43 of the Trade Related Intellectual Property Rights (TRIPS) Agreement and how such Articles relate to Chinese copyright laws. It is also determines whether the PRC actually does comply with the TRIPS agreement while being a member of the World Trade Organization (WTO).

### Development of Copyright Law in the United States

The theories underlying the copyright systems in the United States and the PRC differ significantly. In the U.S., the *focus is on the creator or author of the copyrighted works*, whereas in the PRC the *interests of society prevail*. The intellectual property laws and attitudes of each nation reflect these differing approaches to intellectual property.

#### The First Copyright Statute: The Statute of Anne (1710)

The first copyright statute was England's Statute of Anne, which was enacted in 1710 and was designed to break the monopoly that the London Stationers' Guild held over publishing in England.<sup>15</sup> The English copyright law became the model for countries that followed the common law tradition, including the United States.<sup>16</sup> However, why did so many countries adopt the English copyright statute?

The reason why many countries, including the U.S., adopted the Statute of Anne is because the statute focused primarily on the utilitarian and economic justifications for copyright.<sup>17</sup> Both the utilitarian and natural rights models assume and require the free alienability of copyright.<sup>18</sup> Under the utilitarian model, the widespread dissemination of intellectual works is no less an important goal of copyright than is the creation of those works.<sup>19</sup> Since publishers and distributors disseminate the works, rather than authors, copyright is designed as much to protect the publisher's investment in bringing a work to market as to give the author an incentive to produce.<sup>20</sup>

Therefore, from the very beginning, Western copyright laws focused on the author, how to protect the author, and the economic benefits that accrued to the author of the works.

#### The First U.S. Copyright Legislation: The United States Constitution

At the Constitutional Convention of 1787, both James Madison of Virginia and Charles Pinckney of South Carolina submitted proposals to give Congress the power to grant copyrights.<sup>21</sup> Therefore, the Framers of the U.S. Constitution gave great weight to incorporating a copyright provision in the U.S. Constitution.<sup>22</sup>

Specifically, Article I, § 8, clause 8 of the U.S. Constitution states that: "Congress shall have Power . . . **To promote the Progress of Science and useful Arts**, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."<sup>23</sup>

This grant of legislative authority is limited in two significant aspects. First, copyright must be limited in duration. Second, the purpose of providing copyrights is to promote the progress of science and the useful arts. This limited grant is a means by which an important public purpose may be achieved.<sup>24</sup> It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.<sup>25</sup>

Therefore, this clause seems to suggest that the dominant purpose of the Framers was to promote the creation of knowledge, so as to enhance public welfare. This goal is to be achieved through provisions of an economic incentive, that being, a monopoly of a limited time to authors of creative works.<sup>26</sup> According to this utilitarian view, society as

a whole benefits from an author's creative effort.<sup>27</sup> Thus, the author should be given control over his work, but only to the extent that such control provides the necessary incentive for the author to create the work in the first place.<sup>28</sup> This justification assumes there will be more creation and dissemination of expression, and more benefit to the public if the author can recoup the investment in his work.<sup>29</sup>

Consequently, according to Article I, § 8, clause 8 of the U.S. Constitution, copyright protection is based on two main philosophies. These philosophies are (i) the natural rights doctrine and (ii) the economic rights doctrine.

#### *Copyright Protection Based on the Natural Rights Doctrine*

Under the natural rights theory, the authors are entitled to reap the fruits of their labor and to protect the integrity of their creations.<sup>30</sup>

In *Sony*, the U.S. Supreme Court stated that: "... Congress' copyright power is justified not because authors need protection as an inducement for their efforts, but rather because they **deserve protection as an inherent natural right** attaching to the act of creation."<sup>31</sup>

Therefore, this doctrine gives copyright owners an inherent property interest in their mental labor and the manifestations of that labor.<sup>32</sup> As a result, authors have a natural right in their creations.

#### *Copyright Protection Based on the Economic Rights Doctrine*

Copyright protection is also based on an economics rights theory. In *Harper & Row*, the U.S. Supreme Court stated that: "... the rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors."<sup>33</sup>

A balance is required between the public's interest in accessing works and the right of the creator in receiving the economic rewards of producing works.<sup>34</sup> Under this theory, copyright is necessary to prevent creators of works from turning their attention to more financially lucrative behavior.<sup>35</sup> Economic rights promote progress and innovation by rewarding copyright holders.<sup>36</sup>

As a result, not only do authors have a natural right to their creations, but authors also have a right to economically benefit from their creations, according to historical development of U.S. copyright laws.

#### **Summary: Development of U.S. Copyright Law**

In the Copyright Act of 1976, Congress sought to benefit the public by encouraging an artist's creative expression. Con-

gress carefully drew the boundaries of copyright protection to achieve this goal. Congress granted artists the exclusive right to original works, thereby giving them financial incentive to create works to enrich society. Nevertheless, Congress denied artists exclusive rights to ideas and standard elements in their works to prevent them from monopolizing what rightfully belongs to the public. According to this understanding, the focus of American copyright law is primarily on the benefits derived by the public from the labors of authors and only secondarily on the desirability of providing a reward to the author in recognition of creative accomplishment. Therefore, copyright is seen as a means by which the general welfare is advanced through the provision of economic incentives to creators of new works of intellect, by deriving an economics rights and a natural rights doctrine from the U.S. Constitution.

### **Development of Copyright Law in the People's Republic of China**

#### **Moral, Social, Religious, and Philosophical System of the People's Republic of China**

Confucianism, recent legal history, and socialism shape the Chinese concept of copyright.<sup>37</sup> Confucianism is basic to Chinese philosophy and social conduct, and conflicts with the idea of rule of law.<sup>38</sup> Confucianism asserts that people should live in accordance with "li," the accepted modes of behavior, and that people are not governed by "fa," the rule of law.<sup>39</sup> In Confucian society, an author's work was considered a public good, and the task of printing copies for dissemination was left exclusively to the government.<sup>40</sup> Thus, Confucianism advocates the dominance of public good over individual desires.

It has been argued that the PRC's Confucian traditions focused on the transmission or passing down of creative works for others to build on, rather than learning or creation as an individualized activity.<sup>41</sup> The Confucian statement "I transmit Rather than Create - I believe in and love the Ancients" is often referred to as an example of this approach.<sup>42</sup>

As a result, for more than 2,000 years, Confucianism, which provided "the blueprint of an ideal life" and the yardstick against which human relationships were to be measured, had heavily influenced the Chinese.<sup>43</sup> Since intellectual property rights allow a significant few to monopolize these needed materials, they prevent the vast majority from understanding their life, culture, and society.<sup>44</sup> Intellectual property rights, therefore, contradict traditional Chinese moral standards.<sup>45</sup> Consequently, Confucianism is contrary to the idea of intellectual property because intellectual property rights are condemned for monopolizing necessary information and preventing general dissemination of such information.<sup>46</sup>

### The First Copyright Statute of the People's Republic of China

Article 1 of the Chinese copyright laws (amended in 2001) states that the law exists:

for the purposes of protecting **the copyright of authors in their literary, artistic and scientific works** and the copyright-related rights and interests, of encouraging the creation and dissemination of works which would contribute to the **construction of socialist spiritual and material civilization**, and of promoting the development and prosperity of the socialist culture and science.<sup>47</sup>

Under the socialist economic system, property belongs to the State and the people, rather than private owners.<sup>48</sup> Authors thus create literary and artistic works for the welfare of the State, rather than for the purpose of generating economic benefits for themselves.<sup>49</sup> In fact, owning property is wrong.<sup>50</sup> It is worse than stealing property that belongs to someone else.<sup>51</sup>

Therefore, Chinese culture has not been one of intellectual sharing and of individualistic notions in intellectual endeavors. It is thus not simple to fit Western notions of intellectual property into Chinese law and culture. Nevertheless, there has been a series of legal reforms, such as Article 1 of the Chinese copyright laws that have moved Chinese copyright laws closer to international standards for copyrights. Modern Chinese copyright laws resemble Western notions of copyright laws; however the question is whether such laws will be effectively enforced in a country that has traditionally condemned notions of individualism in intellectual property rights?

#### Summary: Development of Copyright Law in the People's Republic of China

There are major differences between the U.S. and the PRC in philosophical thinking when it comes to ownership of copyrights. Chinese copyrights do not conform well to Western ideals because the philosophical bases for copyrights are quite different. In addition, it will be very difficult to change these societal beliefs as the Chinese have followed them for over 2,000 years. However, responses consistent with these philosophical beliefs can be effective in preventing piracy in the PRC. It is not enough to force the PRC to designate and enact Western copyright laws, as they did in 1990. It is essential for Western countries to accept the Chinese culture and aid the PRC in developing Chinese copyright laws that

conform to their culture and concurrently abide by Western standards of thinking.

### United States Copyright Law

This section of the paper outlines current U.S. copyright law at a level appropriate to enable an understanding of later sections of this paper that compare the impact that U.S. and PRC copyright laws have on copyright infringement, the fair use doctrine, and copyright infringement remedies.

#### Works Protected by U.S. Copyright Laws

First, to make a comparison between U.S. and Chinese copyright laws, it is important to determine what types of works U.S. copyright laws protect.

17 U.S.C. § 102(a) of the 1976 Copyright Act provides that "copyright protection subsists . . . in **original works of authorship fixed in any tangible medium** of expression, now known or later developed, from which they can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device."<sup>52</sup>

In addition, 17 U.S.C. § 102(a) states that "works of authorship include the following categories: (1) **literary works**..."<sup>53</sup>

17 U.S.C. § 102(b) of the 1976 Copyright Act provides that "**in no case does copyright protection** for an original work of authorship **extend to any idea**, procedure, process, system, method of operation, concept, principle, or discovery."<sup>54</sup>

Therefore, literary works owned by the authors and/or the publishers are subject to copyright protection if they are original works that are fixed in a tangible medium, satisfying 17 U.S.C. § 102(a) and (b) of the 1976 Copyright Act.

#### Exclusive Rights of an Owner of U.S. Copyrighted Works

Second, to make a comparison between U.S. and Chinese copyright laws, it is also important to determine what exclusive rights are provided to an owner of a copyright. 17 U.S.C. § 106 of the 1976 Copyright Act states that:

the owner of copyright ... has the exclusive rights to do and to authorize any of the following: (1) **to reproduce the copyrighted work** ... (2) **to prepare derivative**

**works** based upon the copyrighted work; (3) **to distribute copies** or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending ... (4) ... **to perform the copyrighted work publicly**; ... (5) ... **to display the copyrighted work publicly**; and (6) in the case of sound recordings, to **perform** the copyrighted work **publicly by means of a digital audio transmission**.<sup>55</sup>

As a result, the United States copyright laws provide six exclusive rights for the owner of a copyright. If an infringer violates any of these rights, the copyright owner has the right to file a copyright infringement lawsuit.

#### Duration of Rights for U.S. Copyrighted Works

17 U.S.C. §302 of the 1976 Copyright Act states that “[c]opyright in a work created on or after January 1, 1978, subsists from its creation and ... endures for a term consisting of the **life of the author and 70 years after the author’s death**.”<sup>56</sup>

In *Eldred v. Ashcroft*, the Supreme Court upheld the constitutionality of the Copyright Term Extension Act (CTEA) of 1998.<sup>57</sup> However, this holding appears to have adopted a policy of perpetual copyrights, under which most of the 20<sup>th</sup> century copyrights will last until the next century.<sup>58</sup> A copyright of a century or more creates a virtually perpetual copyright and leaves the public with almost no expectation of a usable public domain.<sup>59</sup> Under the regime of near perpetual copyright, a vast array of political, cultural, and economic history will remain unavailable to the public in a meaningful way for many more years.<sup>60</sup> Therefore, the Court in *Eldred* stated that the CTEA is constitutional, thus extending the length and breadth of copyright duration even longer than anticipated by international treaties. This illustrates that American copyright owners enjoy generous copyright protection benefits in the U.S. even though such copyright laws may be passed, and approved by the Court, under great scrutiny.

#### Summary: United States Copyright Law

U.S. copyright laws protect several different categories of works that are fixed in any tangible medium. The authors of the works are given six exclusive rights when a copyright is obtained. The duration of a copyright under U.S. law is life of the author plus 70 years after the author’s death, resulting in generous economic protections.

#### Copyright Law of the People’s Republic of China

This section of the paper outlines current PRC copyright

law, to the extent that formal provisions of the law have permeated Chinese culture, and at a level appropriate to enable an understanding of later sections of the paper, which compare the impact that U.S. and PRC copyright laws have on copyright infringement, the fair use doctrine, and copyright infringement remedies.

#### The First Copyright Statute in the People’s Republic of China

Ever since the debut of its open door policy, the PRC has been importing laws from the West, either due to international political pressure or due to a national desire to develop its economy.<sup>61</sup> However, the crucial point is not what is borrowed and written on paper, but rather whether the imported laws can function positively and properly in the new habitat.<sup>62</sup>

As stated in February 2007 by Senator Carl Levin of Michigan, “[w]e need a more balanced trading relationship with China.”<sup>63</sup> Furthermore, he stated:

[w]e need to take bold action and insist that trade with China be a two-way street for American manufacturers, farmers and service providers trying to do business there. The one-sided nature of the U.S.-China trade relationship is evident when you look at the trade deficit figures. In 2005, the PRC exported \$243 billion worth of goods to the U.S. – six times the amount that the U.S. exported to the PRC. This left us with a deficit of \$202 billion in 2005 – our largest deficit with any country. In 2006, the U.S.-China trade deficit is expected to exceed \$230 billion.<sup>64</sup>

Such concerns were raised in the late 1980s and are still prevalent today, as Senator Carl Levin stated.<sup>65</sup>

As a result of such trade deficit concerns due to non-protection of intellectual property rights in the late 1980s, the PRC enacted its first copyright laws in 1990 and subsequently amended them in 2001 to further comply with international standards.

Article 1 of the 1990 Chinese copyright laws (amended in 2001) exists, “for the purposes of protecting the copyright of authors in their literary, artistic and scientific works . . . of encouraging the creation and dissemination of works . . . and of **promoting the development and prosperity of the socialist culture and science**.”<sup>66</sup>

However, Article 1 of the 1990 Chinese copyright laws was enacted not only in response to bilateral negotiations with the U.S., but also in support of the PRC’s effort to join the World Trade Organization (WTO) and comply with the Agreement on Trade Related Intellectual Property Rights (TRIPS).<sup>67</sup> These efforts, as evidenced in Article 1 of the Chi-

nese copyright laws, were sufficient to bring the PRC within the guidelines of the TRIPS Agreement, and in late 2001 the PRC became a member of the WTO.<sup>68</sup> Therefore, to gain accession into the WTO, the PRC amended the copyright law to extend the scope of protection and enhance the penalties for infringement.<sup>69</sup> However, the PRC has not ratified the World Intellectual Property Organization (WIPO) Internet Treaties, but did consider them when amending the copyright law in 2001.<sup>70</sup> Nevertheless, on paper, as evidenced by Article 1 of the Chinese copyright laws, the PRC has embraced Western notions of copyright law.

There are two main reasons for amendments to the Chinese copyright laws in 2001.<sup>71</sup> First, it was widely urged to expand the categories of copyright and create new areas of protection, such as protection of databases and the right to rent and transfer property rights.<sup>72</sup> Second, copyright infringement and piracy have been prolific in the PRC, and one of the reasons is that the Chinese copyright laws did not impose sufficiently strong punishment against copyright infringers.<sup>73</sup> Therefore, changes needed to be made concerning expansion of copyright protection and punishment for infringers.<sup>74</sup>

### Works Protected by the People's Republic of China's Copyright Laws

Article 3 of the 1990 Chinese copyright laws (amended in 2001), states:

... the term "works" includes works of literature, art, natural science, social science, engineering technology ... expressed [as] ... (1) written works; (2) oral works; (3) musical, dramatic, quyi, choreographic and acrobatic works; (4) works of fine art and architecture; (5) photographic works; (6) **cinematographic works** and works created by virtue of an analogous method of film production; (7) drawings of engineering designs, and product designs; maps, sketches and other graphic works and model works; (8) **computer software**; (9) other works as provided for in laws and administrative regulations.<sup>75</sup>

Therefore, Chinese copyright laws permit a broad range of works to be protected. Details of the meanings of each of the works referred to in Article 3 of the Copyright Law are provided in Article 4 of the Implementing Regulations. For

example, while Article 3 of the copyright law simply lists "written works" as one of the types of work protected, Article 4 states specifically what is meant by such term. As a result, on paper, Article 3 of the Chinese copyright laws complies with Western notions of copyright protection.

### Exclusive Rights of an Owner of Copyrighted Works in the Peoples Republic of China

Article 10 of the 1990 Chinese copyright laws (amended in 2001), states:

The term "copyright" shall include the following personality rights and property rights:

(1) the **right of publication**...; (2) the **right of authorship**...; (3) the right of alteration...; (4) the right of integrity...; (5) the **right of reproduction**...; (6) the **right of distribution**...; (7) the right of rental...; (8) the right of exhibition...; (9) the **right of performance**...; (10) the right of showing...; (11) the **right of broadcast**...; (12) the right of communication of information on networks...; (13) the right of making cinematographic work...; (14) the right of adaptation...; (15) the right of translation...; (16) the right of compilation...; and (17) any other rights a copyright owner is entitled to enjoy.<sup>76</sup>

Therefore, the Chinese copyright laws specifically indicate 15 different categories of rights that are protected. In fact, it can be said that the Chinese copyright laws are more comprehensive than the U.S. copyright laws that provide for only 6 exclusive rights. Once again, on paper, Article 10, as well as Articles 1 and 3 of the Chinese copyright laws, provide a broad and wide range of protection to copyright owners.

### Summary: People's Republic of China Copyright Law

The PRC's copyright laws, as amended in 2001, are structurally similar to that of most countries in the world, with some slight variations. The copyright laws of the PRC operate in conjunction with the "Regulations for the Implementation of the Copyright Law of the PRC."<sup>77</sup>

The PRC's copyright laws set out the subject matter of copyright, explain who owns the copyright, and then explain what economic and moral rights creators or owners of copyrights possess. The laws also explain the duration of the copyright term and the limitations upon those copyrights. The

Implementing Regulations act as an extension to the main law and provide clarifications of subject matter, rights, exceptions, and presumptions of the main copyright law.

### Copyright Infringement in the United States and the People's Republic of China

The theories of copyright infringement and the fair use exception to copyright infringement reflect the differing underlying philosophies of the U.S. and the PRC. In the U.S., there are three distinct theories of infringement, and limited exceptions to infringement liability.<sup>78</sup> In the PRC, there are two overlapping types of non-criminal infringement and a wide range of exceptions to liability.<sup>79</sup> These differences are attributable to the preference for the *individual* in the U.S., and for *society* in the PRC.

#### Copyright Infringement in the United States

There are several theories of copyright infringement under U.S. copyright law. Direct infringement occurs when a party violates any of the copyright owner's exclusive rights.<sup>80</sup> Contributory infringement takes place when one, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.<sup>81</sup> Vicarious infringement occurs when a party possesses the right and ability to supervise the infringement, and has an obvious and direct financial interest in exploiting the copyrighted material.<sup>82</sup>

#### Copyright Infringement in the People's Republic of China

There are two types of non-criminal infringement in Chinese copyright law: infringing behaviors that qualify for civil liability only, and infringing behaviors that warrant both civil and administrative liability.<sup>83</sup>

Article 46 of the 1990 Chinese copyright laws (amended in 2001), states:

Anyone who commits any of the following acts of infringement **shall bear civil liability** for such remedies as ceasing the infringing act, eliminating the effects of the act, making an apology or paying compensation for damages, depending on the circumstances: (1) publishing a work without the permission of the copyright owner; (2) publishing a work of joint authorship as a work created solely by oneself . . . ; (4) distorting or mutilating a work . . . ; (5) plagiarizing a work . . . ; (6) **exploiting by exhibition, film production or any analogous method of film production**, or by adaptation, translation, annotation, or by other means,

without the permission of the copyright owner . . . ; (7) exploiting a work created by another person without paying remuneration as prescribed by regulations; (8) renting a work, sound recording or video recording, without the permission of the copyright owner of a **cinematographic work** . . . ; (10) broadcasting live a performance or communicating the live performance to the public, or recording his performance without the permission of the performer; or (11) committing any other act of infringement of copyright and of other rights and interests relating to copyright.<sup>84</sup>

Article 47 of the 1990 Chinese copyright laws (amended in 2001), states:

Anyone who commits any of the following acts of infringement **shall bear civil liability** . . . [and] where the circumstances are serious, the copyright administration department may also confiscate the materials, tools, and equipment mainly used for making the infringing reproductions; and if the act constitutes a crime, the infringer **shall be prosecuted for his criminal liability**: (1) **reproducing, distributing, performing, showing, broadcasting**, compiling or communicating to the public on an information network a work created by another person, without the permission . . . ; (2) publishing a book where the exclusive right of publication belongs to another person; (3) **reproducing and distributing a sound recording or video recording of a performance** . . . ; (4) reproducing and distributing or communicating to the public . . . a sound recording or video recording produced by another person . . . ; (5) broadcasting and reproducing a radio or television program produced by a radio station or television station without the permission . . . ; (6) intentionally circumventing or destroying the technological measures taken by a right holder . . . ; or (8) producing or selling a work where the signature of another is counterfeited.<sup>85</sup>

Therefore, actions that qualify for civil liability include exploiting a work without the consent of the copyright owner and exploiting a work created by another without paying remuneration. Eight actions can merit both civil and criminal liability, including reproducing and publishing a sound recording without the consent of the performer as well as reproducing and distributing a sound recording produced by another without the consent of the producer. However, Chinese copyright laws do not specifically address contributory infringement and vicarious liability.

### Summary: Copyright Infringement in the United States and the People's Republic of China

It appears that Chinese copyright law is lacking in regards to clarity of copyright infringement principles. According to Chinese copyright theory, actions that infringe on the rights of the copyright holder merit only civil liability, while those that infringe on societal interests can warrant both civil and administrative liability. This distinction between individual and societal interests is not explained in PRC copyright law. Specifically, Article 47 provides that if the enumerated actions damage both private and public interests, the actions warrant both civil and administrative liability. However, what exactly does it mean to damage the public interest? Thus, Chinese copyright infringement laws may be ineffective due to ambiguity or lack of clarity.

### Fair Use Doctrine in the United States and People's Republic of China

#### Fair Use Doctrine in the United States

A claim of copyright infringement is subject to certain statutory exceptions, including the fair use exception,<sup>86</sup> which is the most significant exception to copyright infringement in the United States. According to the 17 U.S.C. § 107, 'use' for the purposes of criticism, comment, news reporting, teaching, scholarship, or research does not constitute copyright infringement.

The fair use exception permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.<sup>87</sup>

17 U.S.C. § 107 of the 1976 Copyright Act states the four statutory factors considered in making the fair use determination, which are (1) the **purpose and character of the use** ...; (2) the **nature of the copyrighted work**; (3) the **amount and substantiality of the portion used** in relation to the copyrighted work as a whole; and (4) the **effect of the use upon the potential market** for ... the copyrighted work."<sup>88</sup>

#### Fair Use Doctrine in the People's Republic of China

The fair use doctrine in Chinese copyright law is more expansive than the fair use doctrine is in the United States. There are twelve types of fair uses, which include use for individual study, research or enjoyment, or reprinting or

re-broadcasting, as mentioned in Article 22 of the Chinese copyright laws. A work may be used in any of these ways without a license and without paying remuneration, as noted in Article 47 of the Chinese copyright laws.

Article 22 of the 1990 Chinese copyright laws (amended in 2001), states:

a work may be exploited without permission from, and without payment of remuneration to, the copyright owner, provided that the name of the author and the title of the work shall be mentioned [for] . . . (1) use of a published work for the purposes of the user's own private study . . .; (2) appropriate quotation from a published work in one's own work . . .; (3) reuse or citation, for **any unavoidable reason**, of a published work in newspapers, periodicals, at radio stations, television stations or any other media for the purpose of reporting current events; (4) reprinting . . . of articles on current issues relating to politics, economics . . .; (5) **publication . . . of a speech delivered at a public gathering** . . .; (6) translation, or reproduction in a small quantity of copies, of a published work for use by teachers or scientific researchers, in classroom teaching or scientific research . . .; (7) **use of a published work . . . by a State organ for the purpose of fulfilling its official duties**; (8) reproduction of a work in its collections by a library . . .; (10) copying, drawing, photographing or video recording of an artistic work located or on display in an outdoor public place; (12) transliteration of a published work into Braille.<sup>89</sup>

Certain portions of Article 22 may cause misinterpretations of what is a fair use, and give great deference to the Chinese government to exploit such exemptions. For example, what exactly are the official duties of the State, as stated in the seventh exemption? What is "for any unavoidable reason," as stated in the third exemption? In addition, it appears that any speech given in public, even if written on paper, is not protected by Chinese copyright laws according to the fifth exemption.

### Summary: Fair Use Doctrine in the United States and People's Republic of China

It appears that Chinese copyright law is lacking in regards to setting reasonable limits to the fair use exception. The Chinese fair use doctrine is very broad, and provides

many opportunities to violate copyrights with impunity. These characteristics of Chinese copyright law inhibit protection of intellectual property rights, and thus constitute another barrier to the interests of the American copyright holders. Therefore, Chinese copyright laws may be ineffective with regards to the fair use exceptions, due to ambiguities or lack of clarity.

### Copyright Remedies in the United States and People's Republic of China

The U.S. Copyright Act of 1976 provides for civil remedies for copyright infringement. Possible remedies include injunction, or impoundment and disposition of infringing articles if reasonable to prevent or restrain infringement. In addition, actual or statutory damages are available, as well as attorneys' fees.

#### Copyright Remedies in the United States

Regarding remedies for copyright violations in the U.S., the 1976 Copyright Act includes the following provisions:

- “[a]ny court having jurisdiction of a civil action ... may ... grant temporary and final injunctions ... **to prevent or restrain infringement of a copyright.**”<sup>90</sup>
- “the court may **order the impounding**, on such terms as it may deem reasonable, of all copies or phonorecords claimed to have been made or used in violation of the copyright owner's exclusive rights ... the court may **order the destruction** or other reasonable disposition of all copies”<sup>91</sup>
- “an infringer of copyright is liable for either (1) the copyright owner's **actual damages** and any additional profits of the infringer, as provided by subsection (b); or (2) **statutory damages**”<sup>92</sup>
- “[i]n any civil action . . . the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof . . . [and] the court may also award a **reasonable attorney's fee** to the prevailing party as part of the costs.”<sup>93</sup>
- “the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action ... in a sum of **not less than \$750 or more than \$30,000 as the court considers just.**”<sup>94</sup>
- “[i]n a case where the copyright owner sustains the burden of proving, and the court finds, that infringe-

ment was **committed willfully**, the court in its discretion may increase **the award of statutory damages to a sum of not more than \$150,000.**”<sup>95</sup>

Consequently, the copyright owner has many avenues of protection in the U.S., including injunctions, impoundment of pirated material, destruction of pirated material, actual damages, profits earned by the infringer, and costs and attorney's fees. In the alternative, the rights holder may elect to receive statutory damages determined by the court, ranging from \$750 to \$30,000 for each act of copyright infringement, and if the court finds that the infringement was intentional, the statutory damages may be increased up to a total of \$150,000. Just as important, the remedies that can be imposed on a copyright infringer under U.S. copyright laws can have a significant deterrent effect.

#### Copyright Remedies in the People's Republic of China

In the Chinese legal system there are *civil*, *administrative*, and *criminal* sanctions.<sup>96</sup> The *civil* sanctions are the traditional individualized justice between private litigants.<sup>97</sup> The *administrative* sanctions are the State enforcing public policy.<sup>98</sup> The *criminal* sanctions are more extensive enforcement of State power as seen by the exercise of criminal jurisdiction.<sup>99</sup>

Article 46 of the 1990 Chinese copyright laws (amended in 2001), states: “[a]nyone who commits any of the following acts of infringement **shall bear civil liability** for such remedies as ceasing the infringing act, eliminating the effects of the act, making an apology or paying compensation for damages, depending on the circumstances.”<sup>100</sup>

Article 47 of the 1990 Chinese copyright laws (amended in 2001), states that “[a]nyone who commits any of the following acts of infringement **shall bear civil liability** ... and if the act constitutes a crime, the infringer **shall be prosecuted for his criminal liability.**”<sup>101</sup>

Thus, PRC copyright law provides for both civil and administrative remedies depending on the nature of the harm. Civil remedies available when the harm is to the copyright holder include injunction, elimination of the effects of the infringing act, public apology, and damages. Administrative remedies available when the harm is to society include imposition of fines, confiscation of unlawful gains, or confiscation and destruction of the infringing products.

Article 48 of the 1990 Chinese copyright laws (amended in 2001), states:

“Where a copyright ... is infringed, the infringer shall compensate for the actual injury suffered by the right holder; where the actual injury is difficult to compute,

the damages shall be paid on the basis of the unlawful income of the infringer ... [w]here the right holder's actual injury or infringer's unlawful income cannot be determined, the ... Judge [may award] **damages not exceeding RMB 500,000**"<sup>102</sup>

PRC copyright law provides that the infringer will pay damages for the actual harm caused to the copyright owner. If the actual harm cannot be calculated, the infringer has to turn over the profit earned. If the profit cannot be determined, the judge is authorized to award damages up to 500,000 RMB (approximately US \$60,000).

Furthermore, there are criminal penalties of up to seven years, including imprisonment, which is identified within the Chinese Criminal Law of 1997. The onus of proof of copyright authorization rests with the alleged infringer under Article 52 of the Chinese copyright law.

#### **Summary: Copyright Remedies in the United States and People's Republic of China**

The copyright system in the PRC suffers from ambiguity, a lower statutory damage cap, and infrequency assessed administrative fines. There are weaknesses in the Chinese civil and administrative remedies for copyright infringement. First, the harsher administrative remedies are most likely unavailable because it is not clear from the PRC copyright law when administrative liability is warranted (Article 47 of the Chinese copyright laws). Second is the statutory damage cap. In the U.S., statutory damages can reach up to \$150,000 for each act of infringement,<sup>103</sup> while in the PRC, statutory damages are limited to approximately US \$60,000 total.

In addition, the deterrent effect of administrative fines in the PRC is questionable because the fines are too low both in PRC copyright law and in practice.<sup>104</sup> When determining the amount of fines, the harm is based on the price of the infringing goods, not the price of genuine works.<sup>105</sup> Thus, the fines are low and do not punish infringers sufficiently.<sup>106</sup> These problems contribute to enforcement difficulties in the PRC and need to be resolved to allow successful prosecution for copyright infringement.

#### **'Trade Related Intellectual Property Rights' (TRIPS) Agreement**

On October 27, 2001 the National People's Congress of China approved amendments to the Chinese copyright law that brought it closer in line with the Agreement on Trade

Related Intellectual Property Rights 1994 (TRIPS) and the Berne Convention.<sup>107</sup> Since enacting its first copyright law in 1990, the PRC has been engaged in the development of a copyright regime that accords with international practice.<sup>108</sup> The PRC has now acceded to almost every major international treaty on the protection of intellectual property rights.<sup>109</sup> However, just because the PRC has become a member of just about every international intellectual property treaty does not mean that the PRC is closely abiding by those rules.

As stated in February 2007 by Senator Carl Levin of Michigan, "one reason for this glaring trade [deficit] imbalance is China's continued non-compliance with its WTO obligations and our failure to challenge this non-compliance. When China [joined] the WTO it committed to abide by international trade laws. But in case after case China has thumbed its nose at these laws and we've not objected. We should be bringing trade cases against China on currency manipulation and Intellectual Property Rights (IPR) violations and against its industrial policies that discriminate against imports."<sup>110</sup>

Moreover, concerning intellectual property, Senator Carl Levin stated that on April 29, 2005, the United States Trade Representative (USTR) placed the PRC on the Special 301 Priority Watch List because of its failure to improve protections for U.S. intellectual property rights.<sup>111</sup> Yet the PRC has not changed its behavior.<sup>112</sup> An enforcement office is needed within the USTR to pursue trade cases against countries that fail to meet commitments to reduce IPR infringement levels, and to prosecute counterfeiting more aggressively.<sup>113</sup>

Thus, it appears that the PRC is not abiding by international treaties, and specifically, the TRIPS Agreement. The following sections discuss what portions of the TRIPS Agreement the PRC may be violating.

#### **Violation of TRIPS Agreement Provisions in the People's Republic of China**

TRIPS lays out the minimum standards of intellectual property rights protection that each WTO member shall provide, the procedures and remedies that must be available for rights holders, and a provision requiring that disputes between WTO members with respect to their obligations under TRIPS be governed by the WTO's dispute settlement procedures.<sup>114</sup> TRIPS also requires national treatment and most-favored-nation treatment.<sup>115</sup> National treatment requires that imported

goods and services and those produced locally be treated equally.<sup>116</sup>

The national treatment principle calls on WTO members to accord no less favorable treatment to non-nationals than to nationals in the protection of trade-related intellectual property rights, and this protection extends to matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in the TRIPS Agreement.<sup>117</sup>

In addition to requiring member states to provide national treatment, the TRIPS Agreement also compels member states to provide most favored nation treatment.<sup>118</sup> This means that any benefits a member country bestows upon its own nationals it must also afford to nationals of other member countries.<sup>119</sup>

In particular, Article 3 of the TRIPS Agreement refers to "National Treatment," and recites that "[e]ach Member shall accord to the nationals of other Members treatment **no less favorable than that it accords to its own nationals** with regard to the protection of intellectual property,"<sup>120</sup> while Article 4 of the TRIPS Agreement refers to "Most-Favored-Nation Treatment," and recites that "[w]ith regard to the protection of intellectual property, any advantage, favor, privilege or immunity granted by a Member to the nationals of any other country **shall be accorded immediately and unconditionally to the nationals of all other Members.**"<sup>121</sup>

It appears that the PRC is violating Articles 3 and 4 of the TRIPS Agreement since the PRC is not affording equal protection to foreign nationals, as it would accord to its own nationals. The WTO Agreement on TRIPS sets out the minimum level of protection that member states must provide in its intellectual property laws.<sup>122</sup> Article 9 of TRIPS binds WTO members to the first 21 articles of the Berne Convention, which sets out the requirements of members in respect to their copyright obligations.<sup>123</sup> However, since it appears that the PRC is not affording the minimal level of protection to foreigners, it is violating TRIPS, and indirectly, via Article 9, the Berne Convention.

How can it be further determined that the PRC is not affording equal protection to foreign nationals? A U.S. official recently said that the PRC's continuing failure to stop copyright piracy of U.S. goods puts U.S. businesses at a competitive disadvantage.<sup>124</sup> He noted that industries dealing with intellectual property employ 18 million Americans.<sup>125</sup> Despite expanded efforts, however, "so far, China has not lived up to its responsibility to effectively enforce intellectual property rights,"<sup>126</sup> he said in testimony submitted to the U.S.-China Economic and Security Review Commission. As a result, the

U.S. is left with no choice but to consider filing a complaint against the PRC with the WTO for inadequate enforcement of copyright protections.<sup>127</sup> Consequently, as of 2006, the U.S. was once again considering filing WTO complaints against the PRC, thus illustrating the seriousness of the situation and the severity of the intellectual property violations on the U.S. economy.

## Conclusion

Advancements in information technology brought heavy pressure on the People's Republic of China to protect copyrights and other forms of intellectual property. Since passing its first copyright law in 1990, the PRC has demonstrated steady progress in constructing a copyright system that accords with international standards. However, striking a balance between encouraging economic activity through the protection of intellectual property rights and creating an environment in which the needs of consumers are respected and creativity and innovation are not stifled is an ongoing challenge. However, the PRC will soon need to comply with international standards and strictly enforce its intellectual property laws if it desires to develop its own economy based on technological advancements.

"A nation that does not give the highest protections for intellectual property . . . will consistently be a source of only second-class technology. No one will want to bring their technology to a nation that doesn't protect it."<sup>128</sup> For these reasons, countries such as the People's Republic of China will not be able to develop higher-tech economies until adequate protections are in place for intellectual property.<sup>129</sup> ■

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## Meet a Section Member: Charles A. Bieneman



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- **What is the name of your firm/corporation/employer**  
Rader, Fishman & Grauer PLLC
- **What is your area of practice?**  
Patent prosecution and litigation, and licensing
- **When did you first become involved with the Section?**  
2004.
- **Where did you grow up?**  
South Bend, Indiana
- **Where else have you lived?**  
Moved to Michigan in 2003 after living in Washington, D.C. for 11 years.
- **Where did you attend undergraduate and law school?**  
have a BA from St. John's College in Santa Fe NM, a BS from the University of Maryland, and a JD from Michigan.
- **What was your undergraduate major?**  
Liberal Arts.
- **What are your hobbies, other interests?**  
Reading, wine, and classical music.
- **Favorite restaurant?**  
Slows BBQ in Corktown.
- **A recent book you read?**  
*The Reckoning* by David Halberstam. About the auto industry - published in 1986. Fascinating in light of current events.
- **Last vacation?**  
Florida
- **Favorite legal case (with a tie to Michigan) that can be found in Westlaw or Lexis?**  
As a software patent lawyer, these days I have only un-favorites.
- **Who is your hero? (a parent, a celebrity, an influential person in one's life)**  
My grandfather, who started a successful business during the Great Depression.
- **If you had to describe yourself using three words, they would be...**  
Not usually succinct.
- **What is your favorite movie of the past ten years?**  
I see so few movies that I'm not sure I have one. *Spinal Tap* was more than 20 years ago, right?
- **What do you like to do most with a free hour?**  
Read a book or take a nap.
- **What is the most significant event of your life in the last three months?**  
Well, because you didn't limit that to me personally, it has to be what happened on January 20.
- **What one word would you put on your gravestone?**  
Done.
- **What email can Section members use to contact you?**  
[cab@raderfishman.com](mailto:cab@raderfishman.com)
- **A short comment on why you became involved with the Information Law Technology Section:**  
A natural fit for me. I was an IT professional in a past life, and I continue to do most of my legal work in the IT space. ■

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## Publicly Available Websites for IT Lawyers

The Proprietary Rights Committee of the Information Technology Law Section has assembled a list of over 50 publicly available websites with up-to-date, reliable and comprehensive information that is useful to lawyers who practice in the IT law area. The websites are easy to search or navigate to obtain the desired information, and although raw data and information are important, often the websites contain summaries and discussions, as well as links to other useful websites.

The *Michigan IT Lawyer* will publish a selection of these websites in each issue, and feedback or recommendations for additional websites can be forwarded to David Syrowik, [DSyrowik@brookskushman.com](mailto:DSyrowik@brookskushman.com). Enjoy!

### Patents

- <http://www.uspto.gov> – Official web site of the U.S. Patent and Trademark Office (USPTO). Provides free access to the United States patent database, which includes full text and images of U.S. patents issued since January 1, 1976. Access to the World Intellectual Property Organization (WIPO) PT Patent Gazette is also provided, which allows searching of foreign patent applications filed in accordance with the Patent Cooperation Treaty. The USPTO website also provides a wide variety of other information related to the patenting process.
- <http://www.patents.com> – Free patent search engine that provides information from around the world. Users can search patents in English, Spanish, Japanese, Chinese (Simplified), Chinese (Traditional) and Korean. The service will eventually be available in 15 native languages and include 450 million indexed patent pages.
- [http://www.google.com/advanced\\_patent\\_search](http://www.google.com/advanced_patent_search) - Google Advanced Patent Search covers USPTO patents and published patent applications. Includes keyword search capabilities and the ability to search by patent number, title, inventor or assignee name, and U.S. or international classification.
- <http://www.pat2pdf.org> – Search tool that can be used to download a free copy of USPTO patents, in PDF format.
- <http://www.pcug.org.au/~rossco/patentsearching.htm> - Indexes many notable, international, free patent search databases, and patent documentation, on the Internet.
- <http://www.freepatentsonline.com> – Enables advanced search techniques (such as word stemming, proximity searching, relevancy ranking and search term weighting) of U.S. and international patents and published applications. Also available is an 'alert' feature that notifies an account holder when new documents of interest are published.
- <http://www.patentstorm.com> – Advanced search capabilities and full image retrieval in PDF format of U.S. patents and patent applications. This free service occasionally lists different results when using the same search criteria that is used on the USPTO website or Free Patents Online.
- <http://www.epo.org/patents.html> - Tools and information that needed to conduct business with the European Patent Office (EPO).
- <http://www.jpo.go.jp> – Official web site of the Japanese Patent Office (JPO).
- <http://patentlaw.typepad.com/patent> - 'Patently-O' is a popular patent law blog and a daily read for numerous patent law professionals from every major innovative corporation, IP Law Firm and world patent office. A number of patent topics are searchable through the site, and individuals can subscribe to a free, daily newsletter. ■

## Upcoming Events

Once again, the Information Technology Section of the State Bar of Michigan is planning a **Spring Networking Event**. The event is being planned for **Wednesday, May 20, 2009**, from 5:30 pm to 8:30 pm and promises to be a great opportunity to relax, network, and have some fun! Invite your spouse/significant other, your clients, your colleagues, even your vendors. This year the event will be held in the Eclipz Lounge at the Greektown Casino in downtown Detroit, and anyone interested in information technology law is welcome to attend. Details and registration information will be available soon! If you have any questions, or suggestions for next year's Spring Networking Event, please contact Anthony Targan at [Anthony.Targan@proquest.com](mailto:Anthony.Targan@proquest.com).



Plan to attend the Information Technology Section's Annual Business Meeting Mingle with your Section peers, learn about opportunities to get more involved with the Section, participate in the election of Section Council Members, *and* attend a substantive presentation on IT law. The Information Technology Section's **Annual Business Meeting** is expected to coincide with the State Bar of Michigan's annual convention, which is planned for **September 2009** at the Hyatt Regency in Dearborn. Be there! Please contact Mark Malven at [MMalven@dykema.com](mailto:MMalven@dykema.com) to suggest speakers or topics, or if you have questions about the event.



**Circle the Date!** The Information Technology Section of the State Bar of Michigan and the Institute of Continuing Legal Education (ICLE) will host an **IT Law Seminar** on **Thursday, October 29, 2009**. The seminar will cover important and topical issues to enable you to better serve your clients. More information will be released as available! Suggestions regarding potential speakers or topics are encouraged, and should be communicated to Charlie Bieneman at [cab@raderfishman.com](mailto:cab@raderfishman.com). ■

## 2009 Edward F. Langs Writing Award

### Essay Competition Rules

1. Awards will be given to up to three student essays, which in the opinion of the judges make the most significant contribution to the knowledge and understanding of information technology law. Factors to be taken into consideration include: originality; timeliness of the subject; depth of research; accuracy; readability; and the potential for impact on the law
2. Essay must be original, deemed to be of publishing quality, and must not have been submitted to any other contest within the previous 12 months.
3. Essay must be typed, double spaced, at least ten pages in length, must contain proper citations listed as either endnotes or footnotes, and must have left, right, top and bottom margins of one inch.
4. Essay must include the submitter's name, email address, mailing address, telephone number, and school attended.
5. A total of \$1,500 in US dollars shall be divided between the award winning essays, and all rights to award winning essays shall become the property of the State Bar of Michigan.
6. The Information Technology Section of the State Bar of Michigan reserves the right to make editorial changes, and to publish award winning essays in the Section's newsletter, the *Michigan IT Lawyer*.
7. Essay must be submitted as a Microsoft Word document, postmarked by June 30, 2009, and emailed to [DSYROWIK@brookskushman.com](mailto:DSYROWIK@brookskushman.com)

## 2009 Nominations Open for Major State Bar Awards; New Cahill Bar Leadership Award Established

Nominations are now open for major State Bar of Michigan awards that will be presented at the September 2009 Annual Meeting in Dearborn. New this year is the Kimberly M. Cahill Bar Leadership Award established in memory of the 2006-07 SBM president who passed away in January last year. This award will be presented to a recognized local or affinity bar association, program or leader for excellence in promoting the ideal of professionalism or equal justice for all, or in responding to a compelling legal need within the community during the past year or on an ongoing basis.

- **The Roberts P. Hudson Award** goes to a person whose career has exemplified the highest ideals of the profession. This award is presented periodically to commend one or more lawyers for their unselfish rendering of outstanding and unique service to and on behalf of the State Bar, given generously, ungrudgingly, and in a spirit of self-sacrifice. It is awarded to that member of the State Bar of Michigan who best exemplifies that which brings honor, esteem and respect to the legal profession. The Hudson Award is the highest award conferred by the Bar.
- **The Frank J. Kelley Distinguished Public Service Award** recognizes extraordinary governmental service by a Michigan attorney holding elected or appointive office. Created by the Board of Commissioners in 1998, it was first awarded to Frank J. Kelley for his record-setting tenure as Michigan's chief lawyer.
- **The Champion of Justice Award** is given for extraordinary individual accomplishments or for devotion to a cause. Not more than five awards are given each year to practicing lawyers and judges who have made a significant contribution to their community, state and/or the nation.
- **The John W. Cummiskey Pro Bono Award**, named after a Grand Rapids attorney, recognizes a member of the State Bar who excels in commitment to pro bono issues. This award carries with it a cash stipend to be donated to the charity of the recipient's choice. *All SBM award nominations are due on Friday, April 3 at 5 p.m.*

- **The Liberty Bell Award** recipient is selected from nominations made by local and special-purpose bar associations. The award is presented to a non-lawyer who has made a significant contribution to the justice system. *The deadline for this award is Monday, May 4.*

An awards committee co-chaired by State Bar President-Elect Charles Toy and attorney Thomas Cranmer reviews nominations for the Roberts P. Hudson, Champion of Justice, Frank J. Kelley, Kimberly M. Cahill and Liberty Bell awards. The Bar's Pro Bono Initiative Committee reviews nominations for the Cummiskey Pro Bono award. The committee's recommendations are then voted on by the full Board of Commissioners at its June meeting.

Last year's non-winner nominations will automatically carry over for consideration this year. Nominations should include sufficient details about the accomplishments of the nominee to allow the committees to make a judgment.

Any State Bar member can propose candidates for SBM Awards. To apply online or download application forms visit [www.michbar.org/programs/eventsawards.cfm](http://www.michbar.org/programs/eventsawards.cfm). Cummiskey Award nominations can be directed to Gregory Conyers at [gconyers@mail.michbar.org](mailto:gconyers@mail.michbar.org); all other nominations can be submitted to Naseem Stecker, State Bar of Michigan, 306 Townsend St., Lansing, MI 48933 or [nstecker@mail.michbar.org](mailto:nstecker@mail.michbar.org). For more information call (517) 367-6428 or (800) 968-1442, or fax (517) 482-6248. ■

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