

# 1. Introduction

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This book sets out to expose, analyse and evaluate conflicting conceptions of legal judgement that operate in intellectual property law. It is concerned with the opposition between law-making by way of the creation of generally applicable rules and law-making done at the point of application through case-by-case decisions tailored to the particulars of individual circumstances.<sup>1</sup> Within the field it is no challenge to find instances of central and important interests being determined by reference to relatively vague standards which permit courts to take ad hoc and situation-sensitive decisions. Saying that throughout intellectual property law important issues are decided by the application of standards is not to deny that the field has a fair share of rules that, on the face of it and within the scope of their application, provide clear and predictable outcomes and constrain decision makers to judge particular cases mechanically by applying these rules to readily ascertainable facts. The relative strength of arguments that favour one form of directive over another are as finely balanced in the field of intellectual property as they are in any other area of law. This book starts with the fundamental premise that the choice of form of legal directives is significant and that there is something interesting and useful to say about form and about the relationship between form and substance in intellectual property law.<sup>2</sup>

Demonstrating that a number of important contemporary controversies in intellectual property law reflect the rules–standards conflict and that the tension between differing conceptions of legal judgement is a feature

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<sup>1</sup> On these as ‘stylized conceptions of legal judgement’ see: Sunstein, C, ‘Problems with Rules’ (1995) 83 California L Rev 953, 956–7. The working title for this book throughout most of the time it took to write was *Form and Substance in Intellectual Property Law*, in open acknowledgement of the inspiration drawn from the work of Duncan Kennedy, and in particular from Kennedy, D, ‘Form and Substance in Private Law Adjudication’ (1976) 89 Harvard L Rev 1685. The shortened current title, however, gives a better indication of what actually is to follow.

<sup>2</sup> It thus rejects the claim that an explanation of form in terms of substance does not just reveal more and the same form, on which see: Schlag, P, ‘Rules and Standards’ (1985) 33 UCLA L Rev 379, 427.

of innumerable disputes about who has the right to appropriate, access and exploit the fruits of the human intellect is a primary object of the chapter which follows. Here and elsewhere in the book I make no claim to be comprehensive in the sense of trying to identify all instances of tension across the whole field. Indeed the first part of the work tends to focus on patent law for no other reason than it is in this field where the most illuminating examples are to be found. But they are examples and the analysis can do no more than hint at the ubiquity of the conflict and the equally ubiquitous and deeper conflict between the need for the law to provide certainty and the desire for it to be flexible enough to do justice in individual cases and to adapt and respond to technological, economic and social changes.

A rule is a provision which provides a before-the-fact specification of legal outcome. If a rule applies, then decision making is concerned with establishing, on a balance of probabilities, what the relevant facts are. That done it is a simple matter of stating the 'inevitable' outcome dictated by rule. Thus, decision making according to rules is understood to be desirable when certainty, uniformity, stability or security are particularly valued. It is almost routinely argued that in matters of property and of commercial law, the social interest in security of transactions favours rules because of the exceptional need of certainty in order to uphold the economic order.

Standards differ from rules in the degree of discretion they allow the decision maker. Discretion is never entirely free from restriction and in Chapter 2, in getting to grips with the notion of a standard, I explore in some detail what it means to say that a judge has discretion. Commonly, decision making under standards involves the identification and weighing of a number of relevant factors with discretion lying in the identification of factors, how these factors are to be interpreted and applied to the circumstances in issue, and the relative weight to attach to each of the factors deemed relevant. In this way decisions can be tailored, within limits, to the circumstances of individual disputes but at the cost of introducing a degree of uncertainty in the decision making process.

This cost needs to be set against the difficulties and costs of promulgating detailed rules, which can be significant where the law aims at responding to, or regulating, widely varying or otherwise unpredictable conduct. In such circumstances it will be difficult if not impossible to draft a rule that embraces all the circumstances that it is intended to govern without it also touching upon other areas. At the same time, the very unpredictability of the circumstances it is intended to regulate means that some targeted circumstances are likely to be missed. One solution is to forego any attempt at precision and instead adopt a more

'open-textured' legal direction. Thus standards, which allow some discretion, are thought useful when flexibility and dynamism in the law are understood to be important and intellectual property law, as much as any other area, is home to many such legal directions of this form.

There is a value in flexibility in two senses. A rule that is pertinent today may become increasingly anachronistic as social, technological or economic conditions change. Chapter 2 also then provides me with an opportunity to show how the common law is particularly well suited to addressing the problem of anachronism. Although judges are constrained in their decision making by dicta in earlier cases, the law is always understood and applied by contemporary judges faced with contemporary disputes and judges have some power to formulate, review and reformulate the guides and constraints on their own decision making in ways that allow the law to maintain a contemporary relevance whilst remaining principled.

Flexibility is also of value when the law aims at regulating widely varying conduct. For instance it would be difficult if not impossible to draft a rule that enumerated all the conceivable relationships between the intellectual objects protected by law and the various forms of imitation, copying, adaptation and other borrowings in a way that might provide a precise bright-line indication of what, in any instance, is within the scope of protection and what without. The solution typically lies in the incorporation into the law of touchstones such as 'fairness' or 'reasonableness' and others with similar effect. Such touchstones have in common that they set out to create an open texture to the law by demanding evaluative judgements to be made by decision makers.

Nevertheless, especially in matters of property and of commercial law, the belief that the law needs to be certain exerts a powerful and sometimes overriding influence and with this comes a commitment to the precision and clarity provided by rules. Such commitment does not solve the problems associated with the over- and under-inclusiveness of rules but rather manifests an acceptance that the rule will produce an undesirable outcome in a proportion of the cases in which it is applied. For instance, denying 'artistic quality' as a relevant consideration in deciding whether copyright subsists in artistic works no doubt avoids subjectivity in decision making but has led to the consequence that the full panoply of economic and moral rights accorded to artistic works under copyright law can be claimed in the embossed patterns on rubber car mats as a species of engraving.<sup>3</sup> Such a finding might surprise a layman who would

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<sup>3</sup> *Hi-Tech Autoparts Ltd v Towergate Two Ltd* (No. 2) [2002] FSR 270.

struggle to see it as rational or in accord with his rudimentary understanding of the purpose of copyright, but it would likely provoke little more than a shrug of the shoulders from a lawyer used to the operation of 'bright line' rules as instruments directed to achieving certainty in the law.

If a large number of applications of the rule produce an undesirable outcome there is a strong case for changing the rule to better fit its desired aim. More challenging is the circumstance where, in the great majority of cases the rule provides a good outcome but in a small proportion it does not. Here a solution lies in the individualization of decisions in circumstances notionally embraced by the rule. For centuries apparently inflexible rules have been subject to the supplementary code of equity which is intended to mitigate some of the harshness of the common law. Courts have, for instance, on occasion used the tool of the constructive trust to bypass the formalities normally required to effect transfers of copyright in circumstances where they judge it unconscionable to hold the parties to the clear but inflexible statutory scheme for the allocation of rights. Important though such mechanisms are, they can hardly be described as commonplace. But that description is apt in relation to remedies, in relation to which equity makes the most significant contribution to the field of intellectual property law.

The injunction is a ubiquitous and flexible equitable remedy. It is flexible in the sense that the form of the order has sometimes been adapted by courts to meet specific factual circumstances. Springboard injunctions, for instance, can be ordered where a defendant has, by way of their infringing activities, gained an advantage by building up a bridgehead into the claimant's market. No one can doubt the usefulness of this remedy and the inequities which might result if it were not available. But those benefits are bought at the cost of certainty in that the acts restrained by the injunction would, but for the injunction, otherwise be lawful (for instance because the right in issue has expired or the restrained activity otherwise falls outside the scope of the claimed right).<sup>4</sup> Thus, an examination only of the scheme provided in the Patents Act 1977 which lays out with apparent clarity the term of protection and what constitutes infringement gives a misleading picture of the scope of protection available to patentees.

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<sup>4</sup> See e.g. *Smith & Nephew plc v Convatec Technologies* [2013] EWHC 3955 (Pat); *Dyson Appliances Ltd v Hoover Ltd* (No. 2, 'Springboard' Relief) [2001] RPC 544; and as a remedy for breaches of a duty to keep information confidential *Vestergaard Frandsen A/S v Bestnet Europe Ltd* [2009] EWHC 1456 (Ch).

The injunction is also flexible in that courts have frequently described it as a discretionary remedy which must be fair and equitable and proportionate. Outside intellectual property law, individual circumstances will dictate its availability on a case-by-case basis. However, within intellectual property law that discretionary character is recognized only in statements of principle and courts have been extremely reluctant to refuse such an order once infringement has been established. Here then is an instance where an understanding that the law needs to be certain exerts an overriding influence. Remedies give value to rights and uncertainty as to remedies is uncertainty as to the right itself.

That is true so far as the remedy of the final injunction is concerned and Chapter 2 concludes with a consideration of the way in which courts approach interim injunctions. The way courts approach such orders differs from the approach taken to final injunctions and the tension between rules and standards is much clearer. So far as it aims to balance the guarantees provided to the owner by her property right against the justice of providing her an interim remedy pending resolution of the dispute, the so-called 'balance of convenience' test manifests this tension.

The recourse to equity in order to do justice in an individual case notwithstanding a rule that would provide for a different outcome, often prompts the response that in this the courts have in some way overstepped the mark. The complaint is not always that such interventions compromise efforts to provide certainty of expectation but rather that this usurps the legislature's power to make law. For reasons expanded upon in the narrative which follows, rule making is the province of the legislature. The more open textured a legislative provision is, the more interpretive scope is given to courts. The choice between rules and 'rulelessness' can thus be seen as presenting a principal/agent problem, where the legislature, as principal, by the adoption of a certain form of legal direction exercises control over the decisions of the courts. In Chapter 3, I move away from an evaluation of form based only on the desirability or otherwise of certainty and consider other factors that have in common that they raise the question of who is best positioned to make the law: the legislature or courts. In setting out to answer this question I adopt three evaluative points of focus: the merits and demerits of *ex ante* versus *ex post* decision making; the avoidance of the perception of bias in decision making; and the demands and attendant costs of harmonizing the national intellectual property laws of European countries.

As to the first of these, rules, it is said, require of their draftsmen some degree of foresight. The draftsmen must be able to anticipate the range of circumstances over which the rule is to operate and decide upon the appropriate legal response. By contrast, the legal response under a

standard is decided only once a precise set of factual circumstances have occurred. For this reason standards can be useful when foresight is clouded. Trade mark law provides an opportunity to explore the differences between *ex ante* and *ex post* decision making so far as the test of whether there exists 'a likelihood of confusion' serves both as a relative ground for refusing registration to a sign which is similar to an existing mark and as a ground for establishing whether use of a sign infringes a similar registered mark. The two grounds are supposedly conceptually indistinguishable and the scheme makes sense so far as it aims to exclude from registration, marks whose use would constitute infringement of a mark already on the register. Except this is not how the scheme works in practice. At the infringement stage, whether there is a likelihood of confusion is decided in a situation-sensitive way and assessments are limited to the circumstances and context of the complained of use. But at the application stage, the same test becomes coarsened and the assessment of similarity is based on an entirely acontextual comparison between the sign complained of and the registered mark. At the application stage the test thus becomes more rule-like. The conclusion is that a provision, even if drafted as a standard, will take on the characteristics of a rule if applied in an *ex ante* context.

The second theme developed in Chapter 3 explores the commonly heard assertion that decisions made under standards risk accusations of bias. The risk is undoubtedly there, but typically the concern is overstated. Certainly, without rules judges must identify and apply principles and values as reasons for any decision. But decisions must comply with the requirement of coherence. This demands that decisions be seen to be rational in the sense of evidencing the pursuit of intelligible principles or policies. In Chapter 2 I make the point that intellectual property law is partly autonomous by which I mean that it has an established set of values, principles and policies that characterize it. It is these values, principles and policies that provide the belt of restriction surrounding judicial discretion. This matters in avoiding accusations of bias because, even if called upon to decide under a condition as open as, for instance, 'fairness', a judge is not free to give effect to their personal convictions. Rather, if their decision is to be coherent, the judge must adopt a particular conception of fairness and give reasons for adopting that view. Only rarely does the requirement of coherence not work in this way so as to restrict judicial discretion. In the field of intellectual property law, one such rare instance occurs where judges are required to decide whether a sign, invention or work is in some way or another immoral. The problem facing judges in such instances is that the autonomous values, principles and policies that characterize intellectual property law do not intersect

with, and so cannot limit or qualify, the condition of morality. Judges are thus forced to make their judgements seem intelligible according to values, principles and policies that lie outside intellectual property law. The problem is particularly acute in patent law. Whereas in trade mark law and copyright law, in deciding whether a particular mark or work offends against morality, tribunals have been able to rely on values, principles and policies manifested in other areas of law; in patent law the morality condition is framed in a way that appears to prohibit this strategy. For all the challenges facing decision makers and the risks that their decisions will be seen as biased or arbitrary, the peculiar features of decisions as to whether an object is immoral or otherwise means that such criticisms cannot be levelled against determinations made under standards more generally.

Of the three evaluative points of focus adopted in Chapter 3, the demands and attendant costs of harmonizing the national intellectual property laws of European countries most clearly manifests the tension between rules and standards as a principal/agent issue and introduces a theme that recurs at various other points in this book. Rules are essential tools in the efforts to harmonize laws. A binding supra-national rule constrains decision making at the national level so avoiding the risk of the emergence of divergent national norms. There is a tension, however, if there are factors which otherwise favour a standard over a rule, for instance because the area of governance is subject to rapid and unpredictable change making the flexibility of a standard more attractive. Nowhere is this tension more apparent than in respect of the attempts to arrive at a common understanding of what is patentable subject matter and in particular the law determining the patentability of computer software-implemented inventions. The inability to predict the direction and scope of technical advances creates a strong functional preference for a standards-dominated definition of what should be patentable. Indeed this was the position under the Patents Act of 1949 which was characterized by a flexible and versatile policy-driven approach to patentability facilitated by a very open-textured statutory framework allowing considerable discretion in decision making.

When the Convention on the Grant of European Patents (EPC) was drafted it was not intended that the European Patent Office (EPO) have a wide-ranging discretion in respect of the identification of patentable subject matter. The open texture of the old UK Act was not replicated in the EPC which then, as now, sets out what is patentable by way of a list of things not to be regarded as inventions. Thereby excluded from patentability are 'programs for computers', though, in common with the other categories of excluded subject matter (various other abstract,

intellectual and mental objects), only to the extent that an application or patent relates to the specified subject matter 'as such'. What is patentable is one of those areas where the EPC sets out to create a uniformity of understanding amongst its member states, and the contemporary UK Patents Act, in common with those of other EPC member states, contains provisions which correspond to those contained in the EPC. That being so UK courts set out to construe those provisions so as to give them the same effect as the corresponding articles of the EPC and, in this, treat as persuasive the decisions of the EPO on the construction of the EPC. Thus, the objective of harmonization is seen as imposing a duty on national tribunals to look to decisions of the EPO. Much of Chapter 3 is given over to consideration of the nature and extent of any corresponding obligation on the EPO's Boards of Appeal to provide authoritative guidance. What is presented is a long and complex story throughout which the law, as to what is patentable in Europe, has remained stubbornly uncertain notwithstanding the numerous efforts, both judicial and legislative, to 'correct' this state of affairs and to inject certainty. The EPO are the shameless architects of this uncertainty but that is hardly surprising. If the EPO Boards have an obligation to further harmonization of patent law in Europe, this is secondary to their primary obligations relating to search, examination and grant. The EPO's primary responsibility is to decide individual cases and it is in this context that it interprets the provisions of the EPC. In this, its primary role, the EPO has an interest (perhaps even a duty) to maintain the flexibility in what constitutes patentable subject matter.

Up to this point the text, one way or another, is aimed at evaluating the likely consequences of adopting rules or standards in particular situations judged against the different objectives that policy makers aim to achieve in those situations. The remainder of the book attempts the more challenging task of relating broad 'pro-rules' and 'pro-standards' positions in intellectual property law to ideas concerning the use and sharing of ideas and the role of law in this aspect of the ordering of society. Put simply, it attempts to relate the values in intellectual property law that can be said to be intrinsic to form to extrinsic values that are, in whole or in part, achieved through the implementation and exercise of the law. At this point in the narrative it is perhaps natural for the reader to assume that there is nothing much more interesting to say other than sometimes circumstances dictate that rules are appropriate, and sometimes not. Often, though not invariably, the choice comes down to a decision as to whether certainty of expectation should be given priority over flexibility in the particular context subject to regulation. There are many areas of intellectual property law which conform to this pattern. But there is a

more complex story to tell in respect of the fundamental context of marking the boundaries of protectable subject matter: a story that I set out to tell in Chapter 4. In patent, copyright and trade mark law, there are certain rules that contribute to the marking of these boundaries. But in every case, the context over which any rule operates is simultaneously subject to a standard that entirely subsumes the rule within its scope such that, so far as that context is concerned, the rule is instrumentally superfluous. So for instance, a patent will be granted for an invention which is new, which involves an inventive step and which is capable of industrial application. In the great majority of cases, the significant hurdles which an applicant must surmount are the requirements to show that what is claimed is new and involves an inventive step. The question of whether a claimed invention is new is a rule, or as close to a rule as is possible to get, requiring only that a decision maker decide whether, seen through the eyes of the skilled addressee, what is claimed is already available to the public. Whether the claimed invention involves an inventive step, in requiring the decision maker to decide whether what is claimed would have been obvious to the skilled addressee, involves evaluation: it is more standard-like. The uncertainty that this evaluation introduces has been a feature of patent law for hundreds of years and one can find instances as far back as the sixteenth century of courts rejecting claims because the quantity or degree of invention was insufficient to support a patent. In their modern form, there are no significant qualitative differences between the tests for whether what is claimed is new and whether it involves an inventive step. Both tests involve the decision maker taking on the mantle of the skilled addressee and then comparing what is claimed with what is known. Which test is immediately relevant turns on the degree of difference between what is claimed and what is known. That being so, the novelty rule seems superfluous given that something which is not new is a fortiori obvious.

Copyright law is similar. For copyright to subsist in a work, it must be original. A commitment to European harmonization is prompting change and I should perhaps note at this point that I do not plan to disregard the attempts to formulate harmonized conditions for the subsistence of copyright throughout Europe. A consideration of originality as meaning the product of the author's intellectual creativity is only postponed to the point at which I feel I can approach this novel conception of originality critically. But my initial focus is on the 'traditional' UK conception of originality and, until relatively recently and in the great majority of cases, 'originality' meant no more than that the work originated from the claimed author: that is to say it had not been copied. Deciding whether a work is original in this sense requires no evaluation. Either the work has

been copied or it has not. In the great majority of cases then, the test as to whether a work is original is understood and applied as a rule. In some circumstances, courts have tested originality according to a standard using a test which looks to the degree of skill and labour involved in producing the work. But this has not been seen as a universal test and has typically been applied only where copyright is claimed in some form of compilation. Why a standard is appropriate in these circumstances but not others I shall attempt to explain a little later but for the moment it is enough to note only that it is atypical.

For the long history of copyright law and in the great majority of cases, the requirement that a work be original has required of the decision maker only that they establish whether the work has been copied or not. To what end is something of a mystery given that there can be no infringement of a work which is itself copied nor can an infringement claim be made out where the alleged infringement is in copying a part of a work which part is itself copied. One factor that contributes to the standard-like test employed in deciding whether a partial taking is 'substantial' looks to the originality of that part of the claimant's work that has been taken. Bearing in mind that the question of whether a work is original is almost invariably considered where there is some dispute, dispensing with originality as a condition for copyright to be claimed<sup>5</sup> would be apparently without consequence given that its effects are entirely embraced by the test for whether a partial taking is substantial enough to count as an infringement.

Trade mark law provides the clearest example of a rule, the scope of which is entirely embraced by a standard. Section 5(1) Trade Marks Act 1994 prohibits the registration of a sign that is identical to an existing registered mark. In requiring only a comparison between what is claimed and what exists and the question, 'are these the same?', it is a rule-like test that has much in common with that used to assess the novelty of a patent application. To be registered, a sign must also display a sufficient degree of difference from marks already on the register. So for instance, under section 5(2) Trade Marks Act 1994, a decision maker must form a judgement as to whether the use of the sign would likely confuse average consumers as to the 'trade origin' of the goods and services associated with the sign. In cases where there is precise identity as between sign and registered mark, the conclusion that consumers would be so confused is, I think, inevitable. Both tests are directed to establishing whether a sign

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<sup>5</sup> 'Claimed' in the sense of a being a necessary condition to support a right of action against an alleged infringer.

is relatively distinctive, differing only in the degree of similarity as between sign and mark that must be shown for a sign's distinctiveness to be challenged. Why then have a separate ground, effected by way of a rule that looks only to identity?

Intuitively it seems reasonable to suppose that, in the context over which they exercise control, the rules in patent, copyright and trade mark law must contribute to a desirable certainty of expectation and stability. That a standard simultaneously exercises control over the same context suggests with equal force that flexibility and dynamism are desirable features of the law. A provisional explanation lies in the observation that legal provisions have a hortatory function. Intellectual property, like all private property, is a form of both private and public power. The private nature of this power is manifested in the relation between the right holder and a specific duty bearer. If the parties disagree as to their respective rights and duties then the law provides the means by which these competing interests can be brought to an accord. The public power of intellectual property derives from it creating rights 'good against the whole world', and is manifested in the ways in which rights influence the behaviour of an indefinite class (the public if you will). The law here provides right holders with the means of signalling to the world the boundaries of the territory over which they claim dominium. To understand the function of form then requires a consideration of the interpersonal dimension of intellectual property law and this is the subject matter of the penultimate chapter of this book.

Generally speaking, owners of private property can exercise their property rights absolutely as they choose and in this need have no regard for the interests of others. In modern Western societies, outside the tax system, there is generally no compulsion for individual wealth to be shared.<sup>6</sup> One reason for this reticence is that for most private property any redistribution scheme requires us to justify not only why someone should receive but also why another should donate. Thus, that there is a rivalry in consumption of private goods ceases to be a merely abstract notion and becomes a concrete reality. But intellectual property is different because there is no rivalry in the consumption of information and ideas. The owner of an intellectual property right who is forced to share the protected information with another is not themselves deprived of that information. In this sense, nothing is taken from them. Arguments

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<sup>6</sup> I say generally because there are rare exceptions such as the restrictions on testation and the concept of 'forced heirs' that apply under certain civil law rules of succession: Pelletier, G and Sonnenreich, M, 'A Comparative Analysis of Civil Law Succession' [1966] Villanova L Rev 323, 349–53.

as to whether information should be shared are not then necessarily complicated by a challenge to the claimed ownership rights. Unlike other forms of private property, the forced sharing of intellectual property is far from unusual. For example, a user can take advantage of one of the fair dealing defences in copyright law without mounting any kind of attack on the owner's claim to enjoy copyright in the work in issue. Trade rivals can engage in comparative advertising without forcing the removal of marks from the register. Furthermore, not only are uses of marks outside the course of trade permitted, but so too are uses that do not affect the function of a protected mark. There are numerous other examples. In Chapter 5 I set out to test whether there is a demonstrable relationship between choice of form and substantive debates about the values inherent in a commitment to the political paradigms of, on the one hand individualism, and on the other altruism. In this I borrow extensively from the arguments advanced several decades ago by Duncan Kennedy in his exploration of form and adjudication in private law.<sup>7</sup> Kennedy sought to show that advocating rules over standards or vice versa could be seen as an invitation to choose between these competing sets of values. He saw parallels between the moral, economic and political arguments typically advanced in defence of the stricture of rules and the values linked to individualism. On the other hand the values of sharing and sacrifice that characterized 'altruism' were, he said, paralleled in the legal arguments favouring a relaxation in the rigour of a regime of rules. The analysis in Chapter 5 proceeds on the basis that there is some insight to be gained by testing the hypothesis that, in intellectual property law, the rule form is associated with securing claims and strengthening the position of right holders whereas the standard form is associated with limiting scope and facilitating public access.

So far as copyright is concerned, that association on the face of it seems to hold good. Throughout most of its history and in the great majority of cases the condition of originality has operated as a rule requiring only an assessment of whether the work has been copied or not. The more standard-like test of originality that requires a judgement as to whether sufficient skill, labour and judgement has been expended is applied only in instances where copyright has been claimed in works which are to some extent copies of existing productions and, more often than not, productions which are in the public domain. As I shall show, copyright claims are supportable only to the extent that the demonstrable effort enhances access to the publicly available material or improves its

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<sup>7</sup> Kennedy, above n.1.

utility and to claim copyright in such circumstances it is not enough to say merely, 'I have laboured'. Thus it is possible to say that the test, 'not copied', is a rule and is clearly associated with securing the claims of right holders; the test that looks to the degree of skill, labour and judgement exercised is much more clearly associated with facilitating public access and encouraging individuals to labour for the benefit of others. That in practice the latter test has proved very easy to satisfy perhaps suggests that courts tend to favour right holders in balancing the interests at stake.

That the standard-form manifests a commitment to altruism is also manifested in the way in which courts approach the issue of infringement by way of substantial taking. That copyright can be infringed by an unlicensed taking of only a substantial part of a work can be seen as enhancing right owners' interests by giving them the means to restrain the activities of unscrupulous copyists who set out to avoid liability by introducing only minor variations into an otherwise copied work. Whilst this may be the original motivation underlying the provisions on infringement, the test of what counts as a substantial part for the purposes of infringement has been more effective in restricting rather than extending rights. Whether a substantial part of a claimant's work has been copied is a test that is standard-like in form, being a matter of impression based on the quality of what has been taken rather than the quantity. Thus, showing only that a defendant has copied part of a work is not sufficient to establish infringement. What is required is to show that the defendant has taken a substantial part of the author's skill and labour. But even showing that the defendant has appropriated some of the author's skill and labour is insufficient. If what has been taken is characterized as 'an idea', then notwithstanding that it might have involved considerable skill and effort on the author's part to arrive at that idea, it will not be protected. The test thus operates in a way that ensures that at least some of what the author has done is available to others. As I set out to show in Chapter 5, this is particularly clear when one examines those instances where courts have refused protection for the 'ideas' expressed in literary works that are not works of fiction, and technical ideas and information expressed in technical drawings and similar works.

It is in the context of deciding whether a work has been infringed, rather than whether it is original, that UK law has drawn lines between that which is protectable and that which is not, using the dichotomy between ideas and expression as means and justification. In this way, the scope of a claimed right is determined in a process that pitches an individual claim against an individual correlative duty. One huge advantage of this scheme is that it avoids the problem of attempting to balance

competing interests *ex ante*. This is difficult in the case of copyright law because even identifying the interests that are at stake *ex ante* is hugely problematic given the social diversity of copyright law's reach.

In this respect, UK copyright law is in the process of changing to be in line with the demands of harmonization of European copyright law. In light of a series of decisions of the European Court of Justice (ECJ), the UK Court of Appeal now understands that the test for determining whether a restricted act has been done in relation to a substantial part of a work is that the parts in question must contain elements which are the expression of the intellectual creation of the author of the work.<sup>8</sup> Prior to this change, courts had the option of declaring that whilst a defendant had taken something of the skill and labour of the claimant, what was taken was not substantial because the skill and labour taken was of the 'wrong kind' and directed to the production of ideas or other subject matter in which copyright could not be claimed. Whether that option has now gone remains to be seen in light of the specific legal arrangements that will govern the future relationship between the UK and the institutions and member states of the European Union (EU). If European jurisprudence continues to exert an influence on UK courts then the test for infringement by partial taking is much more 'rule-like' than was previously the case. But at the same time, UK courts have embraced the European standard of originality. Of course whether they continue to do so is also open to question but, for the moment, what is required for a work to count as original is that the work must be the intellectual creation of the author. This is far more standard-like than the typical traditional UK test which required only that the work not be copied for it to count as original. The difference in the new, European-influenced, approach is that the realm of individual duties will no longer be the testing ground for claims of right. Rather the new test is desert-based and if the duties imposed by the recognition of a right are taken account of at all then at best it will be as a speculative concern over duties understood in abstract rather than concrete terms.

Patent law does not on the face of it comfortably fit with the idea that the rule form is associated with securing claims whereas the standard form is associated with limiting scope. Patent law is unusual in there being a legislative direction that makes explicit that the interests of third parties should figure in courts' interpretation of the scope of a claimed

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<sup>8</sup> *SAS Institute Inc v World Programming Ltd* [2013] EWCA civ 1482.

invention.<sup>9</sup> In the UK this demand is met through the adoption of a so-called ‘purposive approach’ under which the scope of protection is set according to what a person skilled in the art would understand the patentee to have intended to claim.<sup>10</sup> In effect then, the realm of duties is made the testing ground for claims of right. Unsurprisingly, the House of Lords has criticized attempts to make the test rule bound.<sup>11</sup> But in patent law it is much less easy to say that the rule form is associated with securing rights. To secure a patent for an invention, the claimed invention must be both new (a condition assessed by way of a rule) but also must involve an inventive step: a condition assessed by way of a standard. That said, a patent will be refused only where it is clear that it is not inventive. The question of whether a claimed invention is obvious is approached with rather less subtlety at the examination stage than it is post grant. At the examination stage the test is coarsened and is more rule-like than when it is applied in a revocation action. The reason advanced for this is that examiners have a limited range of evidence on which to base their assessment of inventiveness. In these circumstances, any doubt is resolved in favour of the applicant on the assumption that a more thorough analysis will follow in a post-grant revocation action brought by an alleged infringer. To this extent the adoption of the rule form favours right owners but, even so, although the test for whether a claimed invention is obvious when applied at the examination stage is coarser and

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<sup>9</sup> Thus Article 69 EPC provides that the extent of the protection conferred by a European patent or a European patent application shall be determined by the claims. As a guide for national courts, there is a Protocol on the interpretation of Article 69 EPC, Article 1 which provides *inter alia* that Article 69 should be interpreted in a way that combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

<sup>10</sup> As is well known to patent lawyers this approach has its origins in the speech of Lord Diplock in House of Lords decision *Catnic Components Ltd v Hill and Smith Ltd* [1982] RPC 183, 243 and was stated to be the correct approach under the 1977 Act in *Improver v Remington* [1990] FSR 181 and by the Court of Appeal in *Kastner v Rizla* [1995] RPC 585. This was confirmed by the House of Lords in *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2004] UKHL 46, though in a form that rejected the overly rigid ‘Protocol Questions’ that had by then become routinely adopted by courts and counsel.

<sup>11</sup> Lord Hoffmann in *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* distinguished between the principle of purposive construction and the guidelines for applying that principle to equivalents encapsulated in the Protocol questions. He observed that ‘the cases show a tendency for counsel to treat the Protocol questions as legal rules rather than guides which will in appropriate cases help to decide what the skilled man would have understood the patentee to mean’: [2004] UKHL 46 [52].

more rule-like than the test applied by courts in a revocation action, it nevertheless differs from the test for whether a claimed invention is new. The test for obviousness, at whatever stage it is applied, is not a rule.

One reason why the pattern is less than clear in the case of patent law is that securing a patent is not entirely an individualistic act. It clearly is in that it is a claim made by an individual to exclusive rights in an invention but importantly this comes at the cost to the patentee of being forced to share information as to how to arrive at her claimed invention. Demanding of patentees that they disclose what they claim to have invented as a condition for the grant of a patent has long been a feature of patent law. And in this respect patent law differs from copyright in that the copyright owner enjoys exclusive rights in their work whether or not that work ever sees the light of day. Indeed the exclusive rights to copy and publish a work are sometimes relied on by copyright owners precisely to prevent publication. Patent law's forced disclosure does a number of things. The most overt 'good' is that it teaches the public something that they did not previously know (assuming that the claimed invention is novel). By openly specifying what is claimed to be protected it also prevents rivals in the same technical field from wasteful investments directed to achieving the same end. If the claim is good, this deterrent effect in this way benefits the patentee's rivals. But if the claim is bad, the benefits of the monopoly grant are only the patentees: they are shielded from competition that without the patent would be lawful. Extracting the maximum social value from the patent system requires a robust examination of applications. Applying for a patent is an individualistic act but not entirely so and the examination of applications is concerned in large part with limiting scope and so facilitating public access. It is no surprise that both rules and standards play a part in the assessment of patentability.

The tension between individualism and altruism can be seen chiefly in that aspect of trade mark law that is concerned with governing how far a right owner can restrain the use of a protected mark by other traders who are not competing directly with the mark owner. Precisely because trade marks are such a common feature of the modern trading environment such uses and the tensions they create are increasingly common. For instance, appropriately scaled or rendered reproductions of 'real-world' objects in toys or games must necessarily reproduce the trade marks attached to these objects if the reproduction is to be accurate. Sports clubs, broadcasters, performers and the like have turned badges of allegiance into marks that support their merchandising efforts, creating a tension between those that attach the original meaning to the sign and those who see it as a trade mark. Trading on an established reputation also underpins the trend of brand extension, which in turn can create

conflicts between new entrant trade mark owners and established undertakings in the newly entered market.

The exclusive rights provided to trade mark owners under European trade mark legislation are, however, subject to an entirely judge-made limitation which requires that use of a sign by a third party must affect or be liable to affect one of the functions of the mark if it is to infringe. The effect is to make what rules there are under the legislation subject to a standard that looks to the impression made in the minds of consumers by the complained of use, and whether this would be liable to affect the essential function of guaranteeing to consumers the origin of the goods. By this means the scope of trade mark rights is limited in a way that ensures that at least some free use can be made of the protected mark. To be sure, the European Court has more recently held that uses that affect other functions of trade marks (related to advertising, communication and investment) can also be restrained but it is important not to lose sight of the fact that this 'enhancement' of mark owners' rights is in lessening (in a rather uncertain way) a limitation on the exercise of the rights apparently guaranteed under the legislation.

Notwithstanding this, the relationship between form, the claims of right owners versus the claims of others, and with this an apparent commitment to a particular political paradigm is far from clear in trade mark law. If there is a relationship it is at best hinted at. A key reason for this is that trade mark rights are often referred to in a way that indicate that these rights are aligned with the interests of consumers and it is these interests that justify the right and determine its scope. That the interest of consumers features so significantly in arguments concerning the recognition and scope of trade mark rights matters because consumers have an ambivalence between individualism and altruism that does not align precisely with the perspective of trade mark owners vis-à-vis other traders, nor necessarily with the perspective of the public and the use of marks in free public discourse. Modern patterns of production and consumption anticipate an individual's pattern of consumption to be a central element in how that individual constructs their identity. Somewhat paradoxically then, it is anticipated that consumers will set out (through acts of purchase) to emulate others so as to differentiate themselves from the mass. In this, trade marks play a central role not least of all because the social significance of any individual's pattern of consumption is, in whole or in part, shaped by the associations and meanings which trade marks are understood to stand for. To declare, in a social situation, that 'I wear a Rolex watch, drive a Porsche and wear Armani suits', is to make a statement as to how you wish to be regarded within that social space: either as a 'legitimate' member of the social group addressed; or as

importantly, someone who sits outside it. The social significance of any act of purchase turns on the informational content of that act which is influenced by the trade mark owner's advertising and other efforts at communication; actual patterns of consumption; and public discourse. Sometimes these will all act to reinforce one another to produce a single coherent message. At other times they may run counter to one another.

To say that trade mark law is justified so far as it serves the interest of consumers but that the ambivalence inherent in those interests confuses the relationship between form and substance is to acknowledge that there must be some engagement with the theoretical underpinnings of intellectual property law to make sense of the relationship. The final chapter of this book takes aspects of contemporary theories and attempts to relate form to key economic and other justifications commonly advanced in support of intellectual property law.

The most commonly voiced economic justification for both copyright and patent law is that these rights are necessary to address a market failure. Without this form of intervention, so the argument goes, the creative individual risks being unable to recoup the resources invested in arriving at their invention, film, sound recording or whatever because competitors could otherwise be able to free-ride on this investment, by copying the invention and so on, and without the burden of the costs in arriving at it. Under such a view, patents and copyright work by increasing security of expectation. The expectations secured by clear and ascertainable rules provide the degree of security necessary to make what would otherwise be unattractive investments seem worth pursuing.

Certainty of expectation is no less a requirement under 'proprietary' economic justifications, whether based on the social benefits that derive from the efficient management of valuable, scarce and exhaustible resources or on transaction cost economics.

The most frequently advanced economic justification for according rights in trade marks is that they reduce consumer search costs by providing coded but reliable information regarding the source and quality of the goods to which any mark is attached. Like copyright and patents, trade mark rights can be thought of as having a role in managing uncertainty and reducing transaction costs, though the uncertainty here is that facing the consumer who has a choice to make between competing products.

Starting with these economic justifications and the understanding that one way or another intellectual property rights function by reducing some of the uncertainties associated with free and competitive markets, it is easy to get to the assertion that the law must be clear and the scope of rights predictable if that function is not to be compromised. But the law

is frequently not certain and the scope of rights not predictable. The understanding that the law must be capable of adapting to varied and changing circumstances exerts a powerful influence and standard-based determinations are commonplace in intellectual property law.

Although one frequently encounters the criticism that some aspect of the law is uncertain, I do not think anyone would seriously argue that an economic justification requires that every component of the intellectual property system must operate so as to reduce uncertainty. To so argue would require us to accept that the overall goal of reducing uncertainty cannot sometimes give way to other principles or policies the demands of which run counter to this overall goal. It is enough that that goal is the product of the sum of the parts.

What is nevertheless quite surprising is just how infrequently rules are encountered in intellectual property law. If the overall goal of patent, copyright and trade mark law is to reduce uncertainty, then what component rules there are must be doing some heavy lifting. The final chapter of this book looks at those rather rare instances where there are rules within the system and the particular contexts over which they exercise control with a view to testing the credibility of the assertion that intellectual property laws enhance security of expectation and thereby change patterns of behaviour.

The efficiency gains of adopting a rule over a standard increase the more frequently a legal command is applied. This is because generally rules are more costly to promulgate as compared to standards but are less costly to administer. Given that all patent applications are subject to formal examination there are considerable efficiency gains in the conditions of grant being rule based. That is certainly true of the requirement that to be patentable a claimed invention must be new. But this is partnered by the requirement that the claimed invention involve an inventive step: a condition that involves a much less rule-like test of compliance. However, as I noted above, the question of whether a claimed invention is obvious is approached with rather less subtlety at the examination stage than it is post grant. At the examination stage the test is coarsened and is more rule-like than when it is applied in a revocation action. This reduction in complexity brings with it savings in the time and cost of examination. These reduced costs mean that applicants are more likely to make use of the patent system over alternative ways of protecting their invention.

No formalities attach to the claiming of copyright in a work. On the face of it the rule-like test that traditionally has been applied in deciding whether a work is original cannot be explained as a means of promoting efficiency in examination. But care must be taken here and thought given

not only to what is done but by whom it is done. Asking, 'who decides whether a claimed invention is patentable?', produces the confident answer, 'a patent examiner in the Intellectual Property Office'. And having answered in that way, in answer to the question, 'and who decides whether a copyright work is original?', the temptation is to answer 'no one'. That would be wrong. Although there is no formal examination, this does not mean that the question of originality is not asked and answered. In the first instance it is the author rather than some official who must judge whether his work meets the criteria for legal protection. The question of whether a work is 'original' in the sense of being not copied is one which the author can answer with some confidence both because they know the history of production of a work and because the test is a simple rule which does not require the exercise of any judgement. An author can be as confident of the exclusive rights that they enjoy in their work as the patentee can be of the exclusive rights they enjoy in their invention notwithstanding that the former does not have some official endorsement.

One problem with the way in which copyright works is that it is open to abuse by the dishonest, who may claim to have authored an original work when in fact they have not.<sup>12</sup> Precisely because applications are subject to formal examination, the opportunities for the patent system to be so abused are limited. But making legal rights subject to formal examination brings its own problems. A substantive examination of claimed invention is only possible because inventions can be described concisely and with precision in text.<sup>13</sup> And it is also relatively easy to arrive at a coherent taxonomy of inventions which makes it practical to search for relevant prior art. It is these characteristics that make examination possible but they also make possible the adoption of objective measures of novelty and inventiveness as conditions for legal rights to be claimed. The adoption of these objective measures provides something of a guarantee of public benefit so far as only inventions which advance the

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<sup>12</sup> More rarely an author may be under a delusion believing that they have produced something original when in fact it was copied, such as where there has been subconscious copying on which see e.g. *Francis Day & Hunter v Bron* [1963] Ch 587.

<sup>13</sup> For a fuller account of the development of the patent specification as a means of representing a claimed invention see Chapter 7 in Pottage, A, and Sherman, B, *Figures of Invention. A History of Modern Patent Law* (Oxford University Press, 2010), 127 *et seq.* Indeed, central to Pottage and Sherman's study is the premise that 'representation brings the invention into existence': *ibid.*, 129.

state of the art are given legal protection. For individual inventors, this carries the risk of losing much of the investment made in arriving at something they believe to be a patentable invention but which a formal search and examination reveals to be otherwise. A wise inventor will set out to lessen that risk by undertaking their own search of the relevant prior art before starting out on a costly programme of research and development (R&D).<sup>14</sup> Because the novelty and (pre-grant) obviousness tests are rule-like, the inventor can have confidence that they are working towards something patentable. Form here matters because it encourages investment in inventive activities. Of course, the well-informed inventor will know that securing a patent is no guarantee that it will not be subsequently challenged and revoked for want of novelty or inventiveness. But it is unlikely that the fear of revocation has much of an effect on decisions to invest in R&D given that so few issued patents are ever challenged post-grant.<sup>15</sup>

One consequence of the difference between the pre- and post-grant tests for inventiveness (the pre-grant test being coarser and more rule-like) is that issued patents remain of questionable validity and may if scrutinized by a court be shown to be bad. There are some social costs associated with this. First, and most obviously, because there is publication of a notice of the grant of a patent, granted patents will deter potential competitors from entering a field of endeavour. If the patent is good then this brings the social benefit of discouraging wasteful replication. But if the patent is bad legitimate competition is stifled. However, it will be a rare instance where a competing firm alters its business plan without even entering into a licence negotiation with the patent owner.<sup>16</sup>

Another social cost associated with the uncertain status of issued patents is that this uncertainty has the potential to discourage patent owners from making necessary investment in the commercialization of an invention. But again the net effect of this is likely to be small. Patent

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<sup>14</sup> Empirical studies suggest that companies indeed search and read patent-relevant literature before undertaking R&D: Graham, S, Merges, R, Samuelson, P and Sichelman, T, 'High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey' (2008) 24 Berkeley Technology LJ 1255.

<sup>15</sup> Certainly the ones that are challenged are likely to be the most valuable. But the fact that a particular invention will be a commercial success is something that cannot be reliably predicted at the stage when decisions whether to invest in R&D are made.

<sup>16</sup> Lemley, M, 'Rational Ignorance at the Patent Office' (2001) 95 North Western University L Rev 1495, 1516–17.

applicants do not make decisions in complete ignorance of the prior art and can act to manage the uncertainty associated with this form of legal protection.<sup>17</sup> An applicant can decrease the possibility of a granted patent subsequently being revoked by drafting claims of narrow scope: claims that are less likely to intersect with the prior art. But such claims are also less likely to capture the activities of competitors who set out to work around the legal protection. Claims of wider scope may embrace such activities but at the risk that the claims will be found obvious in light of the prior art. Uncertainty then, as to validity, is positively correlated to the impact that a granted patent has on the activities of third parties. The key point then is that the uncertainty arises because, in patent law as much as in copyright, the realm of duties is the testing ground for claims of right.

In trade mark law the test for assessing whether a sign which is the subject matter of a trade mark application is confusingly similar to an already registered trade mark is more rule-like than the corresponding test for whether a sign used in the course of trade is confusingly similar to a registered trade mark. The rule-like character of the test applied at the examination stage contributes to a lower cost of examination so increasing the likelihood that individuals will make use of the trade mark system rather than alternatives such as the tort of passing off. To the extent that the system of registered trade marks is a more effective means of reducing consumer search costs than these alternatives, it can be said that encouraging businesses to make use of the trade mark system brings a net social benefit.

Whether talking of copyright, patents or trade marks then, the rule-like character of those conditions that must be satisfied if a right is to be claimed is directed at influencing the behaviour of authors, investors and businesses, so encouraging investment in the various species of creativity recognized and at the same time encouraging participation in a system of legal protection designed to channel the benefits of that investment in a way that serves the public interest. In very simple terms, rights are easy to secure but once obtained are uncertain in scope and precarious and are tested by reference to the impact the rights have on third parties.

There are many who are not convinced by the economic arguments used to support intellectual property law and Chapter 6 concludes with a reflection on the relationship between form and certain non-economic justifications that have been advanced in support of intellectual property

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<sup>17</sup> Applicants will know of the relevant prior art from their own research efforts and from the results of an official search by a patent examiner.

rights. In this I use as a springboard the ideas recently advanced by Robert Merges in his 2011 book *Justifying Intellectual Property*.<sup>18</sup> For me, Merges' argument is chiefly interesting because it relies on seeing a correspondence between form and substance and for this reason provides a useful jumping off point to consider the non-economic justifications more generally. Merges relies heavily on an idiosyncratic reading of the philosophy of Immanuel Kant. In particular, he understands Kant to argue that individuals must have secure rights over things if they are to use things to set and pursue their personal ends. A major criticism that has been levelled at Merges' work is that in this he misrepresents Kant as an originator of liberal individualism.

His argument is founded on the understanding that autonomy in the Kantian sense follows from conceiving of intellectual property as 'a right'. By 'a right' he means a legal guarantee which cannot be overridden by conflicting interests such as those directed to the maximization of social utility. Substituting the word 'right' for 'rule' shows that Merges' argument points to a perceived correspondence between the structures of arguments in the formal dimension in favour of rules and those in the moral dimension in favour of individualism.

Merges' argument is unsupported because intellectual property rights are not 'rights' as he defines these. What guarantees there are provide a false security and the scope of an owner's interest is made concrete and secure only once tested against the conflicting interests of duty bearers. That no amount of effort or investment of personality guarantees exclusive rights over that created presents a considerable difficulty for those who seek to justify intellectual property law as necessary to give effect to certain ethical obligations that society owes to those of its members who have created something, whether as reward for their efforts or because they have invested something of their personality in their creation. Those who see evidence of that are as much duped by the subtleties of the system as authors and inventors.

It should be clear by now that the arguments I advance and analysis I offer will be illustrated by examples almost entirely drawn from the law of the United Kingdom: laws that nowadays are significantly shaped by European and international influences. Until very recently I could have argued that as a common law country at the heart of Europe the UK is particularly suited to provide illuminating examples. But characterizing the UK as being at the heart of Europe seems no longer appropriate in

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<sup>18</sup> Merges, R, *Justifying Intellectual Property* (Harvard University Press, 2011).

light of its citizens' decision to leave the EU. Nevertheless, the laws of the UK have been significantly influenced by its membership of the Union and, until now, the UK has played a significant part in shaping the directives and regulations that comprise European intellectual property law. That said I have to accept that the narrow jurisdictional focus is a weakness of the analysis presented and without considerable further research, analysis and thought, I would be very reluctant to claim that the arguments I advance apply to other legal systems. Furthermore, although the analysis purports to say something about how intellectual property works, I say very little of the law outside the specific fields of patent, copyright and trade marks.<sup>19</sup> Rather than attempt to be comprehensive in my coverage of the field I have naturally selected materials that I think best support the arguments that I advance. I have also, especially in the second half of the book, focussed on what I see as the core of the subject. A consequence is that I don't doubt that some effort would reveal counter-examples and exceptions. That is hardly surprising given that the common law is a complex patchwork and it is not uncommon to find an outlying decision that does not fit with any particular rationalization of the law.

The book is not specifically directed only to those who already have a considerable knowledge and understanding of intellectual property law and I make no assumptions about the prior knowledge of readers. However, for those readers who count themselves as experts my hope is that this book will cause you to look at familiar material in a new way.

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<sup>19</sup> The common law has what could be described as an intellectual property effect through the actions of passing off and breach of confidence. I spend some time looking at the tort of passing off below starting at p. 48 and then later at p. 64.