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PIERCE LAW
FRANKLIN PIERCE LAW CENTER

CREATING A LASTING LEGACY TO HONOR ONE OF PIERCE LAW'S FINEST: THE KARL F. JORDA PROFESSORSHIP IN PATENT LAW

FRANKLIN PIERCE LAW CENTER (Pierce Law) is pleased to announce the creation of The Karl F. Jorda Professorship in Patent Law and the establishment of a $500,000 fundraising campaign in support of this professorship. Reserved for a scholar of national and international acclaim, an endowed professorship is one of the highest honors Pierce Law can bestow upon a member of its faculty. The Karl F. Jorda Professorship in Patent Law will honor Professor Jorda's distinguished tenure as Pierce Law's David Rines Professor of Intellectual Property Law and Industrial Innovation and Director, Kenneth J. Germeshausen Center for the Law of Innovation and Entrepreneurship.

The excellence of Pierce Law rests on its ability to attract and retain the very finest faculty members, including leaders in Intellectual Property Law. Endowed professorships support the work of outstanding faculty who provide cutting-edge, innovative and entrepreneurial legal

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PORTRAIT: JAMES SLATTERY

BY RICHARD KURZ (JD '10)

ALL SUCCESSFUL ORGANIZATIONS are the result of many dedicated people working towards meaningful and significant common goals. A prerequisite of success, however, is that those dedicated people must be working towards the right goals.

So where do the right goals come from? Sometimes it is from circumstances; more often, the right goals are shifting targets, best perceived by people whose background gives them the experience to discern what is important. For this reason, organizational growth depends, in part, on the perspectives and advice of individuals with diverse experience.

James Slattery is a leader whose diverse experience has helped him advise many organizations and clients on the right goals to pursue. Slattery has developed his unique perspectives through his successful career, including partnership in one of the United States' largest IP firms, civic involvement in his community, teaching IP topics to organizations and clients globally, active leadership for several IP organizations, and serving on Franklin Pierce Law Center's IP Advisory Committee for the last two decades. While gaining experience and insight, Slattery has also developed lasting friendships in the IP community that have been a source of great personal satisfaction.



JAMES SLATTERY

Slattery is a partner at Birch, Stewart, Kolasch & Birch (BSKB) of Falls Church, Virginia, near Washington, D.C. Slattery's career started when he received his

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Created in 1985 through the generosity of Kenneth J. and Pauline Germeshausen, the Germeshausen Center is the umbrella organization for Pierce Law 's specialization and policy studies in the legal protection, management and transfer of intellectual property, especially relating to the commercialization of technology. The Germeshausen Center Newsletter is published two times a year for alumni/ae, students and friends of Pierce Law.

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mechanical engineering degree from the University of Notre Dame. After graduation, he moved to Washington, D.C. to begin working at the United States Patent and Trademark Office (USPTO). While working for the USPTO, Slattery attended law school part time at the University of Baltimore, with added IP coursework at Georgetown University.

Once he received his J.D. degree, Slattery left the USPTO to begin working for Stewart & Kolasch in 1976. Stewart & Kolasch later became BSKB after a merger with the firm Birch & Birch. Over the years, BSKB has grown to a team of 250 people with one of the largest patent and trademark prosecution practices in the United States. A significant contributor to BSKB's growth has been the firm's long-term relationships with a very international client base.

Slattery has had an important role in building BSKB's international relationships. Over his years at BSKB, Slattery has been heavily involved with global IP issues and organizations. For instance, Slattery has been heavily involved with the Association Internationale pour la Protection de la Propriété Intellectuelle (AIPPI). The AIPPI is the largest international organization of IP professionals in the world. Slattery's service to the AIPPI includes his current position of U.S. Vice President as well as years of service as the Treasurer of the U.S. Group of the AIPPI.

Teaching has been a significant part of Slattery's professional life since the 1980s. Over the years, Slattery has taught IP courses for the USPTO, the World Intellectual Property Organization (WIPO), the AIPPI Japan and the Swedish Patent Office. He was often invited to teach courses in countries that were working to strengthen their IP rights and systems. While teaching these courses, Slattery has traveled to countries as widespread as Sweden, China, Japan, Yugoslavia, Korea, Malaysia, Singapore, and the Philippines. Slattery's efforts led to a special award from WIPO in 2000 for his work with the World Wide Academy Advisory Board. This board is in charge of WIPO's training programs concerning various international patent, trademark, and copyright treaties.

In addition to teaching globally, Slattery has also been heavily involved with BSKB's client training programs. Beginning over 25 years ago, BSKB has provided training programs to hundreds of clients. These client training programs are extensive. For example, a recent program hosted by BSKB trained 63 people from 10 countries during a one-month program at BSKB's offices. These programs help to build client knowledge, but also have the advantage of allowing clients to build relationships with each other and with BSKB.

The relationships that Slattery has formed are one of the most personally rewarding aspects of Slattery's career. Over the years, Slattery has enjoyed meeting and getting to know many IP professionals from around the world. In addition to business relationships, Slattery has also enjoyed getting to know people personally. Every year, for instance, he takes an "IP Trek." Slattery's IP Treks are hiking adventures he goes on with friends

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education. The Karl F. Jorda Professorship in Patent Law honors Professor Jorda's distinguished tenure and significant contributions to Pierce Law, while continuing to advance the field through education, research and training.

Please join us in honoring Professor Jorda's legacy by making a contribution today. Your investment in The Karl F. Jorda Professorship in Patent Law will endow a salary supplement to attract and retain a faculty member considered *preeminent* in the field of patent law. To add your support, you may visit www.piercelaw.edu to make secure online donation or contact Laura Chaney, Director of Development, lchaney@piercelaw.edu, 603.513.5181.

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from around the world. The groups meet at scenic destinations to go hiking and experience an exciting new place. A recent hike included a group of twenty attorneys that met to climb to the summit of Mt. Kilimanjaro in Africa.

Indeed, when asked, Slattery had some good advice for students and practicing attorneys alike. His advice is that there are different facets to practicing law. The obvious facet, of course, is to be knowledgeable about the rules of law and familiar with the implications of new court decisions. Additionally, especially for patent attorneys, getting good results for clients requires more than understanding a client's technology. Clients look to patent attorneys to help them better understand and plan the entire field of IP so that clients may employ the best strategies for acquisition, licensing, and enforcement of IP. This requires an understanding of the client's needs and business.

Slattery advises that it is important to stay in touch with your network of friends from college, law school, and beyond. These relationships create a support network that can help you gain a diverse understanding of issues as well as help you grow as a person. Further, as you build relationships, you become a steward of the IP profession because you are involved with organizations that play an important role in bringing professionals together. Perhaps just as important, relationships also make life more fulfilling and enjoyable because you get to know people as friends and as business colleagues.

Understanding Slattery's enjoyment of both teaching and getting to know people, it makes sense that he also has had an important role with Pierce Law. Starting in 1987, Slattery has been on the Franklin Pierce Law Center Advisory Committee for Intellectual Property (ACIP). Led by Pierce Law Professor William Hennessy, ACIP has periodic meetings to review Pierce Law's progress in the intellectual property profession

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YOU HAVE A WELL-KNOWN MARK? SO WHAT? AN INDONESIAN APPROACH TO WELL-KNOWN MARK PROTECTION

BY ALEXANDRA SURYAKRISTIANTO (MIP '09)

WELL-KNOWN MARKS ARE PART OF OUR LIVES. When asked about what products people use or wear, they quickly mention certain trademarks or brands. People are affected and unconsciously driven by trademarks in their everyday lives.

Of course, such status does not come for free. Advertisements and product promotions play a big role in obtaining brand recognition and manufacturers must spend money to make less familiar trademarks more widely known. Consequently, reputation begins to define the value of the trademark and the products sold under that trademark. At some point, a trademark may receive recognition as a "well-known" or "famous" trademark. Although some trademarks are well-known only in a limited geographical area, others are well-known internationally. For example, how many people in this world do not know the Coca-Cola® trademark? Probably not many.

Well-known trademarks receive international protection through international treaties. One, the Paris Convention, requires member countries to ratify laws protecting industrial property of member countries. World Intellectual Property Organization, *Paris Convention for the Protection of Industrial Property*, **http://www.wipo.int/clea/docs_new/pdf/en/wo/wo020en.pdf (last visited Nov. 16, 2008)**. Starting in 1967, Paris Convention has included protection for well-known marks. *Id.* Additionally, in 1994 the WTO's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) standardized the enforcement and protection for well-known marks by its member countries. World Trade Organization, *Intellectual Property: Protection and Enforcement*, **http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm (last visited Nov. 10, 2008)**. Both the Paris Convention and TRIPs require signatories to amend their national laws to provide minimum protection standards for well-known marks. *Id.*

Indonesia, despite being a signatory to both the Paris Convention and TRIPs, has not fully complied with the well-known mark protection provisions. Directorate General of Intellectual Property of the Republic of Indonesia, *Pengakuan Hak Kekayaan Intelektual di Indonesia*, **http://www.dgip.go.id; *select* General Information, *select* Introduction (last viewed Nov. 16, 2008)**. While well-known mark protection is clearly provided for in Indonesian Trademark Law, the law provides that the well-known mark must be registered in order to be protected in Indonesia. (Comments are included in the Indonesian annotated statute, but comments are not available on the website. The statute may be found at: Directorate General of Intellectual Property of the Republic of Indonesia, *Law of the Republic of Indonesia Number 15 Year 2001 Regarding Trademark*, **http://www.dgip.go.id; *select* General Information, *select* Laws and Rules (last viewed Nov. 10, 2008)** [hereinafter *Indonesian Law*]). This contradicts the nature of well-known marks and the "spirit" of Paris Convention and TRIPs. Indonesia adopts a first-to-file principle, which in practice means the Indonesian IP Office does not automatically refuse an application for a mark which is similar or identical to an unregistered well-known mark. *Indonesian Law*, Art. 6(1). Instead, the IP Office challenges the well-known mark holder to oppose the mark applied for or to cancel the mark later when it is registered.

Unlike the United States, which defines the criteria for a famous mark in the Lanham Act § 43(c)(2), Indonesia's trademark law includes supportive "guidance" for the evidence necessary to have a well-known mark. *Indonesian Law.* This guidance includes: (1)

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registration in more than 3 major countries (e.g. USA, any European country, and any Asian country); (2) sales revenue and volume for the product bearing such trademark for at least the past 3 years; (3) advertising expenditures to promote such trademark for at least the past 3 years; and (4) the scope of promotion of the trademark (e.g. how often the trademark appears in media and the variety of media used to promote such trademark). *Id.* Despite the inclusion of this guidance in the Trademark Law, the Indonesian IP Office and the courts have been inconsistent in their decisions concerning what constitutes a well-known mark. *The Coca-Cola Company v. PT. Unican Surya Agung*, 509 PK/Pdt/1995, 11-14 (Indon. Sup. Ct., Jan. 29, 2008).

Mr. Gunawan Suryomurcito, President of Indonesian Intellectual Property Society, recently commented on well-known mark protection in Indonesia:

"Protection for well-known marks has become better recently compared to that in the previous years. The Indonesian Supreme Court has recently issued decisions in favor of international well-known mark holders whose marks have been registered in Indonesia by local traders. The Supreme Court has even decided in favor of a foreign well-known mark holder even though the goods registered by the Indonesian registrant were not similar to the goods registered under the well-known mark."

E-mail from Gunawan Suryomurcito, President of Indonesian Intellectual Property Society to author (Sept. 16, 2008) (on file with author) [hereinafter *Suryomurcito*].

Mr. Suryomurcito further commented that protection for well-known marks at the administrative level, i.e. at the Indonesian Intellectual Property Office, still faces hurdles from the absence of Government Regulations to implement the well-known mark provision in the current Indonesian Trademark Law. *Suryomurcito.* Nevertheless, trademark examiners have been progressively refusing trademark applications that are similar to well-known marks even though the goods or services are not similar. Protection for well-known marks is expected to improve once the Government passes regulations on well-known mark protection for dissimilar goods. For instance, Indonesia is currently revising its Trademark Law and there are significant changes to the current trademark prosecution practice. *Id.* However, unfair competition and trade dress protection will still not be addressed in the new law. *Id.*

There are many problems with unfair competition and trade dress protection in Indonesia due to the absence of provisions covering these areas in the Indonesian Trademark Law. Unfair competition is currently dealt with under Civil and Criminal Codes, which do not specifically address trademarks or intellectual property but only general commerce. Art. 1365 *Kitab Undang-Undang Hukum Perdata* (Indon. Civ. Code) and Art. 382*bis Kitab Undang-Undang Hukum Pidana* (Indon. Crim. Code). In general, unfair competition cases are very rare and no well-known mark holders have ever prevailed in such a case.

One of the many international trademark holders that have encountered difficulties with well-known trademark and trade dress protection in Indonesia is The Coca-Cola Company ('TCCC'). Mr. Daniel Greif, TCCC's Group Trademark Counsel, Coca-Cola Pacific Group, recently commented on TCCC's experience with well-known trademarks in Indonesia:

> Although Indonesia law recognizes the concept of well-known trademarks as set forth in the Paris Convention and by the WTO's TRIPs provisions, TCCC has experienced challenges in protecting its well-know trademarks in Indonesia.
>
> There have been many trademark applications filed in Indonesia for candy products using trademark and trade dress elements arguably very similar to the word trademark "Coca-Cola" and to TCCC's Dynamic Ribbon Device and Spencerian Script. For all of these third-party trademark applications, TCCC brought opposition and cancellation actions relying upon, among other things, TCCC'S well-known trademark status for these trade indicia. However, TCCC has experienced inconsistent results. At times, the Indonesia Trademark Office and the Indonesia Courts have ruled in favor of TCCC and other times the Indonesia Trademark Office and Courts have ruled against TCCC. However, TCCC has received these inconsistent results even where the trademarks and trade dress at issue were very similar.
>
> **E-mail from Daniel Q. Greif, Group Trademark Counsel, Coca-Cola Pacific Group to author (Oct. 24, 2008)** (on file with author) [hereinafter *Greif*].

The following two cases are examples of TCCC's trademarks and the infringers' trademarks TCCC attempted to cancel in 1994. *The Coca-Cola Company v. PT. Unican Surya Agung*, 42 PK/Pdt/1994 (Indon. Sup. Ct., Jan. 29, 1997). In the first case, the district court decided, inter alia, that the defendant's trademarks are similar in principle to plaintiff's trademark; and therefore, defendant's trademarks must be

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and to brainstorm opportunities to build Pierce Law's future.

Considering Pierce Law's long-term leadership in intellectual property, it is safe to say that the IP Advisory Committee has benefited from guidance provided by Slattery and his counterparts. Like his clients, Pierce Law has benefited from the perspectives and advice shaped by Slattery's diverse experiences and stewardship to the IP profession. ■

Richard Kurz (JD '10) received a BS in Electrical Engineering from Purdue University. He plans on practicing IP law upon graduation.



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canceled. *Id.* at 8-9. The decision was affirmed at appeal stage by the Supreme Court. *Id.* at 13. However, since Indonesia is a civil law jurisdiction, Indonesian courts are not required to follow any precedents. Thus, in a case against the same defendant that followed shortly after the previous case, the Indonesian courts decided that, as a whole, the following trademarks were not similar to TCCC's "Coca-Cola & dynamic ribbon device" trademark. *Unican*, 509 PK/Pdt/1995 (Indon. Sup. Ct., Jan. 29, 1997).

In neither of these cases did the Indonesian courts acknowledge the well-known mark status of TCCC's "Coca-Cola & dynamic ribbon device" trademark. Mr. Greif added that:

> TCCC has recently attempted to stop the registration of a trademark in Class 5 (vitamins, tonic (medicinal), mineral supplements, health food supplements, health/energy drinks) for the word trademark 'POWERADE.' However, TCCC was unsuccessful in stopping the registration in an opposition proceeding notwithstanding the fact TCCC submitted extensive evidence to the Trademark Office evidencing the well-known status of the 'POWERADE' trademark around the world. TCCC may now file a cancellation action before the Indonesia Courts in that TCCC will have a better chance of success on an appeal before an Indonesia Court than it had at the Trademark Office. This is consistent with the practice in many countries where, the higher up in the appellate process a party goes, the more likely the relevant court will rule in favor of the intellectual property owner. It appears the Indonesia Trademark Office and the Indonesia Courts expect a very high level of proof of the well-known status of a trademark before well-known status will be established. This is not unusual as many trademark offices and courts in many countries have a similar perspective on the establishment of well-known trademark status. I am confident over time the Indonesia

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IP COMMERCIALIZATION PITFALLS: INDIAN UNIVERSITIES AND R&D INSTITUTION PERSPECTIVE

BY VAHINI VALENTINE BEERAM (MIP '08) AND GAURAV SIDDAHAST

WITH A PATENT PORTFOLIO consisting of 91 issued patents and 167 pending patent applications, and many more inventions waiting to be filed, Indian Institute of Technology - Kharagpur (IIT Kgp), an Indian University commensurate to Stanford or Yale, has been involved in technological innovation. However, very few of these technologies have been commercialized. (Data collected from IIT Kgp by Mr. Singhal). There are about six such IITs, spread all over India, with various departments including engineering and law. Under the current technological paradigm and new growth theories to overcome crisis, the notion of development is associated with: widespread access to global information resources, the creation of advanced skills, constant innovation and the diffusion of new technologies. These capabilities are essential to sustain international competitiveness and develop a knowledge-based economy. The following article will discuss probable solutions, both at a national and institutional level to cater to needs of big universities and Research and Development (R&D) centers. It will focus on how to enhance university-industry relationships in the current situation, when India does not have a concrete piece of legislation that dictates the ownership of inventions that arise from publicly funded R&D projects.

A study conducted by the World Intellectual Property Organization (WIPO) in Singapore indicates that the culture of industry interaction was initiated through an array of activities including licensing of technology, internships, University-Industry (UI) collaborative projects, adjunct appointments and industry participation in consultative committees of academic departments. *Technology Transfer, Intellectual Property and Effective University-Industry Partnerships—The Experiences of China, India, Japan, Philippines, the Republic of Korea, Singapore and Thailand* ("WIPO study"), **http://www.wipo.int/freepublications/en/intproperty/928/wipo_pub_928.pdf., (last visited Oct. 20, 2008)**. This underscores the importance attached awareness on intellectual property (IP).

A survey conducted by Mr. Gaurav Singhal, who is the Student Coordinator of Technology Transfer Group (TTG) IIT Kgp, revealed that most of the students in science and engineering streams in many universities were not aware of IP, and most of the universities lacked resources to manage them. Through research, he found that, even today, greater importance is attached to writing academic papers and having them published in leading scientific journals than concentrating on transferring technology to the private sector or prosecuting patents. Therefore, strengthening education of IP law is both important and urgent, not only in law and business streams, but in all departments within universities so that every student becomes acquainted with the Indian IP system.

According to Mr. Singhal, IIT Kgp has a unique two-tier system to manage sponsored research activities, student bodies, and IP matters: 1) The Sponsored Research Innovation and Consultancy (SRIC) Department whose function is to manage all the Industrial Sponsored Research and the IPR matters of the Institute while helping to commercialize them and 2) The Technology Transfer Group (TTG): a student group whose objective is, "to increase the innovations at institute, recognize them, support for the filing of various Intellectual Properties and finally support the IIT to commercialize it by finding out the buyers in the market."

TTG helps to carry forward the functions of SRIC and promotes it amongst its students and faculty members. TTG simultaneously promotes new inventions among the Industries and

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Trademark Office and the Indonesia Courts will more readily acknowledge the well-known status of highly reputable worldwide trademarks and take steps to protect them in Indonesia. This development would be completely consistent with my experience of the continuing improvement and positive developments related to the intellectual property laws and practice in Indonesia. *Greif.*

All considered, it appears that Indonesian IP practitioners and experts, as well as international trademark holders, are hopeful and optimistic that Indonesia will eventually afford better protection to well-known trademarks. Nonetheless, enacting the new law does not guarantee that the "grey areas" of unfair competition and trade dress issues will take care of the shelters found by infringers and counterfeiters. It seems that the Indonesian government must work harder to find ways to deal with these issues.

Alexandra Suryakristianto (MIP '09) worked for Rouse, a British IP firm, in its Jakarta Office, Indonesia, before she came to Pierce Law. She plans to continue practicing IP, focusing on trademarks upon graduation.



FIRST CASE:

TCCC's trademark

Third party's trademarks



colors claimed: none

SECOND CASE:

TCCC's trademark and trade dresses

Third party's trademarks and trade dresses



colors claimed: red & white



colors claimed: none



Actual Use (trade dresses)



Actual Use (trade dresses)

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markets them to get buyers. SRIC's function is to finally approve the technologies to become patent protected and negotiate with the buyers to cut a deal on commercialization activity.

Statistics indicate that this two-tier system was successful in accelerating the patenting activity by at least 3 times. At IIT Kpg., 34 patents were filed in 2008 through August, whereas patents filed in 2007, 2006, and 2005 were 10, 8 and 9 respectively. Only one patent was commercialized in 2008, while 4 patents were commercialized between 2005 and 2007.

Despite this success, commercialization activity is still too low while relying on taxpayer money. Thus, it is always advisable to inculcate separate technology transfer offices (TTOs), which would be solely responsible for IP management and commercialization of inventions. For instance, TTOs in Japan accrued 550 million Yen through royalties. While in the United States, TTOs collected a total of one billion dollars by April 2004. WIPO study. Establishment of joint TTOs or an IP headquarters for all IITs seems to be a feasible solution to the current situation. Moreover, law students in IITs can also work at the TTOs so that they would be equipped with half of the tricks of trade, managing IP, by the time they graduate. Since many of the best universities are government owned in India, establishment of TTOs would allow universities to concentrate completely on their sole mission—imparting education and industry based training to students. Joint TTOs for a group of universities or R&D centers in the same region, or those in similar technical fields, was implemented by many institutions in developed as well as developing counties. WIPO study. Experienced and trained personnel are vital to the success of TTOs. But, full support from the university authorities is crucial for any TTO operation. Establishment of regional innovation systems, popularly called "science parks," stand as testimony to successful wealth creation and increasing economic activity

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in many countries in the world, including the United States, Japan and Taiwan. Typically, a "science park" is home to three interacting elements: government, big university, and private sector companies. At its heart, a "science park" provides organized links to a local university or a research centre, providing resident companies with the constant access to the expertise, knowledge and technology they need to grow. Many science parks also house divisions of larger or international firms, who benefit from the close links with a big university. More often "science parks" are associated with or operated by universities. The approximate synonyms of "science parks" depending on the type of science and research include Technopolis, biomedical parks, Software Park, or Technology Park.

In 1951, when the Bayh-Dole Act was still foreign to the United States, the world's first "science park" was established at Stanford University, and many national and regional governments earmarked budgets to encourage special high-tech development zones in the park. Phillip Cooke, *Technopoles to Regional Innovation Systems: The Evolution of Localized Technology Development Policy*, **http://www.questia.com/googleScholar.qst;jsessionid=JCFdCPlQpdzPhnc0KTl5tTZDxZmL1ZhcwN0pTbg4hthFy1y9h6JH!-1394582285?docId=5002433327 (last visited Oct. 20, 2008**). Japan has undergone a radical transformation since the establishment of science parks. In 1986 the Japanese government approved a program to establish 28 science parks that led to the emergence of Tsukuba and Kansai, which have produced significant results in terms of science and technology commercialization and job creation. *City Planning and Construction Purpose*, **http://www.info-tsukuba.org/english/city/index.html, (last visited Oct. 16, 2008**). In 1980, the Taiwanese government established the Hsinchu Science and Industrial Park primarily focused on semiconductor, computer, telecommunication, and optoelectronics industries. *Science Parks*, **http://web1.nsc.gov.tw/mp.aspx?mp=7 (last visited Oct.**

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A CASE FOR GOVERNMENT REGULATION OF VIRTUAL WORLD ECONOMIES

BY ALEX HAFEZ (JD '09)

SINCE THE TURN OF THE MILLENNIUM, online virtual worlds (also known as massively multiplayer online games, or MMOGs) have been rapidly increasing in popularity. Coinciding with this exponential increase of player participation has been a corresponding explosion in the quantity and net value of financial transactions related to these virtual worlds. These transactions take place between players and game developers, as well as between players themselves. As of January 2007, Second Life, currently one of the more popular online virtual worlds, boasts what was arguably the fastest growing economy on the planet, with over 900% growth from the previous year. Zee Linden, *State of the Virtual World – Key Metrics*, January 2007, Second Life, February 9, 2007, **http://blog.secondlife.com/2007/02/09/state-of-the-virtual-world**.

World of Warcraft (Warcraft), the reigning MMOG king with over 11 million subscribers, also has a thriving economy of its own. Blizzard, the developers of Warcraft, has taken a much more restrictive approach to the types of transactions that are permissible in its world—compared to the relatively open economy of Second Life. A simple Google search for "Warcraft gold exchange" yields thousands of hits for sites where players can buy and sell the virtual currency used in the game world. However, while these emerging markets and economies represent brave new worlds with vast potential, their brief history has already raised a number of problematic issues. While it is reasonable to say that snags are to be expected in such uncharted waters, the continued growing popularity of these worlds will likely mean continuing problems for their fledgling economies, raising potentially serious legal issues along the way. This article will attempt to examine both some of the positive benefits and success stories that have accompanied these fledgling economies, as well as looking at some of the biggest problems that have arisen thus far, and why government regulation should be viewed as a viable solution to correcting such issues in the future.

Of all the online virtual worlds currently in play, Second Life, produced by Linden Labs, has been arguably the most progressive in terms of trying to actively encourage its players to engage in commercial interactions. Thanks in large part to Linden Labs' efforts, Second Life enjoys a thriving economy, with a reported $64 million gross domestic product in 2006. Sarah Adamczyk, *Second Life – A Whole New of Trademark Infringement?* Chilling Effects Clearinghouse, October 27, 2006, **http://www.chillingeffects.org/weather.cgi?WeatherID=561**.

Second Life's economy is based on the "Linden dollar," which is the currency used by the world's residents. These can be purchased either from Linden Labs directly, through their official website, or can be bartered for between players through unofficial channels not affiliated with Linden, with the exchange rate currently hovering around 265 Linden dollars for every one U.S. dollar. In exchange for their real world monetary investments into the Second Life economy, players can buy and sell virtual goods and services in an ostensibly free market. This is due in large part to the fact that Linden Labs allows players to retain intellectual property rights to their in-game creations, which in turn can be marketed, sold, or traded to others (although the issue of intellectual property rights in Second Life is another area of dispute).

While there are a number of viable economic activities Second Life players can engage in, such as the sale of clothing for peoples' avatars (one's in game character representation), one of the most widely publicized successes thus far has been its booming real estate market. Second Life players can purchase virtual real estate within the game world, paying a one-time fee for the initial transaction, on top of paying a monthly land use fee that varies according to the size of the parcel in question. These parcels can range in size

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19, 2008). It works in conjunction with National Chiao Tung University and National Tsing Hua University. *Id.* Today, the park houses the world's top two semiconductor foundries, Taiwan Semiconductor Manufacturing Company (TSMC) and United Microelectronics Corporation (UMC), both of which were established at the nearby Industrial Technology Research Institute. *Id.* As science parks harness the combined effect of education, research and private investment, the result is new jobs, new industries and solutions to unsolved problems of mankind. India has turned itself into a software hub by establishing software parks in Bangalore and the most recent development is establishment of biotechnology parks. But more of such parks need to be set up in conjunction with Indian universities and R&D centers to transform India to the extent of its Asian counterparts.

University spawned ventures are only one of the widely recognized ways of commercializing inventions created by universities, particularly in the case of breakthroughs or disruptive technologies. Moreover, scientists like Thomas Edison chose to commercialize their patented inventions by starting their own ventures. Universities in North America have implemented licensing and university-based "spinoffs" methods before the existence of the Bayh-Dole Act. It was observed that universities in the United States have benefited from rapid growth in public research funding and significant advances in science and technology through these methods. In Japan, India's Asian counterpart, the number of university-spawned ventures was identified as a benchmark for measurement of overall effectiveness of UI collaboration. WIPO study. In Singapore, industry assistance development schemes have also proved to help universities immensely in collaborating with industries. *Id.* Indian universities can also spawn spin-offs through the Department of Science and Technology or other government funding opportunities to broaden the perspective of India's economy.

Many countries have identified that fostering technology transfers from universities to the private sector is a desirable goal, not only to enhance national economic activity through access to innovative research results, but also to ensure that university R&D results are made available to public through their commercialization. Joint TTOs are likely to benefit IITs and other big universities, and government financed R&D centers but collaborative efforts by student bodies and TTOs are more likely to speedup commercialization. Indian companies and other foreign companies which have their presence in India should cooperate with universities and R&D centers to build more science parks that ultimately benefit the society. ■



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from a small, 16 by 32 meter (in-game measurements) block of land with a US $5 monthly fee, to a 16 acre private island that costs $295 a month to maintain. Second Life Homepage, **http://secondlife.com/whatis/landpricing.php**. These favorable market conditions have yielded at least one "virtual Rockefeller," an avatar known as Anshe Chung, who claimed to be "the first online personality with a net worth of over $1 million in U.S. dollars." *Anshe Chung Becomes First Virtual World Millionaire*, **http://www.anshechung.com/include/press/press_release251106.html**. Chung, a Chinese-born German citizen whose real name is Ailin Graef, presides over a virtual Second Life empire, which includes various land investments, stores and other businesses, and millions of Linden dollars in savings. Chung got her start in Second Life as a land speculator and developer, buying up large parcels of real estate that she subsequently developed into some of the most luxurious and ornate residences in the virtual world. These developed properties are then either sold or rented, fetching as much as $100 up front, in addition to land use fees. Currently, Chung runs Anshe Chung Studios which employs over 80 people, mostly programmers and artists, with plans to expand her business into other online virtual worlds. Anshe Chung Studios – Introduction, **http://acs.anshechung.com**.

Blizzard has been far more active in restricting any potential for the development of a free market economy in its game. Despite this, the Warcraft community has developed a robust economy in its own right, with players principally buying and selling special items, gold and even powerful, high level characters online. As recently as 2006, one could find potentially thousands of such listings for sale on eBay and other auction sites. One study estimated that over $2 million were spent purchasing gold alone during a three-month span last year. Louisa Hearn, *Crackdown on online gold diggers*, The Sydned Morning Herald, June 19, 2006, **http://www.smh.com/au/news/games/gold-diggers-blackballed/2006/06/19/1149964725799.html**. Players who engage in such behavior are known as "farmers." Many have very specific set quest routines that they repeat in order to maximize the virtual property returns for their time spent playing. Blizzard has tried to curb such behavior in order to promote a fun and fair environment for all our players. Because the selling of in-game property violates Warcraft's terms of service agreements all players must adhere to, Blizzard bans the accounts of any users

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it finds that have broken these rules. Blizzard has also exerted considerable pressure on eBay to cease all such listings for virtual goods, with eBay acquiescing in January of 2007. Brandon Boyer, *eBay To Suspend All Virtual Item Auctions*, January 26, 2007, **http://www.gamasutra.com/php-bin/news_index.php?story=12556**.

Despite Blizzard's best efforts, sites such as IGE.com and Wowgold.com still cater to the needs of players who seek to buy a leg up on the competition. Farming is still a lucrative business for those who know how to work the system, with one Warcraft player claiming that by developing and selling characters online "you can earn 200 euros [European dollars] without doing absolutely anything." Cristina Jimenez, *The high cost of playing Warcraft*, September 24, 2007, **http://news.bbc.co.uk/2/hi/technology/7007026.stm**. In September 2007, a new record was set when a powerful Warcraft character was sold for a whopping 7,000 euros. *Id.* Although this particular transaction may represent one extreme of the market for in-game commodities, there are still thousands of lesser sales going on on a daily basis, sustaining the Warcraft economy.

These situations raise serious legal issues with regards to online gambling. Currently, both Linden Labs and Blizzard have officially banned casinos and other types of gambling in their respective worlds. Although Blizzard officially took the initiative to do so in an effort to combat in-game spam, it has nonetheless been diligent in keeping its servers clean since early 2005. David Adams, *Blizzard Bans World of Warcraft Casinos*, February 18, 2005, **http://pc.ign.com/articles/588/588964p1.html**. Linden Labs only recently banned gambling in Second Life, a move that they were more reticent to do because of a thriving casino scene in its game world. *Linden Labs Outlaws Second Life Gambling*, **http://secondlife.reuters.com/stories/2007/07/26/linden-lab-outlaws-second-life-gambling (last visited Nov. 9, 2008)**. In making its announcement on the matter, Linden Labs stressed the legal implications of its decision, stating: "all

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FIXING THE AMERICAN HEALTHCARE SYSTEM THROUGH PHARMACEUTICAL LEGISLATION: COULD A CHANGE IN U.S. PATENT LAW BE THE ANSWER?

BY PHILIP APRUZZESE (JD '10)

THE RISING COST OF PRESCRIPTION DRUGS is one of the primary problems with the current healthcare system in America. What if new legislation is passed so that American families can buy new medications for the price it costs pharmaceutical companies to manufacture them?

THE PROBLEM

Insurance companies identify prescription drugs as formulary and non-formulary. A formulary is a list of the drugs that your insurance company will help you pay for; this list is subject to frequent changes as the insurance company reviews it monthly. American Academy of Family Physicians, Prescriptions and Insurance Plans, **http://familydoctor.org/online/famdocen/home/healthy/health-ins/735.html (last visited Oct. 10, 2008)**. Insurance companies group formulary drugs into different tiers, depending on how much you are expected to pay through your co-payment. *Id.* Because formularies include a limited number of drugs, you typically have to pay more for a non-formulary drug, a drug that is not listed in the insurance company's formulary. *Id.*

A major problem arises when the insurance company selects which drugs are to be added to the formulary strictly by how much the pharmaceutical company charges for the drug. *Id.* The more expensive the drug, the less likely it is to be on a formulary list if the insurance company deems that there is a comparable alternative. *Id.* More often than not, generic drugs are less expensive than new brand-name drugs, and are therefore typically added to insurance companies' formularies. *Id.* Physicians regularly prescribe medications that will cost the patient less money through their insurance company, assuming that they deem the medication comparable. *Id.* However, medications that are comparable will have more exposure to the public; the more exposure a drug has, the less likely the drug is going to be effective.

For instance, antibiotics are the second most widely used class of drugs in many European countries. European Commission, *European Research in Action: Antibiotics Resistance—A growing threat*, **http://ec.europa.edu/research/leaflets/antibiotics/index_en.html (last visited Oct. 6, 2008)**. This excessive, and sometimes inappropriate, use in humans and agriculture has led to a rapid increase in the prevalence of drug-resistant micro-organisms. *Id.* In fact, the overexposure of many of the older antibiotics have made those drugs either ineffective or far less reliable than they used to be. *Id.* Currently, a new drug is protected under a patent for twenty years from the filing date before that drug is generically available to consumers. 35 U.S.C. § 154(a)(2) (2006). Even though the patent term is twenty years, a drug typically will not be marketed to consumers immediately after the beginning of the term because of the time it takes for research and development; thus, public exposure of a new drug is actually much less than twenty years.

Even though there is an overuse of antibiotics, making them either ineffective or less reliable, many large pharmaceutical companies have shifted their research and development efforts away from new and novel antibiotics and have moved more towards higher-value infectious disease markets, including the vaccine sector. Jonathan Angell, *Anti-infectious*

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Residents are legally responsible for their own activities and for complying with the laws of the local jurisdiction in which they reside. If you are violating our policy, or if you are otherwise concerned that you may be engaging in illegal gambling, you should stop." *Anti-Gambling Policy Update*, **http://blog.secondlife.com/2007/08/09/anti-gambling-policy-update-faq**.

Even if Linden Labs and Blizzard have taken steps to eliminate gambling in the traditional sense by shutting down of virtual casinos and by outlawing wagering on games of chance, more subtle legal implications remain. This was the subject of a recent essay by attorney Mark Methenitis, who examined the "Unlawful Internet Gambling Enforcement Act," and what possible ramifications it could have on Second Life and Warcraft. Mark Methenitis, *A Tale of Two Worlds: New U.S. Gambling Laws and the MMORPG*, 11 Gaming L. Rev. 436 (2007). The act states in relevant part that an illegal bet or wager is defined as "the staking or risking by any person of something of value upon the outcome of a contest of others, a sporting event, or a game subject to chance." 31 U.S.C. § 5362(1)(A) (2006).

Methenitis believes that the statute does not apply to Warcraft. He arrives at this conclusion by arguing that Warcraft's economy is entirely severed from the real-world economy. Because Blizzard has gone to such lengths to stamp out farming and other practices in which participants sell off in-game commodities, these items have effectively lost any value outside of the virtual world from which they came. And because these items no longer have any real-world value, the fact that their acquisition or loss is a matter of chance within the game puts them outside of the scope of the statute.

Unfortunately Methenitis' argument is flawed in at least one critical respect. Namely, that to claim Warcraft's economy is entirely severed from the real-world economy is to turn a completely blind-eye to the still thriving market for in-game commodities. Even though Blizzard and eBay have curtailed such practices significantly, the reality is that there is still both a supply and demand for these virtual goods, commanding real world values (as can be evidenced from the sale of the 7,000 euro character, and countless other smaller transactions that are still going on today). Because these commodities still command real-world values, when one plays the game of Warcraft one is "risking…something of value upon the outcome of…a game subject to chance." 31 U.S.C. § 5362(1)(A). When one enters into the virtual world of Warcraft, there exist very real chances that one's avatar could either randomly obtain an item of particular value (say, from killing a difficult monster), or lose that same item (items are often lost when one's avatar is slain—perhaps from the same monster), with the player asserting no absolute control over either event taking place. And because those potentially lost or gained virtual items still command real-world values at market, such practice at least *potentially* places it within the scope of the Gambling Act.

With regards to Second Life, Methenitis comes to the opposite conclusion. Indeed, because Second Life's economy is directly tied to the real-world economy, through the open buying and selling of Linden dollars, no additional reasoning need be employed as was the case with Warcraft. However, the Methenitis article was written prior to Linden Labs' recent decision to ban all gambling from Second Life, and his analysis focused almost entirely on the presence of casinos within the game. Based on the same logic he used in analyzing the gambling situation in Warcraft—that Blizzard's policy of discouraging the real-world sale of in-game items effectively stripped the items of any value—Methenitis would likely reason that Linden Labs' implementation of its anti-gambling policies removed games of chance from Second Life entirely. While there are still items of value in Second Life, Linden dollars if nothing else, the removal of games "subject to chance" would result in a failure to fulfill the statute's second provision.

However here, again, such an analysis would be short-sighted. Although Linden Labs has policed violators of Second Life's anti-gambling policy, these restrictions have not entirely stamped out in-game gambling activities. To the contrary, Second Life has seen a sharp increase in illicit gambling operations since the anti-gambling policy went into effect, giving rise to new "virtual speakeasies." Eric Reuters, *Virtual Speakeasies Defy Second Life Gambling Ban*, Reuters, **http://secondlife.reuters.com/stories/2007/08/14/virtual-speakeasies-defy-second-life-gambling-ban**. The persistence of these smaller gambling operations (these "card rooms" remain small in order to avoid detection) leaves the door open for liability under the Unlawful Internet Gambling Enforcement Act. Because gambling remains an issue within Second Life, it means that players can risk things of value (the Linden dollars they purchase or earn) on games subject to chance. Even if the player chooses not to "cash out" his Linden dollars into real-world currency, their *value* remains unquestioned, clearly making this gambling under any definition.

Despite persuasive arguments from prominent academics lobbying against any government regulation of virtual worlds such as Second Life and Warcraft, troubling problems with these worlds persist. Gambling has been a hot button moral issue in law and politics for some time now and the potential legal implications raised by both games is serious. As long as this remains the case, the virtual sword of Damocles will remain dangling over both worlds, only serving to undermine and stifle their developing economies (the old casinos used to be one of Second Life's most profitable industries). However, if the government stepped in and implemented some type of regulatory scheme, even something as intrusive as a taxation system for all virtual world gambling, gamers would be allowed to return to one of their favored virtual pursuits, while the government could both track and profit from such activity.

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Market: Generic Threat to Novel Antibiotics, Pharmaceutical Business Review, Nov. 7, 2007, **http://www.pharmaceutical-business-review.com/article_feature.asp?guid=30097A7C-45C8-48D1-8031-F48916C8A87B**. Presently, the pharmaceutical industry has no commercial incentive to fund the necessary clinical trials to get new antibiotics to the market. *Id.* Logic dictates that if new antibiotics are not being manufactured, and we are developing a strong resistance to the older antibiotics, we will eventually be resistant to all currently available antibiotics.

THE SOLUTION

One year after the publication of the efficacy of Cortisone in the treatment of rheumatoid arthritis, Merck made the drug available to physicians in the United States for $200 per gram. Ronald P. Rubin, *A Brief History of Great Discoveries in Pharmacology: In Celebration of the Centennial Anniversary of the Founding of the American Society of Pharmacology and Experimental Therapeutics*, 59 Pharmacological Reviews 289, 337 (2007). Around this same time, G.D. Searle & Company and Upjohn developed methods of producing corticosteroids available to the public at a more reasonable cost with the creation of Hydrocortisone, which is a derivative of Cortisone and works in a similar way. *Id.* For more than fifty years, companies have been competing with each other to make a better, more reasonably priced pharmaceutical product for consumers. However, this type of spin-off drug may not work with antibiotics because of the increasing resistance to other antibiotics. The real solution would be to give the pharmaceutical industry an incentive to discover and develop completely new antibiotics.

One possible solution would be a change in the current patent law, or new legislation, that would allow the government and pharmaceutical companies to negotiate a different patent term. This would shift the burden from insurance companies to the government in determining the price

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From the Editor

FEDERALIZING TRADE SECRET LAW: A CAUSE WHOSE TIME HAS COME

BY KARL F. JORDA

IN THE UNITED STATES WE HAVE CIVIL CAUSES OF ACTION under federal law for infringement of patents, copyrights and trademarks. Alas, we do not have a federal civil cause of action for trade secret misappropriation! But we need one badly, considering that over 90% of all new technology is grist for trade secrets.

According to Mark Halligan, the main reason for the "step-child treatment of trade secrets" is the fact that "trade secrets did not find a solid home in intellectual property law" as a property right until the seminal Supreme Court decisions in *Kewanee Oil Co. v. Bicron Corp.* in 1974 and *Ruckelshaus v. Monsanto* in 1984. This even though trade secret protection dates back to Roman times and every patent is born as a trade secret. (Mark Halligan, *Protection of U.S. Trade Secrets Assets: Critical Amendments to The Economic Espionage Act of 1996*, 7 J. Marshall Rev. Intell. Prop. L. 656, 661-661 (2008)).

In my view, however, there is yet another more consequential reason for the "black sheep" status of trade secrets, which has been conferred upon them by what can be called the "patent *über alles*/trade secrets are the 'cesspool of the patent system'" school of thought, headed by Professor Irving Kayton. Their beef is grounded on the secrecy aspect. It is considered reprehensible to keep inventions secret, inasmuch as this supposedly flies in the face of the patent system, the essence of which is disclosure of inventions for the benefit of the public. I discussed this fallacy and many others in great detail and cogently demolished them in the 2008 Foulston Siefkin Lecture, which I was privileged to deliver at Washburn University School of Law. *See* Karl F. Jorda, *Patent and Trade Secret Complementariness: An Unsuspected Synergy*, 48 Washburn Law Journal 1 (2008).

Now why do we need to federalize trade secret law as a civil matter in light of the fact that we already have three statutes on the law books to pursue trade secret misappropriation? We have 1) the Uniform Trade Secrets Act (UTSA), promulgated in 1979 by the National Conference of Commissioners on Uniform State Laws and adopted in 46 states, the District of Columbia and the U.S. Virgin Islands, 2) the Economic Espionage Act of 1996 (EEA), which makes trade secret misappropriation a federal criminal offense, as well as 3) the Computer Fraud and Abuse Act of 2006 (CFAA), which provides civil and criminal causes of action for trade secret misappropriation involving computers and which is being invoked more and more frequently.

The above statutes unfortunately have many significant barriers, limitations and shortcomings; hence, it is not surprising that there is a growing and justifiable clamor for a federal civil trade secret law.

A growing literature exemplifies this call for federalization. The most recent article was authored by Mark Halligan and published in The John Marshall Review of Intellectual Property, as referenced above.

Earlier expositive publications are: Marina Lao, *Federalizing Trade Secrets Law in an Information Economy*, 59 Ohio St. L.J. 1633 (1998) and Christopher Rebel J. Pace, *The Case for a Federal Trade Secrets Act*, 8 Harv. J.L. & Tech. 427 (1995).

Marina Lao concluded her exposition as follows:

> The case for federalizing trade secrets law, the only intellectual property law not currently covered by federal regulation, is compelling. The nature of trade secrecy has

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of medications. The purpose of this negotiation would be to give newly discovered drugs to those who financially cannot afford them, sooner rather than later. In exchange, "specific drugs" that are commonly purchased regardless of insurance concerns would have an extended patent term.

HOW IT WOULD IT WOULD PLAY OUT IN THE REAL WORLD

Consider the following scenario: Pharmaceutical Company A creates new Antibiotic 123. Company A runs Antibiotic 123 through the regular three phases of clinical trials, and successfully passes all three phases. At this point, Company A could choose to go to the new branch of the FDA, the New Medication Distribution Agency (NMDA), and apply for a Patent Negotiation Application (PNA). This would be a voluntary fourth phase of clinical trials, to more thoroughly test the long-term effects of Antibiotic 123. The specifics of this phase would have to be worked out in the years to come, but would likely include a longer trial period than is presently required by law to test for side effects that do not appear for a longer period of time.

If Antibiotic 123 passes this fourth phase, then Company A will negotiate with the government a reimbursement plan over a specified period of time, which will allow Company A to receive a reimbursement for all research and development, as well as a calculated amount of future profits for a certain period of years, in exchange for the exclusive license to manufacture Antibiotic 123. The incentive for Company A to apply for a PNA is not so much the reimbursement of its research and development or the Calculated Future Profits (CFP) over a specified period of time, but rather the fact that Company A will be allowed to negotiate an extended patent term on a medication that is highly profitable, under the condition that the medication is not considered a lifestyle cosmetic drug.

There would be a ten-year balance period between the CFP of Antibiotic 123 and Cosmetic Z. The way this would work is that if Cosmetic Z gets an extended five years beyond the patent period, then Company A would only get CFP from Antibiotic 123 for five years. If Company A wanted Cosmetic Z to get an extended ten year period, then there would be no CFP reimbursed for Antibiotic 123. If Company A does not presently have any Cosmetic drugs that they believe are worth getting an extended patent period for, then it can get ten years of CFP for Antibiotic 123.

The government would then be able to provide Antibiotic 123 to the general public at a less expensive price, ideally one tenth of what the Calculated Retail Price (CRP) of the medication would be. So if one tablet of Antibiotic 123 would have cost $10 had Company A manufactured it (as can be determined by the CFP), then Antibiotic 123 would be sold at $1 per tablet. In this way, the government would be helping the general welfare of the American people, while providing an incentive to pharmaceutical companies to do more research and development for highly needed medications. Once this legislation becomes a reality, the government will be able to make these negotiations available for the creation of new antiviral drugs and eventually to other highly needed medications that may not otherwise be covered by insurance companies.

THE FUTURE

There is no simple answer to America's healthcare problems. Presidential candidates have been focusing on possible benefits of a universal healthcare system, without taking a look at the needed changes in pharmaceutical legislation. A change in pharmaceutical legislation, resulting from changes in current patent laws, would be a step in the right direction. Compromises between the federal government and the pharmaceutical industries, including the extensions of patents for "specific drugs" that are commonly purchased regardless of insurance concerns (i.e. – lifestyle cosmetic drugs) in exchange for the government's purchase of widely needed medications (i.e. – new antibiotics), could result in a fundamental change in U.S. patent law.

This modification of the laws would allow a large number of people to receive the medications they desperately need. The government has the obligation to help the general welfare of the American public, and pharmaceutical companies would want to participate in this because the extension of "specific drugs" would allow them to have a larger revenue, they would still be able to make a profit from the research and development of widely needed medications, and they would gain positive public relations. This type of legislation may appeal to smaller biotech companies because they will have the ability to be reimbursed for their final product by the government, which will allow them to spread their research and development to other sectors. ■

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changed dramatically over the years. From its roots as primarily a secondary source of intellectual property protection for less significant innovations, it has evolved into an important incentive for innovation in its own right. Given the new prominence of trade secrets law, the increasing connection between trade secrets and interstate and foreign commerce, and the enactment of NAFTA and TRIPS, the lack of uniformity in the law, perhaps once acceptable, is now problematic.

And Christopher Rebel J. Pace ended his argumentation by stating that:

> …the regulation of trade secrets involves issues of both interstate commerce and international commitments, and hence represents an appropriate subject for federal intervention. Moreover, because of the significance of trade secret protection to a variety of domestic industries, congressional action on this subject deserves considerable priority. Trade secret protection is, in short, a matter of national scope and national significance. All it awaits now is to become a matter of national legislation.

In his John Marshall article, Mark Halligan recites a list of serious problems, especially with the EEA, to wit:

- Under the EEA trade secret litigation is within the prosecutorial discretion of the Justice Department with decision-making in the hands of the Attorney General, Deputy Attorney General or Assistant Attorney General and concurrence from the President.
- EEA prosecutions have been targeted only to egregious and open-and-shut cases, evidencing a reluctance to resort to it. In fact, as of 2006 there have been only 34 EEA cases, mostly in the Northern District of California, and none in 80% of the 86 federal judicial districts.
- Under the EEA there is a high burden of proof requiring proof beyond a reasonable doubt to obtain a criminal conviction. This is further fraught with the 5th Amendment privilege against self-incrimination.
- The United States, it can be said, is not in compliance with the NAFTA and TRIPs Agreements, which require national standards for trade secret protection, i.e. a federal civil statute, inasmuch as some states (New Jersey, New York, Massachusetts, Pennsylvania, Texas and others) do not even have any state trade secret statute but merely rely on common law or have separate state laws to protect trade secrets.

Anent the UTSA and the CFAA the problems, according to Halligan, are the following: Under UTSA there is a lack of uniformity in state trade secret laws, with states varying widely in their treatment of trade secret misappropriation, as pointed out above. Hence, trade secret cases are subject to procedural and other vagaries of litigation in state courts. And this is in addition to tricky choice-of-law issues. Moreover, the CFAA is also a criminal statute of uncertain scope, which is primarily aimed at computer crimes.

To remedy the EEA and UTSA deficiencies, Mark Halligan proposes a few "simple and straightforward" amendments to the EEA to provide also a private cause of action, as set forth in Appendix A of his article under the title "Proposed Amendments to the Economic Espionage Act to Add a Civil Cause of Action for Trade Secret Theft." These amendments cover "Civil remedies" § 1832 (c)(1)-(3); "Civil ex parte seizure order" § 1834 (c); and "Civil proceedings to enjoin violations § 1836 (a)-(e).

Thus Halligan's EEA amendment proposals would provide for badly needed national service of process, statutory recognition of civil *ex parte* seizure orders as well as extend the benefits of extraterritorial jurisdiction to EEA civil actions for increased deterrence of economic espionage and trade secret theft and increased economic vitality of U.S. corporations both domestically and internationally.

As a fitting conclusion herewith a quote from the "Smart Pill" column of the January 2009 issue of *IP Law & Business* (p.23):

> …These days the U.S. Patent and Trademark Office is following the lead of the courts in making patents harder to get and sustain. Patent allowance rates are way down and going lower…. Now applicants face the disappointing prospect of having their innovations published for all to see without getting a patent in return. One way to avoid that risk is to bypass patent filings altogether and opt instead to protect the innovation as a trade secret.

And with greater reliance in industry on trade secret protection, it is highly advisable, if not imperative, to improve and strengthen the trade secret system by federalizing and thus harmonizing state trade secret statutes in order to eliminate the above-recited problems with differing state laws and to fully profit from the significant advantages flowing from federal trade secret legislation. ■

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