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Bright Ideas

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Message from the Chair

Paul M. Fakler

I am pleased to report on a number of exciting developments and activities of our Section. First, we had another great Annual Meeting in January. Kudos to our Annual Meeting Co-Chairs, Chuck Miller and Phil Furgang, for putting together a fascinating program, which covered diverse and cutting-edge intellectual property topics such as the latest developments in patent litigation, counterfeiting, intellectual property legislation, ethical issues raised by cloud computing, and intellectual property protection in China. We also had the distinct honor of hosting a thought-provoking luncheon speech on improving the efficiency of the patent office by Paul R. Michel, former Chief Judge of the Federal Circuit. The program was well attended and well received.

Another great program, which we look forward to every year, is the Section's Fall Meeting. Traditionally, the Fall Meeting has been held in upstate New York to coincide with the turning of the leaves. The format of the Fall Meeting, which runs from a Friday (with many members arriving Thursday night to get a head start on the festivities) through Sunday morning, provides the opportunity for Section members not only to catch up on needed CLE credits and substantive legal developments, but also to have fun together and get to know each other better. Many members bring their family, which adds to the festive nature of the event. Those of you who have gone in the past know what I mean, and those who have not yet attended should really make a point of doing so this year. The Fall Meeting is truly part of what makes our Section special and great.

From time to time, the Executive Committee has considered trying a new kind of venue for the Fall Meeting but has never quite been able to find the right place. I am excited to report that we will be trying something different this year: the Section's 2011 Fall Meeting will be held at the Rittenhouse Hotel in Philadelphia from October 20-23. We hope that moving the Meeting to an urban venue will mix things up a bit and help keep the program fresh. There are many fun things for our families (and ourselves) to do in Philadelphia, and the city is easy to get to by train or by car from most points within New York. We are planning special events to take advantage of what the city has to offer, hopefully including an event at the Franklin Institute (a wonderful museum named for inventor and statesman Benjamin Franklin and dedicated to science and technology). Traditionalists need not worry: we plan to return to one of our traditional upstate venues for the 2012 Fall Meeting.

Inside

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Another of our most successful events, and one of which I am particularly proud, is a program we have jointly sponsored with the United States Copyright Office every Spring for the past several years called "The Copyright Office Comes to New York." For this program, several top officials of the Copyright Office, including the Register of Copyrights and the General Counsel, come to New York and participate in a full-day symposium along with prominent practitioners. Topics typically cover all facets of copyright practice, including legislative developments, policy initiatives of the Copyright Office, a litigation year in review, copyright registration pointers, and substantive "hot topics" in copyright practice. The program has been consistently well received by our members with an interest in copyright law. Much of the credit for the success of that program goes to the now-former Register of Copyrights, Marybeth Peters, a longtime friend of the Section.

However, Ms. Peters has retired after many years of service, and due in part to the inevitable distractions involved in the transition to a (yet unnamed) new permanent Register of Copyrights, we will not, unfortunately, be able to present "The Copyright Office Comes to New York" this Spring. I am hopeful that we will be able to schedule the event for later in the year and will keep the Section apprised of any developments regarding this program.

In other exciting news, the Intellectual Property Law Section will mark its 20th anniversary in 2012. We are planning a gala event to celebrate the anniversary at Gotham Hall in New York City. Be sure to look out for details early next year!

Paul M. Fakler

Thank You

The Intellectual Property Law Section extends its gratitude to the following for their significant sponsorship over the past year:

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Ninth Circuit Emphasizes Flexibility in Assessing Likelihood of Confusion in Keyword Advertising Cases

By Marc J. Rachman and Gustavo González

I. Introduction: Keyword Advertising Infringement Claims

Many Internet search engines, including Google, Yahoo!, and Bing, generate revenue by selling advertising space on their web pages and charging sponsors based on the number of times users click on an ad and travel from the search results page to the advertiser's website. Search engines typically allow advertisers to target their advertisements at those users most likely to be interested in their particular goods or services by allowing advertisers to purchase "keywords" or search terms that trigger the display of their advertisements.[1] Typically, search engines set apart these "Sponsored Links" from the organic results that are generated based on the search engine's proprietary algorithms by using headings such as "Ads" or "Sponsored Links," different colors, fonts, or shading, and by displaying the advertising in a separate section on the top or side of their search results pages.

These keyword advertising programs often allow competitors to purchase each others' trademarked terms as keywords. Thus, an advertiser can target potential customers by using its competitor's name as a search engine keyword. Over the last decade, this practice has generated considerable litigation, as companies have sued both search engines and competitors for trademark infringement for the sale/purchase of their trademarks as part of a keyword advertising program, the claim being that such use unfairly trades on the mark's goodwill.

Typically plaintiffs assert a claim for initial interest confusion rather than source confusion. Initial interest confusion occurs when the infringing party uses the plaintiff's trademark in a manner calculated to capture initial consumer attention even though no actual sale occurs.[2]

The Ninth Circuit's March 8, 2011 decision in *Network Automation, Inc. v. Advanced Systems Concepts, Inc.* is the latest in a string of important decisions in this field.[3] With this ruling, the Ninth Circuit joined a number of courts that have held that keyword advertising constitutes use in commerce of another's trademark. More notable, however, is that in emphasizing the need for flexibility in analyzing the likelihood of confusion in the keyword advertising context, the court appears to have set a high bar for plaintiffs to seeking to establish infringement in keyword cases.

II. Factual Background

Network Automation ("Network") and Advanced Systems Concepts ("Systems") are software companies that sell directly competing job-scheduling products. Network's product is sold under the name AutoMate, while Systems' program is sold under the registered mark ActiveBatch. Network purchased the term "ActiveBatch"—Systems' registered mark—as a keyword from a number of search engines, including Google and Bing. Thus, when a consumer searched for the term "ActiveBatch" with those search engines, he or she was likely to encounter a "Sponsored Link" to Network's website, on which AutoMate, rather than ActiveBatch, products could be purchased.

After discovering Network's practice, Systems demanded that Network stop using its mark as a keyword. In response, Network sued Systems in the Central District of California, seeking a declaratory judgment that its use of Systems' mark was noninfringing. Systems countersued and moved for a preliminary injunction against Network's use of the mark pending trial.

III. District Court Opinion

In its preliminary injunction ruling, issued on April 30, 2010, the district court found, as an initial matter, that Systems was likely to succeed in showing that Network's use of its mark as a keyword constituted a "use in commerce" as required by the Lanham Act to establish trademark infringement. The court then analyzed whether Network's use was likely to cause consumer confusion, the standard for determining trademark infringement under the Act, by applying the eight-factor likelihood of confusion test first stated by the Ninth Circuit in *AMF Inc. v. Sleekcraft Boats*.[4] In doing so, the court gave particular weight to the so-called "Internet Trinity"—the three factors previously highlighted by the Ninth Circuit in *Brookfield*[5] as of primary relevance in trademark infringement cases involving the Internet. The "Internet Trinity" factors (also referred to as the "Internet Troika") are (1) the similarity of the marks; (2) the type of goods and the degree of care likely to be exercised by the purchaser; and (3) the marketing channels used.[6]

The district court concluded that all three of these factors favored Systems because Network had (1) used an identical mark; (2) to promote the sale of a directly competing product; (3) while using the same marketing channel, namely, the Internet. As for the remaining five *Sleekcraft* factors, the district court found that (1) Systems' mark was presumptively strong based on its federal registration; (2) Internet consumers exercised a low degree of care (which favored a finding of likelihood of confusion); (3) Network had used Systems' mark intentionally; (4) the likelihood of product expansion was not relevant in

this case, as the products already directly competed with each other; and (5) actual confusion could not be established at this point because neither party had introduced evidence in connection therewith.

Based on this analysis, the court held that Systems had a established a strong likelihood of success on the merits of its trademark infringement claim and entered a preliminary injunction against Network. Network appealed.

IV. Ninth Circuit Decision

The Ninth Circuit affirmed in part, reversed in part, vacated the preliminary injunction, and remanded the case to the district court for further proceedings. As an initial matter, the court agreed with the district court that purchasing a trademarked word as a keyword constitutes a "use in commerce" under the Lanham Act.[7] In this regard, the court explicitly adopted the Second Circuit's reasoning in *Rescuecom v. Google*[8] and thereby joined a growing number of courts that have reached a similar result.[9] Previously the Ninth Circuit had not explicitly adopted this position, although it was implicit in several earlier opinions concerning keyword advertising.[10]

The court then turned to the central issue—likelihood of confusion—and found that the district court had read *Brookfield's* holding too broadly and had erred by focusing too rigidly on the "Internet Trinity." The court expressly limited the applicability of the *Brookfield* "Internet Trinity" test to cases involving domain name disputes and emphasized the necessity for flexibility in applying the likelihood of confusion factors to other trademark infringement cases involving the Internet, stressing that the facts of each case will drive which *Sleekcraft* factors are most relevant. With that approach in mind, the court proceeded to analyze each of the eight *Sleekcraft* factors:

1. ***Strength of the mark*:** The court of appeals agreed with the district court's finding that Systems' mark was presumptively strong based on its federal registration.

2. ***Proximity of the marks*:** The court found that by analyzing this factor in isolation, the district court had accorded it too much importance and had failed to "consider whether the parties' status as direct competitors would actually lead to a likelihood of confusion."[11]

3. ***Similarity of the marks*:** The court found that the district court created a false distinction by treating the keyword purchased by Network as "conceptually separate" from Systems' trademark, despite the fact that both were the same word.[12] Yet the court suggested that this factor could be relevant in determining initial interest confusion in keyword cases "depending on the labeling and appearance of the advertisement, including whether it identifies Network's own mark, and the degree of care and sophistication of the consumer."[13]

4. ***Evidence of actual confusion*:** The court upheld the district court's finding that this factor "should be afforded no weight" given the case's procedural posture (i.e., at the preliminary injunction stage), but suggested that it could be relevant for determining likelihood of confusion in keyword cases in other stages of litigation.

5. ***Marketing channels*:** The court disagreed with the district court's conclusion that this factor favored Systems. In the appellate court's view, the fact that both companies advertised on the Internet was entitled to no weight, since in this day and age "it would be the rare commercial retailer that did not advertise online."[14]

6. ***Types of goods and degree of care:*** The court disagreed with the district court's conclusion that Internet consumers generally exercise a low degree of care. In the court's view, the district court's finding was based on cases decided at the inception of the Internet age, before web searching was an everyday phenomenon, and reasoned that "the default degree of consumer care is becoming more heightened as…online commerce becomes commonplace." The court further observed that "consumers searching for expensive products online" would likely be even more sophisticated and less likely to be confused than inexperienced Internet users.[15]

7. ***Defendant's intent*:** The court held that while the defendant's intent is relevant insofar as it "bolsters a finding that the use of the trademark serves to mislead consumers rather than truthfully inform them of their choice of products," in the instant case the district court had erred in concluding that this factor favored Systems "without first determining that Network intended to deceive consumers."[16]

8. ***Likelihood of expansion*:** The court agreed with the district court's determination that this factor was unimportant in cases such as this one where the two products at issue already are in direct competition.

9. ***Additional relevant factors*:** Finally, the court, again emphasizing the need for flexibility in these types of cases, announced an additional factor to be examined in determining likelihood of confusion in keyword cases: the "appearance of the advertisements and their surrounding context on the user's screen."[17] In the court's view, the analysis should include not only whether the text of the advertisement identifies its source but whether label-

ing and positioning of the advertising within the results page sets off the advertisement as separate and distinct from the organic results of the search. In the Ninth Circuit view, the district court failed to properly take this into account.

Having analyzed the *Sleekcraft* factors, the court concluded that the most relevant factors in the likelihood-of-confusion analysis, were (1) the strength of the mark; (2) the evidence of actual confusion; (3) the types of good and degree of care likely to be exercised by the purchaser; and (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.[18] Based on this analysis, the court reversed the grant of the preliminary injunction.

V. Practical Implications

Although the *Network Automation* decision makes clear that defendants in the Ninth Circuit will not be able to obtain dismissal of keyword advertising infringement actions on the ground that the use is not a use in commerce under the Lanham Act, it also sets the bar higher for trademark owners asserting keyword advertising infringement claims. It is no longer enough for a plaintiff asserting a keyword advertising infringement claim to rely upon the Internet Trinity factors—the similarity of the mark; the type of goods and the degree of care likely to be exercised by the purchaser; and the marketing channels used. Rather, all eight *Sleekcraft* factors will have to be considered, as well as a ninth factor: what consumers saw on the computer screen when they ran their search and what they reasonably believed about the defendant's advertisement given the context of the search and the advertisement.

Indeed, the Ninth Circuit cited its dicta in *Playboy* that clear labeling by the defendant of its keyword-triggered advertising could eliminate the likelihood of initial interest confusion.[19] Thus, for an advertiser looking to use its competitor's mark in a keyword advertising program, the prudent course going forward is to label its advertisement in a way that makes clear that it is an ad for its product and not for that of the competitor whose mark was purchased in connection with the keyword advertising program.

For trademark holders whose marks are being used in keyword advertising programs, in the absence of evidence that an appreciable number of consumers were actually confused, commissioning a survey to establish a likelihood of initial interest confusion, even in the preliminary injunction stage, could help combat an argument by the defendant that its ad is not labeled confusingly.

With the Fourth Circuit expected to issue a key opinion on keyword advertising in *Rosetta Stone v. Google* later this year, keyword advertising is likely to remain a hot topic for intellectual property law practitioners and their clients throughout the year.

Endnotes

1. For example, a hardware store may purchase the phrase "DIY renovations" so that its advertising will be shown to users likely to be interested in the store's products.
2. *Network Automation, Inc. v. Advance Sys. Concepts, Inc.*, No. 10-55840, 2011 WL 815806 (9th Cir. Mar. 8, 2011).
3. *Id.*
4. 599 F.2d 341 (9th Cir. 1979).
5. *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999).
6. *Id.*
7. *Network Automation,* 2011 WL 815806, at *2.
8. 562 F.3d 123 (2d Cir. 2009) (finding sale of a keyword as part of Google's AdWords program constitutes use in commerce under the Lanham Act).
9. *See Network Automation,* 2011 WL 815806, at *4.
10. *See, e.g., Playboy Enters., Inc. v. Netscape Commcn's Corp.*, 354 F.3d 1020 (9th Cir. 2004)*; Brookfield,* 174 F.3d 1036.
11. *Network Automation,* 2011 WL 815806, at *9.
12. *Id.* at *10.
13. *Id.*
14. *Id.* at *11.
15. *Id.*
16. *Id.* at *12.
17. *Id.* at *13.
18. *Id.*
19. *Id.* (citing *Playboy*, 354 F.3d at 1030 n.43).

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Reflections on the Use of Trademarks in Social Networking Website Vanity URLs

By Eric Joseph Shimanoff

I. Introduction

The rise in popularity and legitimacy of social networking websites has changed the face of the Internet, not just for Internet users but also for businesses that advertise through the medium. Many businesses now put effort into directing consumers to their Facebook pages and Twitter streams equal to that devoted to their own websites. However, as with any new medium, advertising through social networking websites opens up the possibility that third parties may misappropriate the trademarks of these businesses in violation of their valuable intellectual property rights.

While traditional principles of trademark law should protect trademark owners against many unlawful third-party uses, case law holding that the use of trademarks in post-domain paths of the URL is non-infringing could pose an obstacle to businesses that seek to prevent third parties from misappropriating their trademarks in Facebook and Twitter vanity URLs.

This article posits that the conventional view that post-domain paths of the URL merely show how data is organized within a website, and thus that uses of trademarks therein are not indicators of source or sponsorship, is most likely inapplicable in the context of social networking websites URLs. To the contrary, the content that follows the ".com" in a Facebook or Twitter URL may be just as source-indicative as the content that precedes it.

II. Social Networking Websites

Social networking websites such as Facebook and Twitter have opened new marketing channels for businesses seeking to promote their goods and services via the Internet. Just as businesses in the mid- to late-1990s began to recognize the Internet as a valuable marketing medium, businesses today have begun to recognize the importance of advertising via social networking websites to reach a larger audience.[1]

Social networking sites provide a unique advertising experience for consumers. For example, businesses can easily and at minimal cost set up a "page" on Facebook on which to post and frequently update information about the company and its goods and services. Similarly, businesses can establish Twitter accounts and post "tweets" about their goods and services, including information about time-sensitive discounts and promotions. Through each website, consumers can elect to follow and be notified immediately of these Facebook posts and Twitter "tweets," such that information is passed from the business to consumer nearly instantaneously.

Given its interactive nature, unlike traditional one-way advertising through print, television, and radio, Facebook and Twitter allow users to forward content posted by businesses to other users on the network, to post their own comments about and become fans of businesses that establish pages or send tweets, and to share their own comments and fan status with other users on the network. Social network users who partake in these activities essentially become, perhaps unwittingly, unpaid advocates for the business, dramatically increasing consumer exposure and brand recognition at no additional cost to the business. Moreover, the overall media costs to businesses for advertising on social networking websites are significantly lower than via traditional advertising media. It thus should come as no surprise that numerous businesses, including multi-national corporations such as Coca-Cola and McDonald's, have set up their own Facebook pages and Twitter accounts.[2]

III. Vanity URLs

Just as domain name registrars allow businesses to set up source-identifying domain names utilizing their trademarks (e.g., mcdonalds.com, coca-cola.com), Facebook and Twitter allow users to establish "vanity" user name URLs where businesses can select a personalized address utilizing their trademark to point to their Facebook page or Twitter account (e.g., http://www.facebook.com/mcdonalds, http://twitter.com/mcdonalds). But what can a business do if an unauthorized third party decides to set up a Twitter or Facebook account utilizing a business's trademark in the vanity URL? In the early days of domain name registration, before many corporations had registered their trademarks as domain names, cybersquatting was rampant, as third parties cheaply purchased and hijacked domain names comprised of famous marks in hopes of ransoming them for profit. The offering of vanity URLs by social networking sites creates similar concerns.

IV. Website Policies

Aware of the potential for trademark infringement, prior to offering vanity URLs, Facebook allowed businesses to pre-register their federally registered trademarks with Facebook so that once the URLs were offered, no other user could misappropriate the trademark. However, those users without federally registered trademarks, whose rights in their trademarks may have arisen under the common law, were not afforded the opportunity to take advantage of this pre-registration process and instead were left to fend for themselves when Facebook began to grant vanity URLs on a first come, first served basis. Twitter had no such registration process for holders of feder-

ally registered trademarks. What recourse would businesses have against potential trademark infringement via the Facebook and Twitter vanity URLs?

Both Facebook and Twitter have internal policies that prohibit the unauthorized use of a business's trademark in a vanity URL that would result in consumer confusion, and they each have procedures and forms for reporting such violations.[3] However, social networking websites are not necessarily in the best position to make determinations on complex trademark issues such as likelihood of confusion. In some circumstances, they may refuse to make any determination at all. If a trademark holder with a claim of infringement based on the use of a trademark in a vanity URL is unable to obtain relief from the social networking site, what remedies might it obtain from the courts? Given past precedent concerning the use of trademarks in domain names and URLs, the answer is unclear.[4]

V. How Domain Names Differ from Vanity URLs

Before delving into that issue, a review of the basics of domain names is in order. Domain names are divided into different levels. The top level domain name (TLD) is the end of the domain name, such as ".com," ".gov," ".org" and ".biz." Immediately to the left of the TLD is the second level domain (SLD). Thus, in the domain name facebook.com, ".com" is the TLD and "facebook" is the SLD.[5] Because consumers typically expect the name of the business controlling or authorizing the website to be the name in the SLD, trademark infringement or cyberpiracy may be found when another party uses without authorization a trademark that is not its own as an SLD in manner that is likely to cause consumer confusion as to the source of the website.[6] Thus, a consumer who is directed to the website located at http://www.coca-cola.com would likely expect that website to be controlled by or affiliated with the Coca-Cola beverage corporation.[7]

The use of a business's trademark in a Facebook or Twitter vanity URL, however, is *not* the use of a trademark in a domain name, since the user's trademark does not appear within the SLD.[8] Instead, in the vanity URL, the trademark appears to the right of the TLD in what is known as the post-domain path of the URL (e.g., http://www.facebook.com/**coca-cola**, http://twitter.com/**mcdonalds**) (bolding added).

VI. Case Law Concerning the Post-Domain Path of the URL

Read literally, the decisions concerning the unauthorized use of trademarks in the post-domain path of a URL have not been favorable to trademark holders. In *Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc.*,[9] the leading case on the issue, the plaintiff, owner of the trademark LAP TRAVELER for portable computers, filed a suit for trademark infringement against computer resellers for the use of the mark in the post-domain path of the defendants' URL, which appeared as http://www.a2zsolutions.com/desks/floor/**laptraveler**/dkfl-lt.htm (bolding added). The URL at issue, however, did not resolve to a webpage offering plaintiff's LAP TRAVELER branded computer for sale. Instead, it led to one offering a competitor's model for sale.

Although the Sixth Circuit found there was no likelihood of confusion by the use of the plaintiff's LAP TRAVELER trademark, the court made the sweeping statements that, unlike a SLD, "[t]he post-domain path of a URL… does not typically signify source. The post-domain path merely shows how the website's data is organized within the host computer's files.… Because post-domain paths do not typically signify source, it is unlikely that the presence of another's trademark in a post-domain path of a URL would *ever* violate trademark law."[10] Based on this broad generalization about consumer perception of domain names and URLs, subsequent courts have refused to find infringement in cases involving the post-domain path of the URL.[11]

This precedent represents a significant obstacle for a trademark owner who is compelled to seek judicial intervention to prevent the unauthorized use of its trademark in a Facebook or Twitter vanity URL.[12]

VII. Inapplicability of Existing Case Law

In a Web 2.0 world, is the Sixth Circuit's reasoning about the source-identifying properties of a post-domain path of a URL truly applicable to a situation involving a Facebook or Twitter vanity URL? Social network vanity URLs do much more than "show[] how the website's data is organized within the host computer's files."[13] Indeed, their primary function is to make a user's or business's vanity URL their personal destination or home on the Internet and to provide an easy-to-remember way to find a user or a page.[14]

Unlike the unwieldy post-domain URL path at issue in *Interactive Prods. Corp.*, which the court reasoned would probably not be typed into a browser by a consumer searching for the plaintiff's LAP TRAVELER products,[15] a consumer looking for information from a business via a social networking website, especially information about discounts, promotions, or new products and services, likely would type a business's Facebook or Twitter vanity URL directly into a browser. Indeed, many businesses now include the URL of their Twitter and Facebook pages in their traditional television, radio, and print advertising. Also, using a vanity URL helps ensure that a business's Facebook Page or Twitter account will come up near the top of the results of a search engine like Google, the top results usually being business-sponsored links.

Thus, unlike the post-domain path of the URL in *Interactive Prods. Corp.*, vanity URLs on social networking

websites may function as source indicators, and it may be that a high percentage of consumers likely would believe that the page located at http://www.facebook.com/mcdonalds and the tweets posted on the URL http://www.twitter.com/mcdonalds were authorized by the McDonald's restaurant chain.

VIII. Conclusion

Like the broader Internet, social networking websites such as Facebook and Twitter serve a multitude of functions for an expansive and diverse community. In a sense, they are like their own mini-Internets. Just as consumers became more familiar with the Internet and came to expect SLDs to be the indicators of source for traditional domain names, in many social networking platforms, consumers may now have come to recognize the post-domain paths of the URLs as source indicators.

In cases involving social networking websites, where numerous sources may be affiliated with one domain name through various vanity URLs, courts should avoid reliance on the broad generalization made by the Sixth Circuit that post-domain name URL paths do not serve as source indicators. Instead, courts should take a different approach more in keeping with likely consumer perception in the social networking website context. New media uses have always altered traditional notions of consumer perception, and new uses on social networking websites should be no exception.

Endnotes

1. Facebook boasts over 500 million active users who collectively spend over 700 billion minutes per month on the website. Facebook Press Room, *Statistics,* http://www.facebook.com/press/info.php?statistics (last visited Feb. 28, 2011). Twitter has over 16 million users. SFGate, *(Almost) Everybody's on Facebook*, http://www.sfgate.com/cgi-bin/blogs/techchron/detail?entry_id=83924 (last visited Mar. 1, 2011).
2. The Coca-Cola Page on Facebook has over 22,000,000 fans. *See* http://www.facebook.com/cocacola (last visited Feb. 28, 2011). Over 200,000 Twitter users have subscribed to receive Coca-Cola's tweets. *See* http://twitter.com/cocacola (last visited Feb. 28, 2011). The McDonald's page on Facebook has over 7,000,000 fans. *See* http://www.facebook.com/McDonalds (last visited Feb. 28, 2011). Almost 90,000 Twitter users have subscribed to receive McDonald's' tweets. *See* http://twitter.com/McDonalds (last visited Feb. 28, 2011).
3. Twitter Help Center, http://support.twitter.com/groups/33-report-a-violation (last visited Feb. 28, 2011); Facebook Help Center, http://www.facebook.com/help/#!/help/?page=439 (last visited Feb. 28, 2011).
4. No court has yet ruled on this precise issue. Although at least one case was brought against Twitter alleging false association due to the unauthorized of a celebrity's name to post tweets purportedly attributable to the celebrity, the case was voluntarily dismissed after the parties reached a settlement. *See LaRussa v. Twitter*, No. 09 Civ. 2503 (N.D. Cal.).
5. *See GoForIt Entm't, LLC v. DigiMedia.com L.P.*, No. 08 Civ. 2011, 2010 U.S. Dist. LEXIS 120338, at *6-*7 (N.D. Tex. Oct. 25, 2010).
6. *See*, *e.g.*, *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999) (holding that defendant's use of domain name moviebuff.com violated plaintiff's trademark rights in the mark MOVIEBUFF); *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 499 (2d Cir. 2000) (holding that defendant's registration and use of sportys.com domain name in violation of plaintiff's rights in its SPORTY'S trademark constituted cyberpiracy under Anti-cybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d)).
7. *See Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1177 (9th Cir. 2010) ("When a domain name consists *only* of the trademark followed by .com, or some other suffix like .org or .net, it will typically suggest sponsorship or endorsement by the trademark holder.") (emphasis in original); *Sporty's Farm*, 202 F.3d at 493 ("The most common method of locating an unknown domain name is simply to type in the company name or logo with the suffix .com.").
8. *See GoForIt Entm't*, 2010 U.S. Dist. LEXIS 120338, at *20 ("Defendants maintain that a third level domain—the level in question in this case—is outside the scope of the statute, because it is not 'registered with or assigned by' a domain name registrar. The court agrees. The only part of a web address that must be registered is the second level domain.").
9. 326 F.3d 687 (6th Cir. 2003).
10. *Id*. at 696-98 (emphasis added).
11. *See*, *e.g.*, *Nagler v. Garcia*, 370 Fed. Appx. 678, 680 (6th Cir. 2010) (use of mark DIET RESULTS in post-domain path of URL as http://www.beautyinaflash.com/dietresults.html "cannot support a claim for trademark infringement"); *Knight-McConnell v. Cummins*, 2004 U.S. Dist. LEXIS 14746, at *8 (S.D.N.Y. July 29, 2004) ("defendant's use of the plaintiff's name in the post-domain path of a URL and placement of URLs using the plaintiff's name in the post-domain paths on chat forums, discussion boards, and search engines do not give rise to any source confusion").
12. Resort to relief under the Anti-Cybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d), or the Uniform Domain Name Dispute Resolution Policy likely would be unsuccessful, since both provide remedies for the use of a trademark in a "domain name" and not in the post-domain path of the URL.
13. *Interactive Prods. Corp.*, 326 F.3d at 696-97.
14. *See* The Facebook Blog, *Coming Soon: Facebook Usernames*, http://blog.facebook.com/blog.php?post=90316352130 (last visited Feb. 28, 2011).
15. 326 F.3d at 697.

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Clearing Content in Documentary Filmmaking: A Research Report

By Stacy Wu

I. Introduction

Clearing content (e.g., music, archival footage, photographs, and other forms of intellectual property) can be one of the most difficult, expensive, and time-consuming hurdles for documentary filmmakers. As content becomes more easily accessible online, rights holders themselves are increasingly physically separated from and lose more control over their works. This separation, combined with a lack of understanding of copyright law, may lead to unintentional infringement, which is facilitated by the ease and anonymity with which one can download content from the Internet. Some who use copyrighted content without first securing permission may deliberately avoid the law when incorporating copyrighted work into their own work. But there often are problems even when the filmmaker seeks to secure all necessary rights to third-party content. It has been noted that a well-functioning copyright law

> carefully balances the interests of the public in access to expressive works and the sound advancement of knowledge and technology, on the one hand, with the interests of copyright owners in being compensated for uses of their works and deterring infringers from making market-harmful appropriations of their works, on the other.[1]

In the digital age, however, this balance has been lost in a manner detrimental to documentary filmmakers. Under current copyright law, documentary filmmakers possess little bargaining power and have limited options for clearing third-party content. As Genevieve P. Rosloff has noted:

> Studies conducted on the process of locating copyright owners and securing the owners' permission reveal that clearance costs are extremely high and have been steadily increasing over the past twenty years.… Examples abound of individuals or companies being unable to use or reproduce a work because of the inability to locate or verify the copyright owner to secure permission. Many of these concerns were expressed in the public comments submitted to the Copyright Office for its study on Orphan Works. The comments came from a wide range of artists and consumers including educational institutions, individuals, and members of the copyright industry, indicating that a diverse group of stakeholders is affected by the high costs associated with securing copyright permission.[2]

Reforming copyright may be necessary for the law to keep pace with technology, but how should copyright law evolve to balance access with incentive in the digital age?

This article seeks to shed light on the current debate surrounding copyright reform in relation to documentary filmmaking. It discusses how documentary filmmakers use still images and archival footage in their work as well as how their diverse approaches to copyright compliance impact their processes. It also maps out an alternative approach that might benefit both filmmakers and rights holders.

The voices in the debate range from fair-use enthusiasts and adherents of the Free Culture movement, on one end, to studios and other rights holders, on the other, with filmmakers anywhere along the spectrum. At the moment, all parties seem to have reached an impasse about how to make licensing more efficient. In the meantime, filmmakers are left scrambling to fulfill their legal delivery requirements.

Part II explains the problems facing documentary filmmakers and rights holders due to ambiguity in copyright law. This section posits that documentaries comprise a special class of works and discusses how fair use is currently a gray area of law with respect to documentary films. Part III examines solutions—primarily new attitudes toward fair use and "errors and omissions" insurance—that leave the current copyright regime intact as well as alternatives to copyright from both the filmmaker's and rights holder's points of view. Finally, Part IV examines legislative reform and how the law could be changed to better accommodate documentary filmmaking. This section weighs the pros and cons of the Digital Millennium Copyright Act, term limitations, orphan works, and compulsory and collective licensing.

For now, most filmmakers who cannot afford to license desired content must find creative ways to substitute cheaper alternatives. This trade-off may not be available in instances where images and footage are extremely limited. Those with little bargaining power sometimes opt to rely upon fair use. Ultimately, the best solution may be a combination of industry and legislative reforms.

II. What Is a Documentary?

Documentary films are hard to define. They have come a long way from the Lumière brothers' motion pictures, which often depicted a single scene from daily

life.[3] Since the turn of the century, the vocabulary of film historians has come to include newsreels, war films, propaganda films, public service announcements, cinema verité, and other styles. Industry and business terminology likewise recognizes multiple categories of documentary, such as nature, political, large format, concert, compilation, and reality TV.[4] The law, on the other hand, draws far fewer distinctions in terms of what constitutes a documentary film. Neither the Public Broadcasting Act of 1967 nor the fair use limitations in Title 17 of the United States Code use the word "documentary" (or "nonfiction"). Instead, the law uses terms such as "noncommercial," "educational," "nonprofit," "instructional," "cultural," and "public."[5]

The documentary genre relies heavily on third-party content and attracts a wide spectrum of filmmakers with expertise in different subject areas. Comparatively less dependent on actors, special effects, and other elements than fictional films, documentary films present relatively low barriers to entry. The primary market for documentary films consists of television and institutional sales rather than the difficult-to-secure theatrical release. First-time filmmakers and non-professionals may enter the field with relative ease because of affordable technology, growing media literacy, and lower budgets.

Lack of training or finances may lower a film's production quality, but amateur filmmakers "make up" for these disadvantages with intangibles: passion, dedication, perseverance, and access to interview subjects and content. With limited resources, filmmakers might sacrifice—or not even consider—adequate legal supervision during production. And yet no distributor will release a film unless it has received all of the legal deliverables for the project, which generally include a copyright certificate of registration; paid ad credits and a billing block; a dialogue list; a Dolby license; an MPAA rating; chain-of-title documents; a music cue sheet; music license materials; service agreements; a certificate of origin; an "errors and omissions" certificate; a title report; a lab access letter; and IRS forms.[6]

The legal delivery requirements for documentaries that use a lot of third-party content will be heavy on clearances from rights holders. I will focus on two of these components: the chain-of-title documents (i.e., agreements that prove the filmmaker possesses all of the necessary rights and thus owns her film) and the "errors and omissions" insurance policy as they relate to copyright.

A. The Power Imbalance

Independent documentary filmmakers are the underdogs of the movie world. Especially when clearing third-party content, they often find themselves at a disadvantage.

> In recent years, documentarians have found that the cost of licenses for copyrighted material has ballooned astronomically, far beyond the reach of their meager budgets. This is in large part because the large media entities that hold copyrights have awakened to the value of their back-catalogs as cash cows: since Hollywood and the music industry itself pays top dollar for licenses, documentarians are expected to as well.… Rights-holders have also been abetted by Congress' extraordinary expansion of the Copyright term, which in 1790 was fourteen years, but now effectively keeps anything created since the 1920's out of the public domain for generations.[7]

Rights holders often hold unilateral control over negotiations. Archival or stock footage houses remain the traditional go-to sources for third-party content. These well-established companies use form licensing agreements that delineate the time, territory, media, and promotional rights terms. Examples of popular sources include ABC News, CNN Image Source, Film Archives, and the WPA Film Library. Typically, these companies charge by the second (e.g., $45/second for a minimum of 30 seconds). Some companies are making it increasingly easy to navigate the rights landscape. For example, Getty Images' user-friendly website splits its content into two categories: Rights Managed (RM) and Royalty Free (RF). RM content is licensed based on usage:[8] the user can select from drop-down menus and estimate the fee using an online calculator. To the query "How will this image be used?" a filmmaker can select "Film, video and TV programs" and further specify "Documentary and educational film."[9] The user can also clarify how the image will be used within the film (e.g., "Title or closing sequence" or "prominent element"[10]) and the territories in which it will air. In contrast, RF content uses "simple, affordable pricing"[11] and is available on an unlimited and non-exclusive basis. Getty's approach as a rights gatekeeper attempts to draw some lines and automate the process. Its attempts to define the gray areas are meant to streamline rights management, but the process restricts the filmmaker, who can only chose from a handful of options.

The nonprofessional rights holder may prove even trickier for the filmmaker to deal with than the established (and very efficient) archival companies. Negotiating access with a nonprofessional rights holder possessing personal archives or other "priceless" effects can take years. Softening a relative's attachment to family photographs, for example, can be much more difficult and emotional than going online and dealing with drop-down menus.

The advantage of an efficient licensing system from the standpoint of filmmakers is that it spares them the uncertainty of relying on fair use. "Even among independent documentary filmmakers—a community that seems much more likely to be victim than victor in the permissions wars—there is appreciable support for a pro-licensing norm."[12] Put differently, the "ambiguity and uncertainty of various copyright doctrines (such as the fair use defense), coupled with the severe penalties for copyright infringement, forces consumers to err on the side of caution."[13] Documentary filmmakers inevitably face the pressures of a "clearance culture."

Securing permission is just the beginning of the legal process of filmmaking. For filmmakers with little bargaining power, negotiating equitable license terms can be difficult. Yet "without the correct agreements in place, filmmakers may be surprised to find out that they may not even own their own films."[14] For instance, despite its leading role in American classrooms, the award-winning civil rights documentary *Eyes on the Prize* became inaccessible for a time after its five-year licenses expired.[15] The rights holders wanted more money before relicensing their archival footage. In the meantime, students and the viewing public who had come to rely on the film had to make do with other educational tools. In hindsight, the original filmmaker ideally would have negotiated terms "in perpetuity" rather than for only five years. As a result of ignorance of copyright law and a lack of financial muscle, documentary filmmakers often are not empowered to negotiate as effectively as they might.

III. Potential Solutions

A. Expanding Fair Use Through Education

In 2008, the Center for Social Media, based at American University's School of Communication and supported by the Ford Foundation, spearheaded a campaign to spread awareness about copyright law among documentary filmmakers. Under the Center's auspices, a "Code of Best Practices in Fair Use for Online Video" was written by Patricia Aufderheide and Peter Jaszi in consultation with documentary filmmakers. The Code encourages filmmakers to become familiar with the rules concerning the use of third-party content. The Code is styled as a "guide to current acceptable practices" that "does not tell you the limits of fair use rights."[16] Instead, the Code is designed to assist filmmakers in conforming their practices to the law.

There are different philosophies of film production: some filmmakers make a film and worry about clearing content after the fact, while others secure the necessary permissions as early as pre-production (before principal photography). Spreading awareness about when permission needs to be secured would facilitate the filmmaking process for all parties involved. Take, for example, the filmmaker who scans a photograph from a magazine or downloads a high-resolution copy from the Internet. With security circumvention technology, she could rip content from a DVD. So long as the materials are retrievable by and under her physical control, she does not concern herself with whether she can afford the licenses. (She may not even be aware that she needs to secure permission. Misconceptions about the public domain abound, as evidenced by the recent *Cooks Source* fiasco).[17] She has finished editing, and as a practical matter, her film is watchable. However, without the proper legal clearances, the film may not be screened without infringing the content owners' rights. The filmmaker will encounter difficulty in providing chain of title and will have to backtrack to meet the legal delivery requirements in order to sell the film to a distributor. Can she skip all that by claiming fair use? There is no clear answer, as fair use determinations are case-by-case.

The Code instructs the filmmaker to (i) abide by copyright law; (ii) exercise fair use; and (iii) substitute for content that she cannot afford. It makes the filmmaker responsible for knowing what types of content she can and cannot use in the absence of permission from the copyright owner. The Code's "use it or lose it" approach depicts fair use as a "muscle" that grows stronger only through collective exercise; it treats fair use as an affirmative right rather than merely a defense to infringement. The more people assert fair use, the stronger it becomes. This practice is meant to increase protection for filmmakers throughout the production process. The idea is to avoid potential holdups in a film's release that otherwise would be caused by the use of uncleared or unclearable content. As a practical matter, once a film is completed, financial and time restrictions make it difficult for a filmmaker to go back and replace elements for which permission has not been secured.

Critics of this strategy are concerned that the expansion of fair use will encourage the exploitation of rights holders. If the use of third-party content were to become a free-for-all under a broad conception of fair use, then incentives to create new works might be weakened. To complicate matters, filmmakers are often on both sides of the fence, depending on whether they are negotiating as licensor or licensee. It is thus no surprise that the debate has reached an impasse. The Code of Best Practices attempts to resolve the fair use debate by advocating a middle ground: filmmakers must weigh the four fair use factors when assessing the risk involved in moving forward without permission, and they should pay for licenses when appropriate.

In rejecting the middle ground approach, Jennifer E. Rothman questions the reliability of the Code:

> [E]ven within the special interest group of documentary filmmakers, few individual documentary filmmakers were consulted for the Statement. As a result, the best practices statement itself does not accurately represent even the interests of its

> purported constituency.… Furthermore, most documentary filmmakers conform with the clearance culture, so the Statement is not even an accurate description of existing practices.… Licensing practices are a good example of a practice that makes a lot of sense for well-financed, bigger IP users, but makes less sense or may be impracticable for those with shoestring budgets.[18]

A solution to the legal problems associated with using third-party content should take into account the diversity of the documentary film world. In highlighting the needs of filmmakers with little bargaining power, Rothman cautions against the practice of reinforcing industry norms. "[T]he different economic and political power of parties in IP markets means that the customary practices do not fairly represent the parties but instead skew toward the interests of the most powerful IP owners."[19] Further, she argues, defendants asserting fair use would lose if courts look to industry norms that favor pro-licensing practices. "Without considering the impact of such guidelines on courts or the theoretical basis for considering such customs, these 'best practices' projects risk limiting rather than expanding public access to IP."[20] Filmmakers should therefore be mindful of this potential threat when considering their stance on the Code. The barriers to entry into the documentary field should remain low enough so that the independent filmmaker, and not just the studios, can contribute to the genre. A Code that favors studios works against the democratic ideal of diversity in artistic voices. In the long term, the Code may not be suitable for the well-being of the documentary film industry.

Ultimately, determining fair use is a complicated matter. The Library of Congress's Prints & Photographs Reading Room offers a somewhat helpful risk assessment page, which includes the heading "This all seems complicated when all I need is for you to sign a form giving me permission!"[21] Authorities who appear to be sidestepping the issue indeed have little wiggle room, as they cannot simply recommend application of fair use across the board; as with music sampling, "[e]ach sample clearance is…unique."[22]

The decision whether to rely upon fair use is up to the filmmaker; no outside authority or government entity may prescribe fair use on behalf of the user. The filmmaker should evaluate the statutory fair use factors carefully. Michael C. Donaldson offers the following advice to independent filmmakers: "When you think about fair use, think about good manners…. The overriding rule is that there are no rules that apply in every situation."[23] This approach may not promote efficiency, but it will allow the filmmaker to retain some power. In addition, as discussed further below, filmmakers should be aware that "errors and omissions" insurance companies may shy away from assertions of fair use, preferring instead express permission from the licensor (although the trend toward allowing fair use is growing).

B. Ending the Permissions Arms Race/Free Culture

The documentary film industry's overly conservative approach to copyright law can be crippling, particularly for independent filmmakers who lack the bargaining power to fully clear their works. James Gibson warns against excessive reliance on licensing: "A licensing culture that results from risk aversion on the part of the licensee and invites strategic holdout on the part of the licensor is unlikely to promote overall social welfare, even if the licensing motivations are economically rational from the individual parties' standpoint."[24]

Duke Law's Center for the Study of the Public Domain proposes ending the "Permission Arms Race" by "just saying no to excessive licensing practices."[25] Under this approach, industry norms would not allow the "demanding [of] payments for small fragments, or charging exorbitant prices."[26] This approach will be difficult to monitor, however, especially when so many third-party licensors are nonprofessional rights owners and possess the upper hand in bargaining. To avoid this problem, filmmakers might refuse to seek permission for *de minimis* uses.

The high transaction costs associated with excessive licensing also have a potential chilling effect on creativity. "[T]he more licenses an artist needs to produce a new work, the more likely he or she is to abandon the enterprise entirely. The aggregate effect of a licensing culture may therefore be an anti-commons, with the incentive to produce newer works unduly sacrificed at the altar of rewarding older works."[27] Gibson gives an example of licensing culture gone awry:

> When filmmakers, writers, and other artists avoid using some of our most meaningful cultural referents for fear of being sued, culture suffers.… During the filming of the dancing documentary Mad Hot Ballroom, someone spontaneously yelled three words—"Everybody dance now!"—from a popular song. The filmmakers had to edit the line out, despite its obvious appeal, because the song's copyright owner demanded $5000 for a license.[28]

As noted above, filmmakers can rely upon fair use as an alternative to the practice of excessive licensing. Yet, as Lawrence Lessig points out, industry norms have obfuscated the goals of fair use:

> In theory, fair use means you need no permission. The theory therefore supports free culture and insulates against a permission culture. But in practice, fair

> use functions very differently. The fuzzy lines of the law, tied to the extraordinary liability if the lines are crossed, means that the effective fair use for many types of creators is slight. The law has the right aim; practice has defeated the aim.[29]

By failing to exercise fair use, the filmmaker puts herself at the mercy of the more powerful rights holders. Lessig's Creative Commons (CC) regime attempts to level the playing field by encouraging rights holders to exercise leniency in the control of their works. "Creative Commons defines the spectrum of possibilities between full copyright and the public domain."[30] Lessig's approach goes beyond the Code of Best Practices by giving more control to creators via the "some rights reserved" copyright.[31] Many prominent entities devoted to the public good, from Google to whitehouse.gov, have already adopted the Creative Commons approach.[32] Documentary filmmakers, when searching for images, can turn to Flickr, on online image collective that uses CC licenses. The Free Culture movement resists the "Permissions Arms Race" and, by potentially reducing legal paperwork, makes it easier for a filmmaker to meet her delivery requirements.

C. Expanding the Scope of "Errors and Omissions" Insurance

One component of a film's legal delivery requirements is the "errors and omissions" (E&O) policy. E&O is like malpractice insurance for filmmakers. It protects the filmmaker against a variety of potential claims, including copyright infringement and other forms of liability. In order to avoid unwarranted risk, distributors will not release an uninsured film. E&O is a costly yet essential component of a film's legal deliverables. Premiums for independent films with no obvious legal problems typically are $6,500-$9,500 for a standard three-year policy with upper limits of $1,000,000 per claim and $3,000,000 total for all claims.[33]

The E&O legal delivery requirement is yet another hurdle for the independent documentary filmmaker. "Because independent films are often made without distribution in place, independent filmmakers often put off purchasing E&O insurance until the last possible minute. Studios routinely have this insurance in place well before the commencement of principal photography."[34] Independent documentary filmmakers may not only be priced out of distribution but also become disenfranchised by the insurance companies' leverage.

> Representatives of all four major insures who provide E & O coverage to documentarians concurred with the characterization that, with respect to fair use, the insurer is a policeman for the copyright regime, making certain that the film-maker walks the line between fair use and infringement. Because insurers so often deny coverage where permission was not granted, their gate-keeping role favors copyright holders rather than filmmakers.[35]

The documentary filmmaker's access to E&O insurance hinges on copyright clearance issues. Increasing access to E&O would increase the number of distributable independent documentaries, thus serving copyright's constitutional imperative of promoting progress in the arts.

John Sloss opines that E&O companies have been increasingly conservative since the 9/11 terrorist attack redefined risk.[36] Thus, most E&O brokers would prefer documentation of granted permissions to an assertion of fair use. Interestingly, the documentary *Super Size Me* (2004), a critique of McDonald's, secured an E&O policy that covered everything but potential claims from the fast food giant. Although the filmmaker lacked express permission to include McDonald's in the movie, he was able to rely on fair use during distribution. Sloss, acting as the film's sales agent, had to educate buyers about fair use in order to distribute the film because it did not come with a complete insurance policy. Fortunately, he was successful in selling the rights to the film, which became a critical and box office success.[37]

As explained above, the traditional approach relies upon fair use to fill the gaps carved out by E&O exceptions. In 2007, Media/Professional, one of the leading E&O companies, announced it would be liberalizing its risk assessments. So long as filmmakers accompanied their assertions of fair use with an attorney's opinion letter, Media/Professional would issue an E&O policy. With the support of entertainment lawyer Michael C. Donaldson and Anthony Falzone of the Stanford Center for Internet and Society's Fair Use Project, who offered pro bono legal services in the event of any subsequent litigation, Media/Professional helped turn the tide in favor of independent documentarians.[38]

Under the more liberal approach, there is less need for sales agents to explain fair use to wary buyers because E&O companies will have incorporated fair use into their risk assessments. The fair-use friendly insurer thereby "enables and facilitates the creation of new documentaries."[39] It is unclear, however, whether shifting the burden of risk has caused the insurance companies to raise premiums or otherwise increase their prices.

More research would be required to determine the quantitative effects of the 2007 initiative. Even if the trend towards expanding E&O coverage gives documentary filmmakers a "step up," they nevertheless struggle with fair use. The four fair use factors still must be weighed, and the filmmaker is probably in a better position to assess them than an underwriter who is not as familiar with the project.

The goal of copyright is to "encourage progress and also to encourage the dissemination of work."[40] Expanding fair use, ending the permission arms race, and liberalizing E&O can help undo the paralysis of stalled projects and mounting licensing costs. The following two sections examine alternatives to ensuring dissemination of documentaries that are outside the framework of copyright permissions.

D. Micropayments and Copyright Alternatives

As mentioned previously, filmmakers often find themselves on both sides of the fair use debate depending on whether they are positioned as rights holders licensing their own works or as licensees incorporating copyrighted content into their films. Alternatives to copyright might offer some relief to this dilemma and push filmmakers away from dependence on an overly broad licensing regime. For example, if a filmmaker were less dependent on licensing income, she might be less sparing with her licensing practices and more receptive to claims of fair use. Aligning the interests of rights holder and rights seeker could potentially free up more content.

A micropayment system could help alleviate a documentary filmmaker's financial burdens. Filmmaker Nina Paley's business model for releasing *Sita Sings the Blues* for free includes "direct donations (a.k.a. voluntary payments, a.k.a 'pay-what-you-wish'), ancillary products, sponsorships, DVD sales and auctions, voluntary payments from public screenings, and selling 35mm film prints."[41] Since 2009, Paley has received roughly $132,000 without licensing her film, which has aired on PBS and been screened theatrically.[42] As a so-called copyright abolitionist, Paley lies on the extreme end of the spectrum. In such circumstances, copyright loses importance as a source of income from films.

In a similar spirit of working outside of the traditional film-financing system, filmmakers are discovering new approaches to funding films that depend upon the creator's ability and desire to embark upon a do-it-yourself campaign (through grassroots funding). Nontraditional film financing is growing in popularity and viability. Platforms such as Kickstarter, IndieGoGo, and USA Projects[43] facilitate independent productions via online communities of financiers. Direct donations, as little as one dollar, are pledged. If the donors collectively fail to meet a project's fundraising goal by a certain deadline, none of the pledges are fulfilled. The result is a participatory, user-supported funding regime that promotes independent filmmaking.

E. Patronage/Grants

Grants are another alternative to licensing copyrights as a source of income. Because documentaries generally promote the public good (notwithstanding the diversity of the genre), they are popular candidates for patronage. Many documentary filmmakers rely on public and private grants that have the potential to shape the content of the works created. Sometimes, donations come with conditions (e.g., a donor contributes $15,000 in exchange for an executive producer credit). Neil Weinstock Netanel argues that copyright arose in part out of the need to escape this type of influence: "The Framers believed that a copyright-supported national market for authors' writings was vital to maintaining public vigilance against government encroachment, as well as fostering a democratic culture.… The Framers well understood the dangers of patronage."[44]

As seen in the power imbalances involved in copyright licensing, copyright has strayed from the constitutional imperative of promoting progress in the arts. Exclusive control over content has made it harder to freely create and disseminate works. Allowing non-creators to be copyright holders also contributes to the disconnect between copyright and the incentive to create. Ironically, the risks and uncertainties of copyright law have forced some authors back towards a regime of patronage. Filmmakers who do not rely on copyright as a source of income, however, may be more amenable to the idea of Free Culture.

IV. Legislative Reform

A. Rulemaking/Exemptions from the Digital Millennium Copyright Act

In July 2010, the Librarian of Congress announced that six classes of works would be exempt from the anti-circumvention measures of the Digital Millennium Copyright Act.[45] In addition to certain kinds of computer programs, video games, and ebooks, also exempted were:

> Motion pictures on DVDs that are lawfully made and acquired and that are protected by the Content Scrambling System when circumvention is accomplished solely in order to accomplish the incorporation of short portions of motion pictures into new works for the purpose of criticism or comment, and where the person engaging in circumvention believes and has reasonable grounds for believing that circumvention is necessary to fulfill the purpose of the use in the following instances:
>
> (i) Educational uses by college and university professors and by college and university film and media studies students;
>
> (ii) Documentary filmmaking;
>
> (iii) Noncommercial videos.[46]

The exemption recognizes the industry practice of working with copyrighted content. For example, software used to decrypt DVDs is commonly available for free download on the Internet; filmmakers also may use low-resolution footage or images without first securing

permissions. The exemption authorizes otherwise unlawful activity and levels the playing field between independent filmmakers with fewer resources than studios. Documentary filmmakers "argued that the prohibition on circumvention adversely affects their ability to use portions of motion pictures in documentary films, many of which would qualify as noninfringing uses for the purposes of criticism or comment."[47]

The exemption nevertheless requires that the use be noninfringing. The exemption applies only to instances when permission has been granted or the filmmaker plans to rely on fair use.

> Documentary filmmakers…gained access to previously "locked" DVD content for fair use in their productions under an exemption to the Digital Millennium Copyright Act granted to them by the US Copyright Office.… The exemption allows documentarians to obtain short portions of material from DVDs, even when that material is behind encryption and other digital locks for any non-infringing use in a documentary.… Many filmmakers, particularly those who incorporated current or historical events into their work, were previously restricted by the DMCA from using a wealth of material available only on DVD.[48]

The move away from the Best Practices model offers more freedom to filmmakers: The administrative bright line potentially allows the documentary filmmaker to reallocate resources previously devoted to assessing fair use (e.g., hiring outside counsel). The statutory exemptions indeed seem to benefit nonprofit entities. "[T]he fair use standard has seen its universality and flexibility become less important as parties who would otherwise rely heavily on the doctrine—e.g., libraries, archivists, and educators—have increasingly operated under safe harbor statutes designed specifically for them."[49] Therefore, it is especially important for the law to provide unambiguous direction on what qualifies as documentary filmmaking.

B. Copyright Term Limits

Reducing copyright terms is another legislative approach to making content more freely available. Advocates for a healthy public domain believe the reduction of terms will encourage film production. On the other side of the debate, rights holders such as heirs and other "overzealous owners of rights"[50] wish to retain control for as long as possible, at the expense of the public.

Recall that the film *Eyes on the Prize*, a film on which educators had come to rely as a teaching tool for the Civil Rights Movement in America, was effectively held hostage over the rights to archival footage of Martin Luther King, Jr. owned by his heirs.[51] Clearly, such problems can arise when copyright is no longer about the incentive to create. Limiting the copyright term could prevent such a scenario from occurring by allowing works to enter the public domain sooner. If terms were limited, filmmakers would have free access to a wider range of material.

C. Orphan Works Reform

The Internet is a vast resource for documentary filmmakers seeking content. Sometimes, copyrighted content is uploaded without the authorization of the owner and further downloaded without permission. The quality of the content—often near-perfect digital copies—is likely not a hindrance. Orphan works, already problematic in the analog, may become an even larger problem in the digital environment.

A work is considered orphaned when its copyright owner cannot be located. The orphan works problem prevents some films from being exhibited or used in other projects because permission cannot be secured. The tragedy is that an estimated 100 million feet of film[52] sits in limbo, unrestored, in film studios and archives around the world. Thus, it has been observed that the current system "locks up orphan films in a tangle of strict liability and legal uncertainty, thereby dooming thousands of films, imposing costs on citizens, researchers and the culture itself, when in the vast majority of cases there would be no objecting copyright owner."[53]

Without a guarantee that films will be distributable, archivists have little incentive to restore old films that have not yet passed into the public domain. "It is hard to justify paying for costly copies that no one but specialists can see."[54] To do so would exhaust funds without the promise of compensation or even an audience.

> In the numerous cases where the copyright owner has abandoned interest in the film and cannot be located, private parties in possession of the endangered film cannot copy, restore, digitize, or share the film. To make matters worse, there are often multiple copyrights over the same film—covering the film itself, the script—if any—and the soundtrack…[the] resulting burden is…simply overwhelming. All the while, the films decay.[55]

In an attempt to solve this problem, orphan works legislation was introduced in 2003 by California House Representative Zoe Lofgren as the Public Domain Enhancement Act[56] (f.k.a. the Eldred Act). The statutory scheme would have required a good-faith search for the owner; a centralized online registry of orphan works to provide notice to owners and a database for creators seeking content; a statute of limitations; and a limit on liability for restorers and distributors.[57]

Proponents included Steve Forbes and Lawrence Lessig, but the Motion Picture Association of America lobbied against the bill.[58] Representative Lofgren reintroduced the bill in 2005 and promoted limiting term rights for the benefit of society:

> The public domain has always been a vital source for creativity and innovation. But with the advent of the internet, it is now more important than ever. No longer are out-of-print books or forgotten songs automatically sentenced to the ash-heaps of our cultural history. The emergence of digital technology and the world wide web has created a way to reawaken these hidden treasures, and has empowered more and more of us to become creators in our own right.[59]

By shortening copyright terms, Lofgren hoped to make available orphan works: her bill sought to "allow abandoned copyrighted works to enter the public domain after 50 years."[60] Congress found that "neither the copyright clause nor the Copyright Act is intended to deprive the public of works when there is no commercial or copyright purpose behind their continued protection."[61] However, Lofgren's bill was again abandoned, and the last major action was the bill's referral to the Subcommittee on Courts, the Internet, and Intellectual Property in July 2005.[62]

The orphan works problem remains an issue for filmmakers who want to use online content that is no longer associated with an identified copyright owner. If the filmmaker incorporates the orphan material into her work following a good-faith search for the owner, she risks a lawsuit if the rightful owner later emerges. Considering the lack of progress on orphan works reform, documentary filmmakers may wish to examine a compulsory licensing scheme, which would allow the use of an image or portion of another film without obtaining permission from the owner.

D. Compulsory/Collective Licensing

A compulsory licensing scheme also could offer an efficient alternative to fair use and negotiated licensing. Within a certain number of days of using copyrighted content, a filmmaker might serve upon the copyright owner a notice of intention.[63] The owners would receive royalties. Compulsory licensing therefore would benefit all parties and be cost-effective for the filmmaker. However, "there is little likelihood that the motion picture and music industries, which exercise considerable sway in these matters, would tolerate their enactment."[64] Established rights holders might prefer to maintain their strong bargaining position. Although compulsory licensing works for public broadcasting and within the music industry, filmmakers have not taken compulsory licensing seriously, not only because of industry norms but also because of international treaty prohibitions that favor rights holders.

Article 9 of the Berne Convention reserves the right of reproduction exclusively to authors, while Article 11*bis* prevents the "prejudice of the moral rights of the author."[65] Moreover, in contrast with the music industry, no comprehensive infrastructure exists to collect and distribute royalties for the diverse body of rights holders. Berne further safeguards against the imposition of forced licensing that might weaken the "integrity" of rights holders. Yet, an efficient compulsory license system could prove beneficial by providing unsolicited income for rights holders while cutting costs for rights seekers.

Notifying each owner every time someone used a copyrighted work is somewhat impractical. Documentaries often rely on personal archives that are not registered with the Copyright Office. To accommodate these scenarios, as well as to address the orphan works problem, a compulsory licensing scheme might employ an opt-in mechanism (as with the Google Book Settlement).[66]

Collective licensing provides further insight into solving the inefficiency of the current copyright clearance culture. However limited, collective licensing offers a partial solution to documentary filmmakers. As Columbia University Libraries' Copyright Advisory Office puts it, "Collective licensing agencies are organizations meant to centralize copyright ownership information for their respective industries. These centers can expedite your search substantially, either by putting you directly in touch with a copyright owner or by negotiating the copyright usage itself. Many of these organizations can instantly grant permission online."[67] Some of the advantages of collective licensing were discussed above in Part II. In addition to one-stop shopping for filmmakers, collective licensing also refers to umbrella licenses that cover public performance rights. Collective licensing promotes efficiency by allowing a screening venue to insure against allegations of copyright infringement. The Umbrella License is "a reasonably priced facility-based license which allows any organization to publicly perform Videos produced by MPLC's Member Licensors…. The Umbrella License is the cost effective and convenient legal solution."[68]

But collective licensing only covers the public performance of a film, not the content of the film itself; it is available only where admission will not be charged, usually at schools or churches;[69] it is not geared towards documentaries. Were the film to be exhibited in a venue not covered by an umbrella license, the filmmaker would be susceptible to liability for copyright infringement. For documentarians seeking a wider audience, collective licensing is not yet an adequate solution. Like other approaches, it cannot, by itself, adequately address the problems associated with clearing content.

V. Conclusion

Documentary films comprise a special class of works and need additional protections to fulfill the goals of progress in the arts and dissemination of works. Because of ambiguity in the law and inefficient licensing practices, the current copyright regime has become misaligned with its constitutional imperative. In order to remedy the power imbalances between licensor and licensee in the documentary field, both the industry and the legislature should explore reform.

The current debate over clearing content for documentary film implicates a variety of competing interests. As legislative reform remains unlikely, industry norms continue to evolve. Potential solutions can begin with compromise. Rights holders in the business of licensing materials should cede some control, while filmmakers seeking to use third-party content should diligently educate themselves about fair use. A temporary salve should then be crafted through the combination of changes in industry attitudes and alternative legislative approaches.

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Consulting Legislative History to Condemn Pay-for-Delay Settlements

By Michael R. Herman

I. Introduction

By all counts, Americans spend an exorbitant amount of money on prescription medication. According to one estimate, spending in the United States for prescription drugs was around $275 billion in 2007,[1] up from $40.3 billion in 1990.[2] The rapid increase in prescription drug expenditures has persisted despite Congress's repeated attempts to hold down drug prices by encouraging the entry of lower cost generic alternatives to brand name drugs. These congressional efforts recently have been thwarted by collusive settlement arrangements between brand name and generic drug manufacturers in which brand name firms have paid generic manufacturers often tens or hundreds of millions of dollars to delay or forgo bringing their competing generic product to market.[3]

Ordinarily, an agreement by one firm to pay a competitor not to enter the market is an antitrust violation under section 1 of the Sherman Act, which prohibits unreasonable restraints on competition.[4] Litigation over these so-called "pay-for-delay" or "reverse payment" settlements, however, has resulted in a general, though not across-the-board, rejection of antitrust liability.[5] In none of these cases, however, did the courts consider adequately Congress's intent to prohibit these settlements and to ensure rapid entry of generic drugs into the market so that consumers can enjoy the lower prices resulting from competition.

In this article, I use the problem of pay-for-delay settlements as a vehicle for exploring the proper role of congressional intent in statutory interpretation. Ordinarily, courts consult legislative history—to the extent they do—to determine whether Congress intended certain practices to be governed by a particular statute or to interpret the meaning of a statute. In this article, I propose another use: congressional intent behind one statute can and should be used to resolve ambiguous text in another statute under certain circumstances. In this case, for example, congressional intent behind two acts that Congress passed to control rising drug prices—the Hatch-Waxman Act[6] and the Medicare Modernization Act (MMA)[7]—should inform whether a strategic market response by drug companies to thwart the purposes of those Acts should be "unreasonable" when challenged under the Sherman Act. This use of legislative history should not be without limits: it should be used only where congressional intent, taken from both the text and unambiguous legislative history, indicates that Congress was trying to correct a particularly significant and alarming problem, and the enforcement statute is vague. In this case, Congress explicitly expressed disapproval of pay-for-delay settlements in the legislative history of the MMA, and the Sherman Act is notoriously vague.[8]

In Part II, I explain the general justifications and uses of legislative history to divine congressional intent. Part III explains the purposes of the Hatch-Waxman Act and the statutory framework it establishes. It then explores the congressional response to the first pay-for-delay settlements and how drug companies have thwarted that response. Part IV discusses in greater detail the problem of pay-for-delay settlements and the harm they cause to consumers, as well as the courts' largely permissive rulings. Part V concludes by discussing how courts should interpret congressional intent in relation to these settlements. I argue that courts should look to the legislative histories of the Hatch-Waxman Act and the MMA and hold that pay-for-delay settlements are presumptively unlawful.

II. The Uses of Legislative History

A. Interpretation Theories

A central disagreement between textualist, intentionalist and purposivist statutory interpretation concerns whether legislative history should be used to discover the meaning of a particular statute. Textualists, such as Justice Scalia, believe that judges should not seek to figure out "the intent of the legislature" through use of legislative history.[9] Intentionalists and purposivists generally believe that that legislative history should be used under certain circumstances: intentionalists favor it to discover the specific or narrow intent of the legislature, while purposivists believe it can be useful in illuminating broad purposes behind legislation.[10]

Justice Scalia believes that such an approach would actually amount to giving the judge unfettered discretion to interpret a given statute as he or she sees fit.[11] That is because "[w]hen [judges] are told to decide, not on the basis of what the legislature said, but on the basis of what it *meant*, [judges'] best shot at figuring out what the legislature meant is to ask [themselves] what a wise and intelligent person *should* have meant; and that will surely bring [the judge] to the conclusion that the law means what [he or she] think[s] it *ought* to mean…."[12] He further argues that having the intent of the legislature trump the text has an antidemocratic element to it in that it makes it harder for citizens to decipher what the statute means.[13] On this view, the public would not only have to read the statute but would have to dig through the legislative history to discern the real meaning.

Intentionalism and purposivism are also subject to other significant criticisms. As for intentionalism, actual intent as to all issues related to a bill is unknowable: "legislators usually do not have a specific intention on more than a few issues (if that) in a bill for which they vote."[14] Furthermore, delegation of that intention to committee staffers (who write the legislative history) might violate the constitutional requirements of the Presentment Clause, which requires laws to be voted on and passed by both Houses of Congress.[15] Further, relying on the legislative history of one house of Congress would not provide the intent of both houses, especially where there is some contradiction.[16] Purposivism's use of legislative history also can be criticized on similar grounds: Legislators have varying purposes for enacting statutes; legislation is often the result of compromises, which, in hard cases, might prevent one coherent purpose from developing; if made general enough, the "purpose" of legislation can be too vague to have a robust constraining effect on judges.[17]

Nevertheless, these criticisms of intentionalism and purposivism do not warrant abandoning the use of legislative history. First, the argument that using legislative history might violate bicameralism or the Presentment Clause is not sound because legislative history does not have the force of law: its use is merely as a tool for divining congressional intent or purpose.[18] Furthermore, Justice Scalia's criticism of the use of legislative history is itself vulnerable to criticism. First, it is not immediately obvious that forgoing the use of legislative history would actually reduce judicial discretion when interpreting statutes. As William Eskridge Jr. explains, "I find it mildly counterintuitive to posit (as Scalia seems to) that an approach asking a court to consider materials generated by the legislative process, in addition to statutory text (also generated by the legislative process), canons of construction (generated by the judicial process), and statutory precedents (also generated by the judicial process), leaves the court with *more* discretion than an approach that considers just the latter three sources."[19]

Second, Justice Scalia's approach, which does not consult legislative history but does use canons of construction, requires just as much choice among competing evidence as does the purposivist approach. This is partly because canons of construction are notoriously manipulable. As Karl Llewellyn famously observed, every canon of construction has a corresponding "counter-canon," and it is not immediately clear when to use the canon or the counter-canon.[20] Thus, as long as one accepts the use of canons of construction, one can hardly object to the use of legislative history on the ground that it leads to too much judicial discretion.[21]

There are also practical and normative reasons to use legislative history. Since many courts have developed a practice of consulting it, Congress is free to put much of its elaboration of the statutes in their conference or committee reports, which makes the statute less cluttered.[22] This way, Congress can put in those reports extended discussions of the "reasons for enacting the statute, the structure of the statutory regime and why it was set up that way, and what at least some original legislators expected the statute to accomplish."[23]

Legislative history is also useful for defining statutory "terms of art" and for situating the statute within its historical context.[24] In addition, legislative history might be helpful to "double check" the meaning of a statute that a judge independently determines from its text alone.[25] In fact, Justice Scalia appears to approve of both of these practices.[26] Finally, and perhaps most importantly, using legislative history can serve important pragmatic values such making the law more "coherent, workable, or fair."[27] These pragmatic reasons include interpreting a statute to avoid an absurd result[28] or to correct a drafting error that is not facially absurd.[29]

The foregoing discussion is not meant to be an exhaustive examination of the pros and cons of consulting legislative history. Nor is it meant to resolve the disagreement between textualists, and intentionalists and purposivists on this subject. However, for those who believe legislative history should be consulted at least under certain circumstances, the cases challenging pay-for-delay settlements would be prime candidates. As discussed more fully below, in these cases, the legislatively histories of the two most relevant Acts of Congress—the Hatch-Waxman Act and the MMA—unambiguously express an intent to streamline the entry of lower priced generic drugs and to eliminate pay-for-delay settlements.

B. The Use of Other Statutes' Legislative History in Sherman Act Interpretation

Unlike many enforcement statutes, the Sherman Act is inherently vague, and, as a result, the use of legislative history to determine its meaning seems appropriate. The Sherman Act prohibits "[e]very contract, combination…, or conspiracy, in restraint of trade or commerce."[30] Taken literally, it would prohibit every commercial transaction, since all contracts restrain trade in one way or another. The Supreme Court has interpreted it to prohibit only "unreasonable" restraints of trade.[31] The meaning of "unreasonable" has been considered a matter of federal common law,[32] and its meaning has changed dramatically over the last 35 years in response to new economic and political understandings as to which restraints should be considered "unreasonable."[33] Thus, the meaning of the Sherman Act remains malleable and is open to reinterpretation based on contemporary understandings.

This article's proposal to use the legislative history of other statutes to interpret the Sherman Act is novel but

not unprecedented. Courts, including the Supreme Court, have often used other statutes to interpret the meaning of "unreasonable," including statutes enacted after the Sherman Act.[34] The Supreme Court has used the legislative history in those other statutes to interpret the meaning of the Sherman Act.[35] In *Jefferson Parish*, for example, the Court cited the House and Senate Reports for the Clayton Act, which "expressed great concern about the anticompetitive character of tying arrangements" as a justification for retaining the per se prohibition against tying under the Sherman Act.[36] The Court clearly was concerned with ensuring horizontal coherence among the various antitrust statutes, and using the legislative history of one statute to interpret the other is a useful way of achieving that kind of coherence.

A similar interpretative method can be used here. To be sure, the Clayton Act is an antitrust statute, and it was enacted to strengthen existing antitrust enforcement.[37] By contrast, the Hatch-Waxman Act and the MMA are not antitrust statutes; instead, they establish the regulatory regime that governs the pharmaceutical industry.[38] Nevertheless, because this regulatory regime is inextricably intertwined with antitrust issues, courts should consult the legislative history of those statutes when analyzing Sherman Act challenges to restraints within that regime.[39] The next section explains more fully this regulatory regime and its relationship to the antitrust issues.

III. The Statutory and Regulatory Landscape Surrounding Pharmaceutical Competition

A. The Hatch-Waxman Act

1. Purposes and History of the Act

The Drug Price Competition and Patent Term Restoration Act of 1984,[40] more commonly known as the Hatch-Waxman Act, created the regulatory structure that governs competition in the pharmaceutical industry. The Act sought to promote the market entry of lower-priced generic versions of existing brand name drugs while at the same time preserving incentives to invest in new drugs.[41] The House Report indicated that one of its main purposes was "to make available more low cost generic drugs by establishing a generic drug approval procedure for pioneer drugs."[42] The report bemoaned the fact that there were approximately 150 drugs that were off patent but for which there was no generic equivalent.[43] It estimated that generic competition would save Americans $920 million over the next 12 years.[44]

Initially, the Act was very successful. By 1996, generic drugs accounted for 42.6 percent of all drugs sold, compared to only 18.6 percent at the time the Act was passed.[45] Moreover, by 1998, a generic version was available for virtually all brand name drugs whose patent had expired, whereas before the Act was passed only about 35 percent of drugs no longer under patent had generic copies available.[46] The introduction of generic drugs in competition with the brand name drug has a profound impact on price. The Federal Trade Commission (FTC) has estimated that within one year of generic introduction, the generic penetration rate reaches 90 percent.[47] Since generic drug prices are on average 85 percent lower than the pre-entry brand name drug,[48] the FTC estimates that consumers receive a discount of approximately 77 percent off the cost of the drug prior to generic entry.[49] Thus, by the late 1990s, generic substitution saved consumers at least $10 billion a year, exponentially more than the initial estimate.[50]

Meanwhile, the profits of brand name firms soared,[51] and the amount of those profits that was reinvested into the research and development of new drugs was the highest in history.[52] By the early 2000s, however, the purposes and effects of the Act began to unravel, as brand name firms figured out that they could retain their monopoly position—and therefore make more money—by paying generic firms to stay off the market.[53] The FTC estimates that these arrangements, discussed in greater detail in Part IV, delay generic entry by a median of close to one and a half years and cost American consumers at least $3.5 billion per year.[54] Another estimate found that a one-year delay in generic entry across 21 drugs costs consumers about $14 billion.[55] An examination of the Act's regulatory framework is important to understanding how it has been abused.

2. The Act's Regulatory Framework

Under the Act, a pharmaceutical manufacturer must receive approval to market a new drug from the Food and Drug Administration (FDA) by filing what is known as a "New Drug Application" (NDA).[56] The NDA is a lengthy process, requiring years and often hundreds of millions of dollars to conduct clinical trials.[57] Its purpose is to ensure the safety and efficacy of the new drug.[58] The NDA must list any patents the firm holds and that it believes could be asserted against the unauthorized manufacture, sale, or use of the drug.[59] These patents are listed in an FDA compendium known as the Orange Book.

Once the NDA is approved, a generic drug manufacturer can market a generic version of the drug without repeating the extensive NDA process. Instead, it can file an Abbreviated New Drug Application (ANDA), which requires it to demonstrate primarily that its product is a bioequivalent to the brand name drug.[60] The ANDA does not require the generic firm to independently demonstrate the safety and efficacy of the drug.[61] Establishing the bioequivalence necessary to submit an ANDA is considerably cheaper than NDA clinical trials, with estimates ranging from $300,000 to $1 million.[62]

An ANDA can seek to market the drug either before or after the relevant patents have expired. An ANDA that seeks approval after patent expiration is accompanied

by a "paragraph-III" certification, which acknowledges that one or more patents exist to block generic entry until patent expiration.[63] The FDA cannot approve an ANDA before patent expiration unless the applicant files a "paragraph-IV certification," which certifies that the patent or patents in question are invalid or not infringed by the generic product.[64]

There are many reasons why a generic firm might believe that the patent or patents in question are invalid or not infringed by the generic product. A patent could be invalid if it was obtained by fraud or inequitable conduct before the Patent and Trademark Office, if it was inherently anticipated by prior art, if it was obvious, or because the initial drug testing violated the public use bar. Alternatively, the generic drug might not violate the patent because the generic has devised a way to create a bioequivalent drug by a different process or has created a different structure of the same active ingredient or a different delivery mechanism.

The Hatch-Waxman Act makes the mere filing of a paragraph-IV certification—even if the generic firm has yet to produce a single drug—an act of patent infringement.[65] As a result, the generic drug manufacturer may be sued for patent infringement before it has done anything that would result in damages liability. If the brand name firm does nothing, the FDA may approve the ANDA, and the generic can begin marketing the generic drug shortly thereafter. If the brand name manufacturer sues the generic drug firm within 45 days of the ANDA filing, however, a statutory stay automatically prevents the FDA from approving the ANDA for at least 30 months, unless the patent expires or is found to be invalid before then.[66] This "30 month stay" can last for more than three years.[67]

The Hatch-Waxman Act encourages the filing of paragraph-IV certifications by granting the first such filer a 180-day exclusive right to market a generic version of the drug in competition with the brand name drug.[68] The exclusivity period begins "either on the date that the first Paragraph IV ANDA filer begins marketing its generic drug, or on the date of a final court decision finding the relevant…patents invalid or not infringed, whichever comes first."[69] The 180-day exclusivity for a major drug is a "'bounty' worth hundreds of millions of dollars."[70] Perhaps because of the large amount of money involved, as Herbert Hovenkamp, et al. explain, "[i]t is widely understood that the 180-day exclusivity period offers the potential for collusive settlement arrangements between pioneers and generics."[71]

B. The Medicare Modernization Act

The Hatch-Waxman Act has recently changed following the passage of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003,[72] more commonly known as the Medicare Modernization Act (MMA). The two most significant changes were new reporting rules that require drug companies to submit to the FTC all pay-for-delay settlements and changes to the 180-day exclusivity period.

The legislative history underlying these provisions of the MMA indicates unambiguously that they were intended to stop future pay-for-delay settlements. During the hearings on these provisions, Representative Harry Waxman, the original sponsor of the Hatch-Waxman Act, noted that action was needed because "there is a significant number of collusive agreements between the brand-name companies and the generic manufacturer to keep generics off the market."[73] Rep. Waxman further referred to pay-for-delay settlements as "tactics that are being used, games [that are] being played, by some of the brand-name companies to simply keep competition off the market."[74] These settlements were also described as "the biggest problem to innovation" because "[i]f [brand name firms] can continue their monopoly on a product that is a big seller, they don't feel that they need to get new drugs out there, or they are not being successful in getting new drugs developed."[75]

The Senate Report was equally unequivocal in explaining that the purpose of these provisions in the MMA was to prevent pay-for-delay settlements. The report contained extensive findings on the "rapidly increasing prescription drug costs [that] are creating real problems for American senior citizens and families."[76] It further found that "enhancing competition between brand name and generic drug companies can significantly reduce prescription drug costs."[77] The report explained that this competition has been impeded because the pharmaceutical industry "has recently witnessed the creation of pacts between big pharmaceutical firms and makers of generic versions of brand name drugs.… Agreeing with smaller rivals to delay or limit competition is an abuse of the Hatch-Waxman law that was intended to promote generic alternatives."[78] The report expressed the hope that the disclosure requirements "might deter the [pay-for-delay] agreements outright."[79] Moreover, the Congressional Budget Office assumed that the disclosure provision would eliminate pay-for-delay settlements.[80]

The changes to the 180-day exclusivity period were also thought to discourage pay-for-delay settlements. Prior to the passage of the MMA, the FDA took the position that the 180-day period operated "patent-by-patent," meaning that it would be awarded to *each* ANDA applicant who was the first to submit a paragraph-IV certification for a specific patent.[81] This often resulted in "shared exclusivity" where multiple generic firms filed paragraph-IV ANDAs for different patents for the same drug.[82] The patent-by-patent approach often created "mutual blocking exclusivities" where different generic

firms were the first paragraph-IV ANDA filers to different patents on a single drug.[83] The FDA would be unable to approve any ANDAs because of the overlapping 180-day exclusivities, causing further delay in generic entry.[84]

Brand name and generic companies took advantage of this situation by including provisions in pay-for-delay settlements that manipulated the 180-day exclusivity period to prevent generic entry altogether or to delay it considerably. As noted, the FDA is prevented from approving subsequent paragraph-IV ANDAs until 180 days after the first filer's introduction of the generic drug or a judicial determination of invalidity or noninfringement.[85] Some pay-for-delay settlements are structured so that the first generic firm to file a paragraph-IV ANDA neither markets its product nor secures a judicial determination of invalidity. Since the brand name paid the generic firm not to enter the market, the 180 days would never commence, and the FDA was prevented from approving subsequent paragraph-IV ANDAs. Generic entry would be totally prevented. This is sometimes referred to as a statutory "bottleneck."[86]

The MMA was designed to prevent this bottleneck in two ways. First, it provided that the 180-day exclusivity period is available only to a single ANDA applicant who was the first to file a paragraph-IV certification to any listed patent on a drug.[87] This drug-product-based exclusivity sought to prevent mutual blocking exclusivities. Further, it established a new forfeiture procedure, which, if certain conditions are met, would cause the generic to lose the 180-day exclusivity period.[88] This provision sought to eliminate the statutory bottleneck effect. It was hoped that the elimination of the bottleneck would disincentivize firms to enter into pay-for-delay settlements. There are six events that could lead to a forfeiture of the 180-day exclusivity, but the most relevant is the failure to market event. This provision provides that if the generic firm fails to market its product under certain circumstances, it forfeits the exclusivity.[89]

Most believe that the forfeiture provision failed to prevent the statutory bottleneck.[90] The FDA, for example, still believes the bottleneck exists in situations where the brand name firm settles with the first generic applicant, which would prevent the 180 days from beginning unless a subsequent applicant could initiate forfeiture through a declaratory judgment action.[91] Even if a subsequent challenger could initiate a declaratory judgment action, it has less incentive to do so because winning such a challenge would give the 180-day exclusivity to the first generic filer.[92] Thus, settlements can cause delayed generic entry even under the new forfeiture provisions.

Rather than causing a decrease in the number of pay-for-delay settlements, since the passage of the MMA, the number of such settlements has actually increased. Due to the reporting requirements, discussed above, the FTC receives a copy of each of these settlements. The FTC reported zero such settlements in 2004, 3 in 2005, 14 in 2006, 16 in 2008, and 19 in 2009.[93] In the first half of 2010 there have already been at least 19 pay-for-delay settlements, so the 2010 number is likely to be the largest on record.[94]

IV. The Pay-for-Delay Settlement Problem

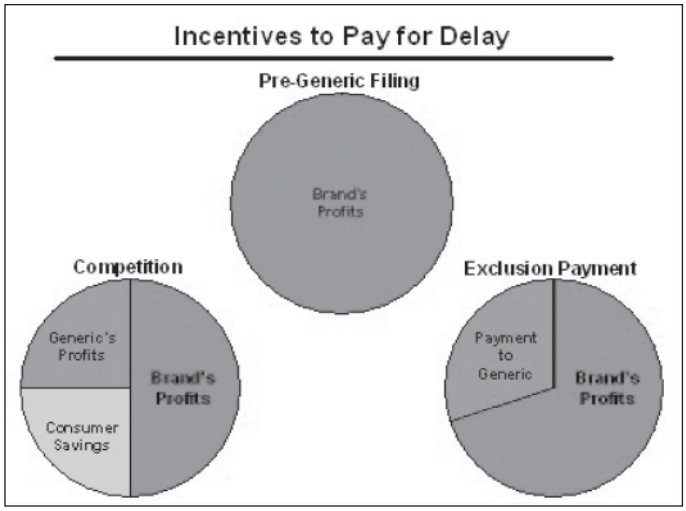
A. The Incentive Structure and Harms of Pay-for-Delay

Generic drug manufacturers often have little to lose and much to gain from filing paragraph-IV certified ANDAs. Because the generic firm has yet to market the drug, it would be unlikely to have to pay damages should it lose its case against the brand name manufacturer. Should it win, the generic firm—if it was the first to file a paragraph-IV certified ANDA—would receive an exclusive 180-day right to market the generic drug in competition with the brand name firm.[95] The resulting duopoly is potentially worth millions of dollars for a major drug.[96] Thus it is not surprising that since 1984, generic drug firms have filed paragraph-IV certified ANDAs over 200 times.[97] These include nine of the top ten best-selling drugs in 2000.[98]

For the brand name manufacturer, it has little to gain and a lot to lose from suing the generic firm in these cases. As explained above, even a favorable court ruling would be unlikely to yield damages. Moreover, it would not stop a different generic firm from filing a paragraph-IV certified ANDA. Meanwhile, a court ruling in favor of the generic firm would permit generic entry and therefore would cause the brand name firm to lose its ability to charge monopoly prices for the drug.

However, a generic victory in patent litigation is often not the optimal outcome for the generic firm. That is because "the *total* profits of the patent holder and the generic manufacturer on the drug in the competitive market will be *lower* than the total profits of the patent holder alone under a patent-conferred monopoly."[99] As a result, it makes economic sense for the patent holder to "pay some portion of that difference to the generic manufacturer to maintain the patent-monopoly market for itself."[100] The generic firm is likely to accept such a payment in exchange for an agreement to end its challenge to the patent's validity and not to compete for at least some and often all of the remaining term of the patent because the payment is often larger than the generic firm's expected gain from the litigation.[101] In fact, these "reverse payment" settlements are typically in the tens or hundreds of millions of dollars.[102] While the brand name and the generic split the monopoly profits of the drugs, consumers are denied the benefits of the low prices that would result from the entry of generic drugs, which can be as much as 90 percent less than brand prices.[103] The FTC estimates

that these settlements "cost American consumers $3.5 billion per year,"[104] as the following chart illustrates:



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Reverse payment settlements have, unsurprisingly, attracted significant antitrust scrutiny. Perhaps as a result of such scrutiny, "naked payments have given way to more complex arrangements."[106] These arrangements take the form of side-deals where the brand name firm overpays for value contributed by the generic firm and/or the generic firm underpays for value contributed by the brand name firm.[107] In some settlements brand firms overpay generics to provide a wide range of "productive development, manufacturing, and[/or] promotional services."[108] While many of these deals are on their face disguised exclusion payments, such as those for patent licenses that do not cover the brand name product or those for new developments that are unrelated to its core business, others are at least plausible.[109]

In other deals, brand firms charge too little, such as using the generic firm as an "authorized generic" and selling it at a big discount.[110] Since the selling of an authorized generic triggers the 180-day exclusivity period, most newer settlements provide for generic sales only after another generic firm enters the market or involve a drug that is not the subject of litigation.[111] These side-deals are virtually unknown outside of patent settlements and are being made at an increasing rate.[112] Thus, there is a strong presumption that they are really disguised pay-for-delay settlements.[113]

A large reverse payment settlement is likely an indication that the patent is weak. That is especially true due to the high win rates of generics when these cases proceed to judgment. The FTC has documented that generics have prevailed in 73 percent of the cases in which a court has resolved the patent dispute.[114] Thus, these settlements are properly seen as a way for the brand name to pay the generic to stay off the market, resulting in a significant decline in consumer welfare. As a result, both the FTC and the DOJ have argued that they should be presumptively unlawful under section 1 of the Sherman Act.[115] Litigation over these settlements, however, has resulted in a general, though not across-the-board, rejection of antitrust liability.

B. Litigation Over Pay-for-Delay Settlements

Pay-for-delay settlements have been the subject of antitrust litigation resulting in sympathetic, though conflicting, opinions in four courts of appeals. Some are the result of FTC enforcement actions, while others have resulted from private actions brought by purchasers of the drugs in question—usually unions, drug stores, and health care funds, as well as some individuals.

The Sixth Circuit has held reverse payments per se unlawful under at least the circumstances in that case, while the Federal Circuit has held them to be presumptively lawful due to the patent's exclusionary power. The Second Circuit has adopted a deferential standard that would sanction most settlements. Finally, the Eleventh Circuit has adopted a slightly less deferential test but one that still would sanction most settlements. Courts confronting this issue have largely ignored the congressional intent to prevent such settlements and to in encourage rapid entry of low-cost generic drugs.

1. Sixth Circuit: Per Se Unlawful Where Settlement Did Not End Litigation

In *In re Cardizem CD Antitrust Litigation*,[116] the Sixth Circuit condemned a pay-for-delay settlement as per se unlawful. Hoescht Marion Roussel (HMR) is the manufacturer of the prescription drug Cardizem CD, which is used to treat high blood pressure. The agreement provided that HMR would pay Andrx, a potential generic manufacturer of Cardizem CD, $10 million per quarter while the underlying patent litigation was pending and up to $100 million if the litigation ended without a finding of infringement.[117] The litigation settled two years later with Andrx receiving a total of $89.83 million plus its retained 180-day exclusivity period to market its generic product.[118] "In short, Andrx was paid to delay generic entry while the litigation was pending without sacrificing the exclusivity period once the litigation terminated."[119]

Purchasers of Cardizem CD sued both HMR and Andrx, alleging that the agreement was a horizontal restraint of trade. On interlocutory appeal, the Sixth Circuit affirmed the district court's grant of summary judgment to the plaintiffs, finding that the agreement "was, at its core, a horizontal agreement to eliminate competition in the market for Cardizem CD throughout the entire United States, a classic example of a *per se* illegal restraint of trade."[120] The court responded to defendants' arguments concerning the exclusionary rights of their patents by holding that "it is one thing to take advantage of a monopoly that naturally arises from a patent, but another thing altogether to bolster the patent's effectiveness in

inhibiting competitors by paying the only potential competitor $40 million per year to stay out of the market."[121]

The court found particularly significant the fact that since the agreement did not end the underlying patent litigation, no other generic manufacturer could get into the market. Andrx had been the first paragraph-IV ANDA filer and thus would be entitled to a 180-day exclusivity period, but since the litigation did not end, the period was never triggered, which resulted in a serious bottleneck.

2. Second Circuit: Presumptively Lawful

The Second Circuit's position, first articulated in *In re Tamoxifen Citrate Antitrust Litigation*[122] and recently reaffirmed in *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*,[123] has been highly deferential to these settlements because of Second Circuit policy strongly favoring settlements. In the infringement action that led to the agreement in *Tamoxifen*, the underlying patent was found to be invalid by the district court based on fraud because the brand firm (Zeneca) withheld testing information from the Patent and Trademark Office.[124] While the appeal was pending, the parties settled.

The agreement provided that Zeneca would pay the generic firm (Barr) and its supplier a total of $66 million.[125] In return, Barr agreed to delay generic entry until after the underlying patent expired and to agree to move to vacate the district court's judgment.[126] Various consumers, medical benefits providers, and advocacy groups challenged this settlement on antitrust and other grounds. The Second Circuit affirmed the district court's dismissal of the lawsuit for failure to state a claim.[127]

The court based its holding on that circuit's long-standing policy in favor of settlements, especially in intellectual property cases, which it viewed as encouraging innovation.[128] In the court's view, settlements are encouraged even in this context despite recognizing that "such settlements will inevitably protect patent monopolies that are, perhaps, undeserved" because they are based on "fatally weak patents."[129]

The court also held that the settlements are authorized by the Hatch-Waxman Act because they make economic sense in light of the incentives created by the regulatory scheme.[130] The court essentially believed that because the Hatch-Waxman Act placed most of the risk of infringement litigation on the patent holder, the law must have recognized and condoned this kind of agreement. The court concluded that so long as the settlement did not exceed the scope of the patent, it would be legal. The *Tamoxifen* standard was recently reaffirmed in *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, [131] a case in which the brand name firm (Bayer) agreed to pay the generic (Barr) close to $400 million to drop its challenge to the patent on the antibiotic ciprofloxacin hydrochloride (Cipro). The full circuit declined to reconsider *Tamoxifen* en banc despite a strong dissent by Judge Pooler.[132]

3. Federal Circuit: Presumptively Lawful Within Patent's Exclusionary Zone

The Federal Circuit also ruled on the Cipro litigation concerning the same agreement that was before the Second Circuit in *Arkansas Carpenters*. The Federal Circuit held that as long as the settlement did not exceed the "exclusionary zone" of Cipro's underlying patent, it was presumptively lawful.[133] According to the court, "the essence of the Agreements was to exclude the defendants from profiting from the patented invention. This is well within Bayer's rights as the patentee."[134]

The Federal Circuit also based its decision in part on public policy in favor of settlement, especially in intellectual property disputes.[135] The court distinguished *Cardizem* on the ground that the settlement there exceeded the exclusionary scope of the patent because there the generic agree not to relinquish its 180-day exclusivity period, which delays other generic entrants, and its agreement not to manufacture even noninfringing versions of Cardizem CD.[136]

4. Eleventh Circuit: Rule of Reason

The Eleventh Circuit has addressed reverse payments in two notable cases. The first case, *Valley Drug Co. v. Geneva Pharmaceuticals, Inc.*,[137] involved agreements between brand firm Abbott and generics Geneva and Zenith concerning the drug Hytrin, which is used to treat symptoms associated with an enlarged prostate. Geneva was the first generic filer and thus was presumably entitled to the 180-day exclusivity period.[138] In its agreement with Abbott, Geneva agreed not to introduce its generic version until patent expiration, until another generic introduced a generic version, or until Geneva prevailed in infringement litigation.[139] In return, Abbott agreed to pay Geneva $4.5 million per month, and the payments would continue unless another generic introduced a generic version or Geneva prevailed in infringement litigation.[140]

In the agreement between Abbott and Zenith, Zenith admitted that Hydril patent was valid, that its generic product infringed it, and that it would not introduce its generic drug. In return, Abbott paid Zenith $6 million up front and $6 million per quarter. Abbott's patent was subsequently invalidated under the public use bar.[141] Various plaintiffs brought antitrust actions challenging the agreements. The Eleventh Circuit reversed a district court ruling in favor of the plaintiffs, finding that the agreements cannot constitute an illegal market allocation because they were coextensive with the patent's lawful exclusionary zone.[142]

The Eleventh Circuit clarified its standard in a subsequent case brought by the FTC to challenge a pay-for-delay settlement between brand Schering-Plough and generic firm Upsher. In reversing an FTC order, the court held that instead of a traditional antitrust analysis, the test would require an examination of "(1) the scope of the exclusionary potential of the patent; (2) the extent to which the agreements exceed that scope; and (3) the resulting anticompetitive effects."[143] In adopting such a test, the court concluded that these settlements are implicitly authorized by the regulatory scheme, reasoning that "[r]everse payments are a natural by-product of the Hatch-Waxman process."[144]

C. Summary and Critique

While the circuit courts have taken a varied approach to pay-for-delay settlements, a common theme is their misinterpretation of the purposes of the Hatch-Waxman Act—largely by not considering adequately the legislative history of that Act and the MMA.

As a result, these courts accord unfounded primacy to the exclusionary power of patents and to public policy in favor of settlements. The most troubling element of the various opinions, and the point that this article's proposed interpretive method most clearly addresses, is their beliefs that pay-for-delay settlements conform to the purposes of the Hatch-Waxman Act. Many of the courts view these settlements as "a natural by-product of the Hatch-Waxman process" and so, therefore, they must conform to the Act's purposes.[145] However, just because the parties *prefer* pay-for-delay settlements to litigation in no way *justifies* them. The courts have ignored unambiguous legislative history indicating that the Act's purpose was to "institutionalize and provide incentive for a system of attacks on [even] presumptively valid patents"[146] in order to "make available more low cost generic drugs."[147] The legislative history of the MMA explicitly found that pay-for-delay settlements are not condoned by Hatch-Waxman.[148] In fact, far from being in accord with Hatch-Waxman, the Senate Report to the MMA found that pay-for-delay "pacts" are an "abuse of the Hatch-Waxman law that was intended to promote generic alternatives."[149] Courts should rely on this legislative history.

This misinterpretation of the purposes of the Hatch-Waxman Act has led the courts to place too much reliance on a patent's exclusionary power and on the public policy in favor of settlements. These two factors do not warrant such lenient antitrust review of pay-for-delay settlements. These courts' view of patent rights "produces the absurd result that an ironclad patent and a trivial patent have the same exclusionary force."[150] Moreover, the purported scope of the patents at issue is easily manipulated by the brand name firm because a "sophisticated brand-name drug maker can produce a steady stream of patents, with successively later expiration dates, which in turn support a settlement date that is even later than the expiration of effective protection."[151]

The public policy in favor of settlements also does not warrant the courts' lenient approach. These opinions effectively treat private settlement agreements excluding competition as the equivalent of a litigated judgment affirming the patent's validity. As the United States explained in an amicus brief in *Arkansas Carpenters,* "[a]llowing the patent holder to claim antitrust immunity for its contracts as if they were litigated injunctions, while evading the risk of patent invalidation" "disrupts the carefully crafted balance that Congress struck" between encouraging innovation and incentivizing generics to challenge weak patents.[152] Moreover, the parties could settle their patent litigation without a reverse payment settlement. In fact, most patent suits that settle do not result in reverse payments. For example, nothing stops drug companies from settling by providing generic manufacturers with a generic entry date that is prior to patent expiration; that would be a precompetitive settlement.

One could argue that if Congress really wanted to ban pay-for-delay settlements, it could simply enact legislation that does so explicitly. Congress has been considering such legislation; it was initially attached to the health care reform bill but was removed due to Republican opposition.[153] Nevertheless, there is strong evidence that Congress assumed that the MMA would eliminate pay-for-delay settlements, so there would be no need for more onerous regulation that might sweep too broadly.[154] The MMA gave the FTC copies of all pay-for-delay agreements, so the FTC, as an expert agency, could determine which ones would be best to challenge. And the MMA was passed soon after *Cardizem*, so legislators believed that the FTC would win most actions challenging pay-for-delay settlements.[155] Finally, it was hoped that the forfeiture provisions would prevent settlements with the first generic challenger from creating a bottleneck. Thus, read properly, the legislative history of the Hatch-Waxman Act and the MMA should provide courts with sufficient evidence of congressional disapproval of pay-for-delay settlements.

V. Conclusion

One commentator has called the issue of whether pay-for-delay settlements violate the Sherman Act "the most important unresolved issue in U.S. antitrust policy."[156] Thus far, courts have taken an uneven but largely permissive view towards these settlements. The Supreme Court has yet to intervene, turning down multiple certiorari petitions that have raised the issue.[157] The issue is also notable because courts are largely at odds with both the Department of Justice and the FTC—the government's antitrust enforcement agencies—as well as with nearly all academics.[158]

I have argued that where, as here, congressional intent behind the statutory scheme so unambiguously seeks to outlaw a particular practice, that legislative history should inform the meaning of an inherently ambiguous enforcement statute such as the Sherman Act. This approach, while perhaps a novel use of legislative history, nonetheless conforms to the underlying purpose of using legislative history generally: to determine the meaning of an ambiguous statute. Moreover, using legislative history this way is needed because of the significant problem posed by pay-for-delay settlements, which result in a transfer—or more accurately, a theft[159]—of billions of dollars a year from consumers by drug companies. Courts should consult legislatively history in declaring these agreements presumptively unlawful.[160]

Endnotes

1. Stephanie Saul, *More Generics Slow Rise in Drug Prices*, N.Y. Times, at A1 (Aug. 8, 2007), http://www.nytimes.com/2007/08/08/business/08generic.html.
2. Kaiser Family Foundation, Prescription Drug Trends 1 (June 2006), http://www.kff.org/rxdrugs/upload/3057-05.pdf.
3. *See, e.g.*, *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, 604 F.3d 98, 102 n.7 (2d Cir. 2010) (brand firm Bayer paid generic Barr $398 million to delay bringing its generic version of antibiotic ciprofloxacin to the market); *Schering-Plough Corp. v. FTC*, 402 F.3d 1056, 1068 (11th Cir. 2005) (brand firm Schering-Plough paid generic firm Upsher-Smith Laboratories $60 million to delay bringing its generic version of K-Dur, a blood pressure medication, to market).
4. 15 U.S.C. § 1 (2006). *See Palmer v. BRG of Georgia, Inc.*, 498 U.S. 46, 49-50 (1990) (agreement between competing bar review course providers that one competitor would leave the market in exchange for payments held to unlawfully restrain competition); *United States v. Topco Associates, Inc.*, 405 U.S. 596 (1972) (agreement between competitors not to attempt entry into each other's market held to be anticompetitive and unlawful).
5. *See infra* part IV (discussing these cases).
6. The Hatch-Waxman Act is officially called the Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, 98 Stat. 1586 (codified as amended in scattered sections of 15, 21, 35, and 31 U.S.C.).
7. The MMA is officially called the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, 117 Stat. 2066 (codified as amended in scattered sections of 5, 10, 20, 21, 25, 26, 29, 31, 42, 45, and 48 U.S.C.).
8. *See* Laura Alexander, *Monopsony and the Consumer Harm Standard*, 95 Geo. L.J. 1611, 1634-35 (2007) ("Considering the scope of the behavior that it seeks to regulate, the Sherman Act is incredibly vague. It is so vague that some scholars have argued it is, effectively, not a law at all but rather a delegation to the courts by Congress of the power to enact sensible regulatory policy.").
9. Antonin Scalia, A Matter of Interpretation 17 (1998).
10. *See generally* William N. Eskridge Jr., Dynamic Statutory Interpretation 14-34 (1994).
11. Scalia, *supra* note 9, at 18.
12. *Id.*
13. *Id.* at 17.
14. Eskridge, *supra* note 10, at 16.
15. *See* U.S. Const. art. I, § 7, cls. 2-3.
16. Eskridge, *supra* note 10, at 16.
17. *See generally id.* at 25-34 (discussing problems with purposivism).
18. *See id.* at 230-31 (responding to criticisms centered on bicameralism and the Presentment Clause).
19. Eskridge, *supra* note 10, at 232.
20. *See* Karl N. Llewellyn, Common Law Tradition: Deciding Appeals, app C (1996) (listing 28 canons with corresponding counter-canons).
21. One might argue that Llewellyn oversimplifies and that canons of constructions are in fact more constraining than legislative history. Some scholars addressing this issue have drawn distinctions between "descriptive" and "normative" canons. *See* Stephen F. Ross, *Where Have You Gone, Karl Llewellyn? Should Congress Turn Its Lonely Eyes to You?*, 45 Vand. L. Rev. 561, 563 (1992). Descriptive canons are those that "involve predictions as to what the legislature must have meant, or probably meant, by employing particular statutory language." *Id.* A common example of a descriptive canon is ejusdem generis, which states that general language following a list of specific terms should be interpreted in light of the specific terms. *Id.* Normative canons, by contrast, are purely judicially created and do not seek to describe what Congress actually intended. *Id.* Instead, they "direct courts to construe any ambiguity in a particular way in order to further some policy objective." *Id.* One example would be the canon that Congress did not intend to interfere with a state's traditional power unless it did so explicitly. *Id.* Normative canons are more problematic because they are created purely by the judiciary and have no connection to congressional intent, indicating that they likely do not constrain judicial behavior as much as descriptive canons. Nevertheless, even judicially conservative judges use normative canons. *See* Patricia M. Wald, *The Sizzling Sleeper: The Use of Legislative History in Construing Statutes in the 1988-89 Term of the United States Supreme Court*, 39 Am. U. L. Rev. 277, 305-306 (1990) (discussing Justice Scalia's use of such canons).
22. Eskridge, *supra* note 10, at 234.
23. *Id.* at 235.
24. *Id.*
25. *See* Patricia M. Wald, *Some Observations on the Use of Legislative History in the 1981 Supreme Court Term*, 68 Iowa L. Rev. 195, 197 (1983) (observing widespread Supreme Court practice when interpreting a statute to "double check its meaning with the legislative history").
26. For Justice Scalia's use of legislative history to determine the meaning of a term of art, see Stephen Breyer, *On the Uses of Legislative History in Interpreting Statutes*, 65 S. Cal. L. Rev. 845, 851-53 (1992) (showing that Justice Scalia used legislative history to determine that the phrase "substantially justified" in the Equal Access to Justice Act means "reasonable" in *Pierce v. Underwood*, 487 U.S. 552 (1988)). For his use of legislative history to "double check" his textual interpretation, see *Green v. Bock Laundry Machine Co.*, 490 U.S. 504, 527 (1989) (Scalia, J. concurring in the judgment) ("I think it entirely appropriate to consult all public materials, including the background of [the statute at issue] *and the legislative history of its adoption* to verify" the Court's interpretation of the statute) (emphasis added).
27. Breyer, *supra* note 26, at 847.
28. *See* 1 William Blackstone, Commentaries on the Laws of England 90–91 (15th Ed. 1809) ("[I]f there arise out of [statutes] collaterally any absurd consequences, manifestly contradictory to common reason, they [i.e. the statutes] are, with regard to those collateral consequences, void.").
29. *See United States v. Falvey*, 676 F.2d 871, 873-75 (1st Cir. 1982) (holding that statute criminalizing "whoever…possess any false, forged, or counterfeit coin, with intent to defraud any person" does not apply to counterfeit South African currency because the legislative history clearly indicated that it applied only to U.S. currency).
30. 15 U.S.C. § 1.

31. *State Oil Co. v. Khan*, 522 U.S. 3, 10 (1997).

32. *See Apex Hosiery Co. v. Leader*, 310 U.S. 469, 498 (1940) ("This Court has… repeatedly recognized that the restraints at which the Sherman law is aimed, and which are described by its terms are only those which are comparable to restraints deemed illegal at *common law*.") (emphasis added).

33. *See, e.g., Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U.S. 877 (2007) (overruling per se rule against resale price maintenance in place since 1911 due to new economic and political understandings of the practice); *Khan*, 522 U.S. 3 (overruling, for similar reasons, per se rule against maximum resale price maintenance in place since 1968); *Continental T.V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36 (1977) (overruling, for similar reasons, per se rule against nonprice vertical restraints in place since 1967).

34. *See, e.g., Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 10-11 (1984) ("While this case does not arise under the Clayton Act [another antitrust statute not at issue in the case], the congressional finding made therein concerning the competitive consequences of tying is illuminating, and must be respected.").

35. Since the Sherman Act has been treated as a common law statute, there is no worry about interpreting it using subsequently enacted statutes.

36. *See id.* at 11 (citing H.R.Rep. No. 63-627, at 10-13 (1914); S..Rep. No. 63-698, at 6-9 (1914)). Tying occurs where a firm "sell[s] one product but only on the condition that the buyer also purchases a different (or tied) product, or at least agrees that [it] will not purchase that product from any other supplier." *N. Pac. Ry. Co. v. United States*, 356 U.S. 1, 5-6 (1958).

37. *See generally* FTC, Federal Trade Commission 90th Anniversary Symposium (2004), http://www.ftc.gov/ftc/history/docs/90thAnniv_Program.pdf (discussing the history of the FTC).

38. *See infra* Part III.

39. This intertwining is evident in the Senate Report to the MMA, which explained that the MMA's purpose was "to enhance competition for prescription drugs by increasing the ability of the Department of Justice and the Federal Trade Commission to enforce existing *antitrust and competition laws* regarding brand name drugs and generic drugs.…" S. Rep. No. 107-167, at 1 (emphasis added).

40. Pub. L. No. 98-417, 98 Stat. 1586 (codified as amended in scattered sections of 15, 21, 35, and 31 U.S.C.). Congress amended this Act with the passage of the Medicate Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, tit. XI, subtits. A-B, 117 Stat. 2448-64 (codified at 21 U.S.C. § 355).

41. The Hatch-Waxman Act "was an unprecedented attempt to achieve two seemingly contradictory objectives, namely, 1) to make lower-costing generic copies of approved drugs more widely available and 2) to assure that there were adequate incentives to invest in the development of new drugs." Alfred B. Engelberg, *Special Patent Provisions for Pharmaceuticals: Have They Outlived Their Usefulness?*, 39 IDEA 389, 389 (1999).

42. H.R. Rep. No. 98-857(I) at 14.

43. *Id.* at 97.

44. *Id.*

45. Congressional Budget Office, How Increased Competition from Generic Drugs has Affected Prices and Returns in the Pharmaceutical Industry 27 (July 1998) [hereinafter "CBO, Increased Competition"].

46. *Id.* at 35.

47. Federal Trade Comm'n, Pay-for-Delay: How Drug Company Pay-Offs Cost Consumers Billions 8 (Jan. 2010) [hereinafter "FTC, Pay-for-Delay Study"]. A generic penetration rate of 90% means that "pharmacists fill 90 [out] of every 100 prescriptions for the molecule with…[a bioequivalent] generic." *Id.*

48. *Id.*

49. *Id.* This calculation is made by multiplying the 85 percent savings by the 90 percent generic penetration.

50. CBO, Increased Competition, *supra* note 45, at 31.

51. In the 1990s, the seven largest brand name pharmaceutical companies saw their market capitalization increase by $655 billion or a gain of 536 percent. Engelberg, *supra* note 41, at 390 n.3.

52. *Id.* at 390.

53. Congressman Henry A. Waxman, who co-authored the Act, lamented that these settlement deals have "turned [the Act] on its head. We were trying to encourage more generics and through different business arrangements, the reverse has happened." Sheryl Gay Stolberg & Jeff Gerth, *Keeping Down the Competition; How Companies Stall Generics and Keep Themselves Healthy*, N.Y. Times, July 23, 2000, at A1.

54. FTC, Pay-for-Delay Study, *supra* note 47, at 10.

55. C. Scott Hemphill, *An Aggregate Approach to Antitrust: Using New Data and Rulemaking to Preserve Drug Competition*, 109 Colum. L. Rev. 629, 650 (2009).

56. 21 U.S.C. § 355.

57. 21 U.S.C. § 355(b); for costs of this process, *see* Joseph A. DiMasi et al., *The Price of Innovation: New Estimates of Drug Developments Costs*, 22 J. Health Econ. 151, 162-65 (2003) (estimating that total costs of an approved new drug is around $300 million).

58. The safety and efficacy requirement is mandated by the Federal Food, Drug, and Cosmetic Act, Pub L. No. 75-717, 52 Stat. 1040, 21 U.S.C. § 355(d) (2006).

59. 21 U.S.C. § 355(b)(1).

60. 21 U.S.C. § 355(j)(2)(A), (8)(B). In addition to demonstrating bioequivalence as defined in subsection (8)(B), the ANDA also must demonstrate that its proposed generic drug has the same active ingredient, route of administration, dosage form, strength, and labeling. § 355(j)(2)(A)(i)-(v).

61. *Id.* § 355(j)(2)(A).

62. C. Scott Hemphill, *Paying for Delay: Pharmaceutical Patent Settlement as a Regulatory Design Problem*, 81 N.Y.U. L. Rev. 1553, 1565 & n.38. However, litigation expenses can raise the expense of a paragraph-IV challenge to at least $10 million. Marc Goodman et al., Quantifying the Impact from Authorized Generics, Morgan Stanley Research Report (2004).

63. 21 U.S.C. § 355(j)(2)(A)(vii)(III).

64. 21 U.S.C. § 355(j)(2)(A)(vii)(IV). Paragraph-I and -II permit immediate approval on the grounds that the brand name firm has not filed required information with the FDA or the patents in question have already expired. *See id.* § 355(j)(2)(A)(vii)(I), (II).

65. 35 U.S.C. § 271(e)(1)-(2).

66. 21 U.S.C. § 355(j)(5)(B)(iii).

67. *See* Hemphill, *supra* note 62, at 1566 & n.50 (discussing ways in which the 30-month stay can last for longer than three years).

68. 21 U.S.C. § 355(j)(2)(A)(vii)(IV).

69. *Caraco Pharm. Labs. v. Forest Labs. Inc.*, 527 F.3d 1278, 1284 (Fed. Cir. 2008).

70. Hemphill, *supra* note 62, at 1560.

71. Herbert Hovenkamp et al., *Anticompetitive Settlement of Intellectual Property Disputes*, 87 Minn. L. Rev. 1719, 1755 (2003).

72. Pub. L. No. 108-173, 117 Stat. 2066 (codified as amended in scattered sections of 5, 10, 20, 21, 25, 26, 29, 31, 42, 45, and 48 U.S.C.).

73. Hearings Examining Issues Related to Competition in the Pharmaceutical Marketplace: A Review of the FTC Report, Generic Drug Entry Prior to Patent Expiration, Hearing Before the Subcommittee on Health of the Committee on Energy and Commerce, No. 107-140 [hereinafter "MMA Hearing"].

74. *Id.*

75. *Id.*

76. S. Rep. No. 107-167, at 6.

77. *Id.*

78. *Id.* at 4.

79. *Id.*

80. *Id.* at 7 (CBO estimating that "discretionary health programs would realize savings from the earlier entry of lower priced generic drugs onto the market" because of the elimination of pay-for-delay settlements).

81. *See Apotex Inc. v. FDA*, 414 F. Supp. 2d 61, 72-74 (D.D.C. 2006), *aff'd per curiam*, 226 F. App'x 4 (D.C. Cir. 2007) (granting *Chevron* deference to FDA's interpretation of 21 U.S.C. § 355(j)(5)(B)(iv) to provide separate exclusivity for separate patents).

82. Erika Lietzan & David E. Kom, *Issues in the Interpretation of 180-Day Exclusivity*, 62 Food & Drug L.J. 49, 56 (2007).

83. Shashank Upadhye, Generic Pharmaceutical Patent and FDA Law § 13.14 (2009).

84. *Id.*

85. 21 U.S.C. § 355(j)(5)(B)(iv).

86. *See* Hemphill, *supra* note 62, at 158-87.

87. *See* 21 U.S.C. § 355(j)(5)(B)(iv)(I) (2006) (awarding exclusivity only to "first applicant"); *id.* § 355(j)(5)(B)(iv)(II)(bb) (defining "first applicant" as the first firm to submit a paragraph-IV certified ANDA for a "drug" not a patent).

88. 21 U.S.C. § 355(j)(5)(D).

89. *Id.*

90. Hemphill, s*upra* note 55, at 660-661.

91. *See* Letter from Gary J. Buehler, Dir., Office of Generic Drugs, FDA, to Marc A. Goshko, Executive Dir., Teva N. Am., at 5 n.6 (Jan. 17, 2008), http://www.fda.gov/ohrms/ DOCKETS/ dockets/07n0389/07n-0389-let0003.pdf. ("Inherent in the structure of the 'failure to market' forfeiture provisions is the possibility that a first applicant would be able to enter into a settlement agreement with the [brand name firm] in which a court does not enter a final judgment of invalidity or non-infringement (i.e., without a forfeiture event under subpart (bb) occurring), and that subsequent applicants would be unable to initiate a forfeiture with a declaratory judgment action. This inability to force a forfeiture of 180-day exclusivity could result in delays in the approval of otherwise approvable ANDAs owned by applicants that would market their generic drugs if they could but obtain approval. This potential scenario is not one for which the statute currently provides a remedy.")

92. *See* Hemphill, *supra* note 62, at 1586 (noting settling with first generic challengers "removes from consideration the most motivated challenger, and the one closest to introducing competition").

93. FTC, Pay-for-Delay Study, *supra* note 47, at 1.

94. *See* David Belian, *FTC Says Pay-for-Delay Settlements have Increased in Last Two Year*s, Generic Line (Oct. 27, 2010) (quoting FTC attorney stating that there have been more than nineteen pay-for-delay settlements in just the first half of 2010).

95. 21 U.S.C. § 355(j)(5)(B)(iv).

96. Hemphill, *supra* note 62, at 1560.

97. *Id.* at 1566. *See also* Federal Trade Comm'n, Generic Drug Entry Prior to Patent Expiration 10 (2002) [hereinafter "FTC, Generic Drug Study"] (finding that between 1984 and 2000, generic firms filed paragraph-IV ANDAs for 130 drugs and that the filing of paragraph-IV ANDAs is increasing at an accelerated rate).

98. *Id.* at 1567.

99. *In re Tamoxifen Citrate Antitrust Litigation*, 466 F.3d 187, 209 (2d Cir. 2006*). See also In re Schering-Plough Corp.*, 136 F.T.C. 956, 989 (2003), *vacated*, 402 F.3d 1056 (11th Cir. 2005) ("The anticipated profits of the patent holder in the absence of generic competition are greater than the sum of its profits and the profits of the generic entrant when the two compete.").

100. *Tamoxifen*, 466 F.3d at 209.

101. *Id.*

102. Hemphill, *supra* note 62, at 1568; *see, e.g., Arkansas Carpenters Health and Welfare Fund v. Bayer AG.*, 604 F.3d 98, 102 n.7 (2d Cir. 2010) (payment of $398 million); *Schering-Plough Corp. v. FTC*, 402 F.3d 1056, 1068 (11th Cir. 2005) (payment of $60 million).

103. FTC, Pay-for-Delay Study, *supra* note 47, at 1.

104. *Id.* at 2. The FTC calculates this number by multiplying the 77 percent savings enjoyed by customers as the result of generic entry by $3.2 billion in drug sales that will be affected by reverse payment settlements per year, and in turn multiplying that product by 1.42 years, the median delay achieved by such settlements, yields $3.5 billion per year. *See Id.* at 8-10 (detailing this calculation).

105. Plaintiff Federal Trade Comm'n's Memorandum in Opposition to Defendant Cephalon's Motion to Dismiss at 6, *FTC v. Cephalon, Inc.*, 702 F. Supp. 2d 514 (E.D. Pa 2010) (No. 08-cv-2141-MSG) [hereinafter "FTC Cephalon Brief"].

106. Hemphill, *supra* note 55, at 663.

107. *Id.*

108. *Id.* at 664.

109. *Id.* at 664-65.

110. *Id.* at 665.

111. *Id.* at 665-666.

112. *Id.* at 668-69.

113. Hemphill, *supra* note 55, at 669.

114. FTC, Generic Drug Study, *supra* note 97, at vi.

115. Brief for the United States in Response to the Court's Invitation at 21-27, *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, 604 F.3d 98, at 11 (2d Cir. 2010) (No. 05-2851-cv(L)) [hereinafter "DOJ Cipro Brief"]; FTC Cephalon Brief, *supra* note 105, at 12-13.

116. 332 F.3d 898 (6th Cir. 2003).

117. *Id.* at 902-03.

118. *Id.* at 903.

119. David W. Opderbeck, *Rational Antitrust Policy and Reverse Payment Settlements in Hatch-Waxman Patent Litigation*, 98 Geo. L.J. 1303, 1316 (2010).

120. *Cardizem*, 332 F.3d at 908.

121. *Id.* (footnote omitted).

122. 466 F.3d 187 (2d Cir. 2006).

123. 604 F.3d 98 (2d Cir. 2010).

124. *Tamoxifen*, 466 F.3d at 193.

125. *Id.* at 193-94.

126. *Id.* at 194.

127. *Id.* at 197.

128. *Id.* at 203.

129. *Id.* at 209-11.

130. *Id.* at 207.

131. 604 F.3d 98 (2d Cir. 2010).

132. *Arkansas Carpenters Health and Welfare Fund v. Bayer AG,* Nos. 05-2851-cv(L), 05-2852-cv(CON), 05-2863-cv(CON), 2010 WL 3454382 (Sept. 7, 2010).

133. *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323, 1330, 1341 (Fed. Cir. 2008).

134. *Id.* at 1333.

135. *Id.* at 1333-34

136. *Id.* at 1335.

137. 344 F.3d 1294 (11th Cir. 2003).

138. *Id.* at 1298-99.

139. *Id.* at 1300.

140. *Id.*

141. *Id.* at 1301. *See supra* note 68 (discussing the public use bar).

142. *Id.* at 1306.

143. *Schering-Plough Corp. v. Federal Trade Commission*, 402 F.3d 1056, 1066 (11th Cir. 2005).

144. *Id.* at 1074.

145. *Schering-Plough* 402 F.3d at 1074 (11th Cir. 2005) (internal quotation marks omitted); *see also In re Tamoxifen Citrate Antitrust Litig.*, 466 F.3d 187, 206 (2d Cir. 2006) (approving of same language).

146. Innovation and Patent Law Reform: Hearings on H.R. 3285, H.R. 3286 and H.R. 3605 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the H. Comm. on the Judiciary, 38th Cong. 2d Sess., Part 1, at 444 (1984).

147. H.R. Rep. No. 98-857(I), at 14.

148. S. Rep. No. 107-167, at 4.

149. *Id.*

150. Hemphill, *supra* note 55, at 668.

151. *Id.*

152. DOJ Cipro Brief, *supra* note 115, at 15-16.

153. *See* Preserve Access to Affordable Generics Act, S. 369, 111th Cong. (2009). The Act would make pay-for-delay settlements presumptively unlawful if challenged by the FTC.

154. In fact, Republican opposition to the Preserve Access to Affordable Generics Act is exactly along these lines: They fear that a bill making all pay-for-delay settlements illegal might sweep too broadly and condemn procompetitive settlements, and would give too much power to enforcement agencies. *See* Letter from Rep. John Cornyn et al. to Sen. Mitch McConnell and Rep. Thad Cochran (Sept. 17, 2010), http://freepdfhosting.com/f6a84cde62.pdf ("We believe that the reported bill gives excessive power over such settlements to the FTC").

155. *See* S. Rep. No. 107-167, at 2 (describing belief that by "providing timely notice" to the FTC of all pay-for-delay settlements, the FTC would be able to "enhance the effectiveness and efficiency of the enforcement of the antitrust and competition laws of the United States").

156. Hemphill, *supra* note 55, at 631.

157. *See Louisiana Wholesale Drug Co., Inc. v. Bayer AG*, No. 10-762, 2011 WL 767662 (U.S. Mar. 7, 2011); *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, 129 S. Ct. 2828 (2009); *Jablove v. Barr Labs., Inc.*, 551 U.S. 1144 (2007); *FTC v. Schering-Plough Corp.*, 548 U.S. 919 (2005).

158. *See* DOJ Cipro Brief, *supra* note 115 (arguing settlements should be presumptively unlawful); FTC Cephalon Brief, *supra* note 126 (same); Brief Amici Curiae of 54 Intellectual Property Law, Antitrust Law, Economics, and Business Professors et al. in Support of the Petitioner, *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, 129 S. Ct. 2828 (2009) (No. 08-1194) (surveying the academic field and concluding that no academics endorse the effectively per se legality test of the Second and Federal Circuits).

159. *See* Robert Pitofsky et al., Trade Regulation 149 (6th ed. 2010) ("[The] transfer of wealth from th[e] purchaser to the monopolist… may be compared to theft.").

160. While beyond the scope of this article, there remains the question of whether this use of legislative history has greater application outside of the context of pay-for-delay settlements. Certainly other uses related to the Sherman Act appear appropriate to me. And if in other contexts there exist similar clear congressional intent to prohibit a practice coupled with an ambiguous enforcement statute, it seems that using legislative history this way would be permissible.

Michael R. Herman is a second-year law student at Columbia Law School. A version of this article won Second Prize in the Section's Annual Law Student Writing Contest.

Scenes from the Intellectual Property Law Section

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This Year's Intellectual Property Law Section's Fall Meeting:
October 20-23, 2011 at the Rittenhouse Hotel, Philadelphia

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Trade Winds offers Section members a way to keep up on the comings and goings of their colleagues and upcoming events of interest. Has there been a change in your practice? Any recent or forthcoming articles or lecture presentations? Won any awards recently? Please e-mail submissions to Jonathan Bloom at jonathan.bloom@weil.com.

Leason Ellis

Leason Ellis in White Plains is pleased to announce that Martin Schwimmer has joined the firm's Trademark, Copyright and Domain Name Practice Group. Mr. Schwimmer, publisher of The Trademark Blog, was previously a partner at Moses & Singer.

Welcome New Members:

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Kilpatrick Townsend partners Amr Aly, Marc Lieberstein (former Chair of the Intellectual Property Law Section) and Fred Whitmer welcome PTO Director David Kappos (second from left).

Marc Lieberstein (right) presents a framed plant patent to David Kappos.

Breakfast with United States Patent Trademark Office Director David Kappos

The United States Patent Trademark Office ("PTO") Director, David Kappos, was the speaker at a breakfast held Thursday, April 28 at Kilpatrick Townsend & Stockton in New York City.

Mr. Kappos provided an update on operations, including initiatives targeted at significantly reducing patent backlogs, aggressively reducing patent pendency and implementing long overdue improvements to the PTO's IT infrastructure. He also discussed patent reform legislation.

The event, which was filled to capacity, was sponsored by the New York State Bar Association's Intellectual Property Law Section and its Patent Law Committee.

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INTELLECTUAL PROPERTY LAW SECTION

Membership in the New York State Bar Association's Intellectual Property Law Section is a valuable way to:

- enhance professional skills;
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OPPORTUNITIES FOR EDUCATION

The Intellectual Property Law Section offers both the experienced and novice practitioner excellent opportunities to enhance their practical and legal knowledge and expertise. Through Section activities, including conferences on intellectual property (an annual Winter event), members may examine vital legal developments in intellectual property law. The Section's Web site provides current information regarding Section events and offers "members only" access to current issues of *Bright Ideas* and current Committee bulletins providing updates on intellectual property law. The Section sponsors continuing legal education (CLE) credit-bearing programs for Section members at reduced rates. Recent programs offered by the Section related to computer software and biotechnology protection, conducting intellectual property audits, and practical considerations in trade secret law. Now, with Mandatory Continuing Legal Education (MCLE) requirements, Intellectual Property Law Section membership is more valuable than ever before! The Section also sponsors joint programs with Law Schools including an annual writing contest for law students wherein the winning articles appear in an issue of *Bright Ideas*.

OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

Intellectual Property Law Section committees address unique issues facing attorneys, the profession and the public. The Section offers opportunities to serve on committees such as Copyright Law; Diversity Initiative; Ethics; Greentech; International IP Law; Internet & Technology Law; Legislative/Amicus; Litigation; Meetings and Membership; Patent Law; Pro Bono and Public Interest; Trademark Law; Trade Secrets; Transactional Law; and Young Lawyers.

Committees allow you to network with other attorneys from across the state and give you the opportunity to research issues and influence the laws that can affect your practice. Committees are also an outstanding way to achieve professional development and recognition. Law students are automatically members of the Young Lawyers Committee. Section members may join more than one committee.

A VOICE IN THE ASSOCIATION

The Intellectual Property Law Section takes positions on major professional issues that affect practitioners and advocates those positions within the New York State Bar Association, the legislature, and the public.

See page 38 to become a member of the Intellectual Property Law Section

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Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 39 of this issue.

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* * *

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Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Fall 2011 issue must be received by July 1, 2011.

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