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## The Pragmatic Incrementalism of Common Law Intellectual Property

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## INTRODUCTION

Intellectual property is today thought to be principally of statutory origin. Discussions of the subject invariably revolve around a close scrutiny of the federal statutes involved. Indeed, the frequency with which Congress amends the patent and copyright statutes seems to leave little doubt that it alone determines intellectual property's precise content and coverage.<sup>1</sup> Nevertheless, there exists a rather robust body of state law that is almost entirely the creation of state courts and is directed at creating entitlements in information, ideas, expression, goodwill, one's image, and other related intangibles. These rights regimes are in turn collectively referred to as "common law intellectual property."<sup>2</sup> Examples include the right of publicity, unfair

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1. As of 2004, Congress had amended the Copyright Act of 1976 about forty-eight times. See 17 U.S.C.A. *et seq.* (West 2010); David Nimmer, *Codifying Copyright Comprehensibly*, 51 UCLA L. REV. 1233, 1299–315 (2004) (listing and evaluating these various amendments). The Patent Act of 1952 has similarly been amended thirty-nine times since its enactment. See 35 U.S.C.A. *et seq.* (West 2010).

2. Use of this phrase to describe this set of rights is somewhat uncommon among scholars. For the earliest use of the term see Douglas G. Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411, 411 (1983); see also Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary*

competition, common law copyright, trade secrets, misappropriation, common law idea protection, and passing off.

While each of these regimes covers a distinct intangible, they all share the same structural characteristics.<sup>3</sup> Each originates in a cause of action that is grounded in tort, contract, or unjust enrichment and is tailored to the circumstances under which protection is deemed necessary. Unlike the one-size-fits-all federal copyright and patent statutes, these regimes allow courts to adopt a far more nuanced approach to intellectual property protection. Instead of relying on a single overarching theory to justify protection, courts look to the practical needs of a particular area, recognize multiple values as relevant for consideration there, and then adopt a highly contextual approach to protection, one best described as “antifoundational.” Additionally, the common law method that they employ develops the law incrementally, recognizing the need for caution in a rapidly changing social and technological environment, and allowing future courts to extend, limit, or at times altogether deny protection when circumstance and context change. I call this method of adjudication and rule development “pragmatic incrementalism,” in that it exhibits the characteristics of both legal pragmatism and common law incrementalism.

Several of these common law regimes are almost as old as their statutory counterparts, if not older.<sup>4</sup> Yet, for decades now, many have voiced their skepticism about the usefulness of these rights, especially in light of congressional activity in the area.<sup>5</sup> Justice Louis Brandeis

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*Impulse*, 78 VA. L. REV. 149, 150–52 (1992) (discussing the shift towards state court creation of common law intellectual property rights); Pamela Samuelson, *Enriching Discourse on Public Domains*, 55 DUKE L.J. 783, 796 (2006) (describing the “right of publicity” as a common law intellectual property right); Diane Leenheer Zimmerman, *Is There a Right to Have Something to Say? One View of the Public Domain*, 73 FORDHAM L. REV. 297, 322 n.106 (2004) (asserting that courts rarely find common law intellectual property rights to be preempted unless a conflict exists between the right and statutory copyright interests). Interestingly, a Westlaw search revealed that no more than five courts have ever used the phrase, independent of citing to Baird’s article.

3. This by no means implies that these regimes do not bleed into each other, for they very often do. See Paul Goldstein, *Preempted State Doctrines, Involuntary Transfers and Compulsory Licenses: Testing the Limits of Copyright*, 24 UCLA L. REV. 1107, 1113–18 (1977) (noting the connections between common law copyright, misappropriation, privacy rights, and the law of ideas).

4. Common law copyright, for instance, dates back to the period surrounding the passage of the first copyright law, the Statute of Anne. Shortly after the Statute, courts came to recognize the existence of copyright at common law, independent of the Statute, and unfettered by any restrictions (temporal or otherwise) imposed on copyright by the Statute. See, e.g., *Millar v. Taylor*, (1769) 98 Eng. Rep. 201 (K.B.) 217–19, 225–29; see also *infra* Section I.B (discussing the common law evolution of publicity rights that were later recognized by state statutes).

5. See Baird, *supra* note 2, at 411 (examining this skepticism).

and Judge Learned Hand, both outspoken champions of the common law in other contexts, were well-known skeptics of common law intellectual property.<sup>6</sup> They feared that allowing courts to create and develop intellectual property rights would result in the overprotection of information, thereby impeding free speech and allied interests. More recently, Douglas Baird has argued that, while common law intellectual property has done little to impede the free flow of information, its deep flaw nonetheless lies in having courts choose among competing analogies to develop the law.<sup>7</sup> Since each analogy emphasizes a different value, Baird argues that courts are hard-pressed to choose effectively among them.

On closer examination, however, these objections are myopic. In focusing entirely on the issue of judicial competence, they disregard the structural and substantive advantages that accompany common law rulemaking in intellectual property, all of which are borne out by the continuing vitality of these regimes. The method of pragmatic incrementalism that courts have come to employ emphasizes a cautionary, context-sensitive approach to intellectual property development. The extensive situational tailoring and modification that this incrementalism brings about adequately safeguards the process against the possibility of overprotection. Besides, recent developments in the federal arena have also cast serious doubt on claims of legislatures' superior competence in intellectual property lawmaking. In particular, the federal copyright and patent systems are in a state of crisis. Congress has repeatedly extended the term and coverage of copyright protection, often bereft of any reason other than pure industry rent seeking, prompting calls for radical reform.<sup>8</sup> So too, the

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6. Justice Brandeis's objections are best seen in his dissenting opinion in the Supreme Court case of *International News Service v. Associated Press*, dealing with common law misappropriation, where he notes how courts are "ill-equipped" to undertake this task and that "resort to legislation" was preferable whenever the competing interests were extremely complex. 248 U.S. 215, 263, 267 (1918). For Judge Hand's criticisms of common law intellectual property, see *Capitol Records, Inc. v. Mercury Records, Corp.*, 221 F.2d 657, 667 (2d Cir. 1955) (Hand, J., dissenting) (arguing that the majority's creation of common law interests is too expansive and defeats the purpose of uniformity); *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929) (observing how the creation of common law interests "would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter").

7. Baird, *supra* note 2, at 428–29.

8. See JAMES BOYLE, *THE PUBLIC DOMAIN* 49–51 (2008) (arguing that the movement towards extending copyright protections proceeded "with little argument and less evidence" and pointing out that the trend is "a vote of no confidence in the productive powers of the commons"); LAWRENCE LESSIG, *THE FUTURE OF IDEAS: THE FATE OF THE COMMONS IN A CONNECTED WORLD* 250–51 (2001) (explaining that copyright law has increased in scope to automatically protect ideas for the life of the author plus seventy five years and advocating for shorter copyright protections where the author must publish and renew a copyright to prevent it from becoming publicly available); NEIL WEINSTOCK NETANEL, *COPYRIGHT'S PARADOX* 54–56 (tracing the

patent system seems to be stifling rather than stimulating innovation in a variety of different areas.<sup>9</sup> Unsurprisingly, scholars have begun calling for fundamental changes to the patent system as well.<sup>10</sup> Despite all of this, reform efforts have met with little success as a consequence of the interest group gridlock that is endemic to most congressional efforts. Few, if any, have turned to courts and the common law for solutions in recent times.<sup>11</sup>

Baird's concern that courts are hard-pressed to choose between different analogies also underappreciates the significance of antifoundational decisionmaking, a core feature of pragmatic incrementalism. Rather than relying on a single foundational theory for the regime, the process requires courts to balance several competing values as they relate to a particular context. In other words, the very selection of an "appropriate" analogy from among several options forces courts to confront and recognize as legitimate a multiplicity of goals and interests for the institution<sup>12</sup>—a strong virtue of analogical reasoning in the law.<sup>13</sup>

What exactly is intellectual property law trying to achieve? For decades now, courts, scholars, and legislators have struggled to articulate a coherent theory of intellectual property.<sup>14</sup> These

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historical expansion of copyright and arguing that some aspects of the expansion are troublesome and exceed the scope of what is necessary to promote creativity) (2008).

9. See JAMES BESSEN & MICHAEL J. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS AND LAWYERS PUT INNOVATORS AT RISK* 10–16 (2008) (suggesting that many industries would be better off without a patent system because, although for each individual the private benefits of a patent exceeds the cost of obtaining it, the collective costs that a patent imposes on other innovators outweighs the marginal incentive to innovate that patent protection spurs); DAN L. BURK & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 30–31 (2009) (explaining that the current patent system "may do more harm than good to innovation, because the assertion and litigation of too many bad patents against companies that make innovative products ends up rising their costs and reducing their innovation more than the existence of those patents spurs new innovation").

10. See BESSEN & MEURER, *supra* note 9, at 27; BURK & LEMLEY, *supra* note 9, at 37.

11. A notable exception to this is the recent work by Dan Burk and Mark Lemley, who advocate a common law approach to patent reform. See BURK & LEMLEY, *supra* note 9, at 104.

12. Baird, *supra* note 2, at 428–29.

13. See CASS R. SUNSTEIN, *LEGAL REASONING AND POLITICAL CONFLICT* 41 (1996) (observing how analogical reasoning allows courts to decide cases without reference to abstract theory, thereby allowing multiple values and conflicting interests to coexist in the law as a whole); Cass R. Sunstein, *On Analogical Reasoning*, 106 HARV. L. REV. 741, 743 (1993) ("[A]nalogical reasoning has important advantages over general theories, because those who use analogies are especially attuned to the diverse and plural goods that are at stake in legal and ethical decisions."); see also Emily Sherwin, *A Defense of Analogical Reasoning in Law*, 66 U. CHI. L. REV. 1179, 1196–97 (1999) (pointing out the epistemic and institutional advantages of reasoning by analogy).

14. See, e.g., William Fisher, *Theories of Intellectual Property*, in *NEW ESSAYS IN THE LEGAL AND POLITICAL THEORY OF PROPERTY* 168, 176–93 (Stephen R. Munzer ed., 2001) (discussing the gaps, conflicts, and ambiguities surrounding the four perspectives that dominate theoretical

theories—principally normative in orientation—propose a unifying principle for a regime and then explicate that principle in different parts of the law. They prize consistency and coherence across time and context. In the process though, they either classify deviations as anomalies or creatively reinterpret them as being driven indirectly by the same unifying principle. The diversity of scholarship that follows this pattern captures the pervasiveness of this phenomenon. To law and economics scholars, such as William Landes and Richard Posner, the entire field of intellectual property law is driven by a core concern for promoting economic efficiency, minimizing transaction costs, and providing creators with an incentive to create.<sup>15</sup> To libertarians, such as Richard Epstein, intellectual property law is in the end about “property” and therefore imbued with classical liberal values.<sup>16</sup> Others have made similar claims about specific types of intellectual property. Jane Ginsburg, for instance, has long argued that copyright law is about “authorship” and the centrality of authorial control over creative works.<sup>17</sup> In a similar vein, Roberta Kwall has argued that copyright law should be understood as a mechanism to protect the intrinsic dimension of creativity—the morality of authorship.<sup>18</sup> Regardless of ideology, the search for a grand theory continues to dominate the intellectual property landscape.<sup>19</sup>

Normative coherence, however, does not require a single overarching value, or indeed even a finite set of values. It can at once acknowledge the incommensurability of the various values involved and strive to accommodate them institutionally. For centuries now, the common law method has done just this, enabling it to accommodate and affirm a host of otherwise conflicting values through a process of practical reasoning. And indeed common law intellectual property regimes build on this basic feature of the common law, an attribute that its detractors ignore.

Much of the skepticism about common law intellectual property derives from the prevalent discontent today with the common law

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writing about intellectual property: Utilitarianism, Labor Theory, Personality Theory, and Social Planning Theory).

15. WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY* LAW 4 (2003).

16. Richard A. Epstein, *The Disintegration of Intellectual Property? A Classical Liberal Response to a Premature Obituary*, 62 STAN. L. REV. 455, 456, 520–21 (2010).

17. Jane C. Ginsburg, *The Concept of Authorship in Comparative Copyright Law*, 52 DEPAUL L. REV. 1063, 1091–92 (2003).

18. ROBERTA ROSENTHAL K WALL, *THE SOUL OF CREATIVITY: FORGING A MORAL RIGHTS LAW FOR THE UNITED STATES*, at xiii–xviii (2010).

19. See Madhavi Sunder, *IP<sup>3</sup>*, 59 STAN. L. REV. 257, 260 (2006) (noting the absence of “giant-sized” theories of intellectual property and observing that “there should be” such theories).

method.<sup>20</sup> The common law, its skeptics argue, emerged in a much simpler world, where the law focused more on resolving disputes and less on guiding parties in their future actions.<sup>21</sup> In today's complex world, sophisticated parties need greater certainty and ex ante guidance, rather than nuanced lawmaking. Certainty, however, has its own costs. Given that creativity and innovation are almost always sequential,<sup>22</sup> any regime has to balance not just exclusionary control and the public benefit, but also the incentives for a primary creator and a secondary creator. No bright-line ex ante regime can anticipate the nature and forms of creativity at both ends and balance them optimally for all times to come. In certain contexts, then, situational flexibility may be more valuable than the certainty derived from inadequate information.

The method of pragmatic incrementalism that courts follow in common law intellectual property builds on this recognition and avoids several of the major pitfalls that have plagued the federal intellectual property regimes. Courts here remain aware of the intertemporal problems inherent in granting plaintiffs open-ended, property-like exclusionary control over an intangible. Consequently, courts have developed techniques to avoid these problems and mitigate their effects—proceeding with caution, balancing multiple values or interests, looking to the context and necessities of an area to tailor a rule, and paying close attention to the actual practical consequences that flow from a rule so as to reformulate it when needed. Incrementalism, flexibility, and contextuality are thus central to the way in which these rights are developed and applied, but are features that courts operating under the statutory regimes today have struggled to implement. Yet, hardly anyone has thought it wise to look to the common law and state intellectual property regimes for structural and substantive guidance. If change in intellectual property law is to move beyond being just rhetoric, it needs to be creative and

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20. See, e.g., Frederick Schauer, *The Failure of the Common Law*, 36 ARIZ. ST. L.J. 765, 781–82 (2004) [hereinafter Schauer, *Common Law*] (describing the process through which this skepticism developed, and contributing to it); see also Frederick Schauer, *Do Cases Make Bad Law?*, 73 U. CHI. L. REV. 883, 917–18 (2006) [hereinafter Schauer, *Bad Law*] (suggesting that case-based rulemaking that is dependent on concrete facts may have distorting qualities).

21. Schauer, *Common Law*, *supra* note 20, at 781.

22. This reality is often described as the “on the shoulders of giants” effect. YOCHAI BENKLER, *THE WEALTH OF NETWORKS: HOW SOCIAL PRODUCTION TRANSFORMS MARKETS AND FREEDOM* 37 (2006); see also Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1109 (1990) (describing intellectual property as derivative because “[e]ach advance stands on building blocks fashioned by prior thinkers”); Suzanne Scotchmer, *Standing on the Shoulders of Giants: Cumulative Research and the Patent Law*, 5 J. ECON. PERSP. 29, 40 (1991) (discussing how to divide joint profits among innovators when one innovator builds his product off another’s product).

include options that are now ignored for no reason other than sheer path dependence. In this Article, I argue that looking to common law intellectual property regimes ought to figure prominently in that set of options.

This Article proceeds as follows. Part I sets out the idea of common law intellectual property by providing a brief overview of the more popular regimes, focusing on their common law genesis and use of ideas from contract, tort, and restitution law to simulate the functioning of property rights. Part II describes the theory and practice of pragmatic incrementalism in common law intellectual property. It begins by looking to the connection between common law incrementalism, decisional minimalism, and legal pragmatism to disaggregate four practical attributes of pragmatic incrementalism: (1) the use of caution in the face of uncertainty; (2) the use of semantically value-neutral language; (3) the use of custom to shape the scope and breadth of a rule; and (4) the emphasis on balancing a rule's consequences (the *ex ante*) with its application (the *ex post*). Part II then examines how common law intellectual property regimes make use of the attributes of pragmatic incrementalism, drawing on examples and illustrations from the regimes of Part I.

Part III extrapolates lessons from the workings of these regimes and their use of pragmatic incrementalism for intellectual property reform. This Part focuses on the use of courts and the common law process as unappreciated alternatives to legislatures and statutes. It looks to the value of eclecticism and practical reasoning as substantive alternatives to grand theorization.

Part IV anticipates and addresses possible objections to the working of pragmatic incrementalism. Specifically, it addresses arguments that the model of pragmatic incrementalism is inherently "conservative" and unlikely to bring about genuine change, that it ignores the virtues of federalism and uniformity, and that it pays insufficient attention to the systemic deficiencies of the common law.

Part V then tests the discussion and analysis of pragmatic incrementalism by applying it to the fashion industry, an area where scholars and legislators are currently debating the need for intellectual property protection. It shows how the debates have ignored the possibility of a common law solution to tailor protection to the needs of the industry, while avoiding the costs associated with such protection. While Parts I and II are largely positive in their analysis, Parts III, IV, and V are primarily normative.

It is worth emphasizing that I am not arguing for the replacement of all statutory intellectual property regimes with common law alternatives. My normative claims in this Article are two-



fold. First, that some forms of informational resources, to the extent that they merit protection at all, would benefit from a common law approach to protection. Discussions of institutional design in intellectual property have thus far paid little attention to the potential benefits of the common law. Thinking creatively, scholars and policymakers ought to recognize the viability of common law protection as an alternative to one-size-fits-all statutory approaches. Second, even within the world of federal statutory intellectual property, courts should understand a larger number of statutory provisions as actively delegating lawmaking power to them. Federal courts should embrace pragmatic incrementalism in intellectual property protection whenever needed, and be far less dogmatic about deferring to Congress for guidance.

My choice of state common law regimes to explicate the functioning of pragmatic incrementalism is certainly not to contrast state law with federal law. Neither is it directed at showing that the trademark, copyright, and patent regimes have consciously disavowed any reliance on the common law method. Several features of pragmatic incrementalism may indeed be found in the functioning of parts of the federal intellectual property regimes, even though the overlay of statutory regulations and administrative rules has resulted in the common law-like parts receding in importance. Rather, this choice is to illustrate how courts are well equipped to develop rules for intellectual property in the absence of direction from legislatures and the process by which they can continue to do so in coordination with legislative intervention that takes their *lawmaking* role seriously. The fact that most common law in the United States is today state law rather than federal law is thus a *descriptive* reality that this choice represents, rather than a *prescriptive* one. I leave for future work a fuller discussion of how the federal regimes might do well to integrate common law rule development into their framework and functioning, and indeed the costs and benefits that this might entail.

## I. COMMON LAW REGIMES OF INTELLECTUAL PROPERTY: AN OVERVIEW

Common law intellectual property has thus far received little systematic analysis. While scholars have long studied individual common law regimes to understand their place in the overall intellectual property framework,<sup>23</sup> hardly anyone has sought to

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23. Indeed, treatises have been written analyzing several common law intellectual property regimes independently. See, e.g., J. THOMAS MCCARTHY, *THE RIGHTS OF PUBLICITY AND PRIVACY* (2d ed. 2009); ROGER M. MILGRIM, *MILGRIM ON TRADE SECRETS* (2009).

examine the one unifying factor that connects these different regimes—their *genesis in the common law*. What does it mean for an intellectual property regime to have originated in the common law?

First, it implies that judicial decisions are the principal source of legal rules for the regime. The common law is judge-made law.<sup>24</sup> This is not the same as statutory interpretation, where judges fill gaps in a statutory enactment. In the common law, the absence of legislation is seen as an active delegation of lawmaking power to courts. Courts extrapolate rules and principles from their prior decisions, applying them to the specific dispute at hand. In the process, the court fashions a new rule or exception by drawing from disparate areas of tort, contract, restitution, and property law—relying entirely on logic and experience.<sup>25</sup>

In an effort to harmonize the law across different states, some state legislatures have codified these common law intellectual property regimes.<sup>26</sup> This process has impeded courts' ability to rely exclusively on case law as their source of rules. Nonetheless, courts continue to develop the law as needed, often independent of the statutes, and in the traditional, if somewhat attenuated, common law method. Courts work in tandem with legislatures in these contexts, retaining a secondary, but significant, role.

Second, the idea of intellectual property in these regimes is intricately connected to the concept of common law property. Common law property interests revolve around the idea of exclusion and use a variety of mechanisms to render it operational.<sup>27</sup> Since the common

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24. See Frederick Schauer, *Is the Common Law Law?*, 77 CAL. L. REV. 455, 455 (1989) (“[C]ommon law rules are not made by legislatures; they are created by courts simultaneously with the application of those rules to concrete cases.”).

25. For some prominent work on the common law process, see generally BENJAMIN N. CARDOZO, *THE GROWTH OF THE LAW* 1–3, 11 (1924) (referencing the strengths and weaknesses of the common law and describing the need for a restatement to provide certainty of the law and the need for a philosophy of law as an aid to growth); KARL N. LLEWELLYN, *THE COMMON LAW TRADITION: DECIDING APPEALS* 16 (1960) (identifying and discussing fourteen factors that regularly have bearing on how common law is made through the decision of appellate cases); ROSCOE POUND, *THE SPIRIT OF THE COMMON LAW*, at xi–xiv (1921) (discussing the history and power of the common law in the Anglo-American system); Oliver Wendell Holmes, Jr., *The Path of the Law*, 10 HARV. L. REV. 457, 457 (1897) (addressing the reality that “in societies like ours the command of the public force is intrusted to the judges in certain cases, and the whole power of the state will be put forth, if necessary, to carry out their judgments and decrees”).

26. This is most prominent in the context of trade secrets and publicity rights. See *infra* text accompanying notes 41–43, 53–55.

27. For accounts of the “right to exclude” in property law, including common law property, see generally Shyamkrishna Balganesh, *Demystifying the Right to Exclude: Of Property, Inviolability, and Automatic Injunctions*, 31 HARV. J.L. & PUB. POL’Y 593 (2008) (arguing that the right to exclude has always done more than provide an entitlement to injunctive relief in that it imposes a duty on the world to stay away from an ownable resource); Thomas W. Merrill,

law process involves a bilateral dispute, common law property interests are ordinarily relational. In other words, they originate in actions alleging an interference with a pre-existing interest, and in adjudicating the interference, courts determine the nature and existence of the interest alleged to have been interfered with.

For long, the only reason the distinction between property and nonproperty interests mattered was that courts refused to grant injunctions for nonproprietary interests.<sup>28</sup> Once equity relaxed this rule, the distinction ceased to be of much significance. Many of what are today termed “common law property interests” originated in tortious, contractual, or quasi-contractual settings.<sup>29</sup> They continue to be called “property” interests because they convey an ex ante possibility of exclusion in certain situations. Thus, trespassory action is ordinarily referred to as a property action even though exclusion is tied to a defendant’s actions (that is, the wrong); the same is true of common law intellectual property regimes. The idea of “property” here is subsidiary to the context within which the interest originates, which tends to be either contractual (where rights and duties are determined by parties themselves) or tortious (where rights and duties are prescribed by law). In relation to trade secrets, perhaps the most robust common law intellectual property form today, Justice Holmes famously remarked:

The word “property” . . . is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore, the starting point of the present matter is not property . . . but that the defendant stood in confidential relations with the plaintiffs . . . .<sup>30</sup>

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*Property and the Right to Exclude*, 77 NEB. L. REV. 730 (1998) (discussing why the right to exclude is fundamental to the concept property); Thomas W. Merrill & Henry E. Smith, *What Happened to Property in Law and Economics?*, 111 YALE L.J. 357, 358–60 (2001) (describing property as a “bundle of rights” including the right to exclude, which places a duty of abstention on the world).

28. See Balganesh, *supra* note 27, at 642–43 (discussing how courts formerly turned to equitable remedies to protect property, resorting to injunctive relief); Roscoe Pound, *Equitable Relief Against Defamation and Personality*, 29 HARV. L. REV. 640, 640–48 (1916) (discussing this difference and noting its artificiality).

29. The recent doctrine of ‘cybertrespass’ is one such example. See Richard A. Epstein, *Cybertrespass*, 70 U. CHI. L. REV. 73, 79–82 (2003) (discussing how courts have applied common law chattel trespass doctrines to the Internet); Shyamkrishna Balganesh, *Common Law Property Metaphors on the Internet: The Real Problem with the Doctrine of Cybertrespass*, 12 MICH. TELECOMM. & TECH. L. REV. 265, 314–22 (2006) (discussing the problems inherent in extending trespass to chattels to the Internet using cybertrespass).

30. E. I. Du Pont De Nemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917).

In other words, the idea of property as used in the context of trade secrets is largely relational. The right to exclude originates in a very specific set of circumstances, and identifying these unique circumstances remains the law's principal concern. The same is true, in various shades, of almost all forms of common law intellectual property, often bringing into question their very classification as "property." The relational nature of these interests also reduces the social costs associated with exclusionary (that is, monopoly) control. Since exclusion operates only in a very limited set of circumstances, these regimes effectively minimize the static and dynamic inefficiencies traditionally associated with property rights in nonrivalrous and nonexcludable resources.<sup>31</sup>

The remainder of this Part provides a concise summary of some of the more prominent common law intellectual property regimes. My principal objective here is to illustrate how their common law origin influences their structure and functioning.

### *A. Trade Secrets: Between Property, Tort, and Contract*

Trade secret law, which protects valuable information, is a combination of common law contract, property, and tort principles. A trade secret claim ordinarily involves three elements: (1) the subject matter of protection must be information of economic value to a plaintiff; (2) the holder of the information must have taken reasonable precautions to prevent its disclosure (also known as the "secrecy requirement"); and (3) the secret needs to have been misappropriated—that is, improperly acquired, used, or disclosed.<sup>32</sup>

Causes of action for the misappropriation of trade secrets date back to mid-nineteenth century state common law.<sup>33</sup> The law of trade secrets, as Mark Lemley notes, originated in the interconnection of

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31. For an overview of these inefficiencies, see LANDES & POSNER, *supra* note 15, at 13 (discussing how traditional property rights are inefficient because they do not incentivize creation or improvement to develop future benefits).

32. See ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 37 (4th ed. 2007) (discussing the definition of a trade secret); see also Unif. Trade Secrets Act § 1(2)–1(4), 14 U.L.A. 433 (1985).

33. See, e.g., *Vickery v. Welch*, 36 Mass. (19 Pick.) 523, 527 (1837) (upholding a contractual agreement involving sale of an exclusive trade secret). Some scholars trace it back to Roman law. See A. Arthur Schiller, *Trade Secrets and the Roman Law: The Actio Servi Corrupti*, 30 COLUM. L. REV. 837, 840–45 (1930) (arguing that Roman businessmen were protected against unfair competition through the legal action of *actio servi corrupti* or "action for making a slave worse"). Others have called into question any connection between trade secrets and Roman law. See Alan Watson, *Trade Secrets and Roman Law: The Myth Exploded*, 11 TUL. EUR. & CIV. L.F. 19, 19 (1996) (stating that "there is not the slightest evidence" that *actio servi corrupti* was ever used as Schiller suggests).

many common law doctrines: breach of confidence, breach of confidentiality, common law misappropriation, unfair competition, unjust enrichment, and trespass.<sup>34</sup> Courts then restructured this as a tort governing business relationships, and eventually the law of trade secrets emerged.<sup>35</sup>

As a result of borrowing from multiple areas, the underlying theoretical basis of trade secret law remains unclear. Early courts often spoke of trade secrets as property interests.<sup>36</sup> By the mid-twentieth century, this had shifted, and courts came to view trade secret law as a branch of tort law, originating in a defendant's bad-faith behavior.<sup>37</sup> Eventually, the dominant view shifted to understanding trade secret law as a combination of contract and property principles.<sup>38</sup> To this day, scholars disagree on the area's theoretical underpinnings.<sup>39</sup> Some go so far as to argue that the

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34. Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311, 316 (2008).

35. *Id.*

36. This view developed largely for instrumental purposes—to avoid the restriction being termed a restraint on trade, or to allow for injunctive relief. *See* *Peabody v. Norfolk*, 98 Mass. 452, 457 (1868) (granting injunctive relief to an entrepreneur whose trade secret was stolen by a former employee and stating that “[i]f a man establishes a business and makes it valuable by his skill and attention, the good will of that business is recognized by the law as property”). For an elaborate analysis of this phenomenon, see Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 CAL. L. REV. 241, 253–55 (1998) (suggesting that courts formalistically converted trade secrets into property in order to provide an equitable remedy, avoid the need for privity, and to prevent a contract conveying trade secrets from being classified as an unlawful restraint on trade); Miguel Deutch, *The Property Concept of Trade Secrets in Anglo-American Law: An Ongoing Debate*, 31 U. RICH. L. REV. 313, 316–18 (1997) (discussing how many have supported the view that trade secrets are an in rem right); Lemley, *supra* note 34, at 324–26 (discussing how trade secrets are both similar to and different from other “property”).

37. Lemley, *supra* note 34, at 320; *see also* 1 MELVIN F. JAGER, TRADE SECRETS LAW § 1:3 (West 2010) (“Since the beginning, the focus of U.S. trade secret cases has been on penalizing a breach of confidence and trust by the trade secret misappropriator.”).

38. *See, e.g.*, Thornton Robison, *The Confidence Game: An Approach to the Law About Trade Secrets*, 25 ARIZ. L. REV. 347, 389 (1983) (arguing that the difficulty in balancing the competing interests in innovation and industrial mortality has “led firms with trade secrets to seek protection through restrictive covenants and a tort of misappropriation”).

39. *See, e.g.*, Bone, *supra* note 36, at 243 (noting how “there is no such thing as a normative autonomous body of trade secret law”); Vincent Chiappetta, *Myth, Chameleon or Intellectual Property Olympian? A Normative Framework Supporting Trade Secret Law*, 8 GEO. MASON L. REV. 69, 93–116 (1999) (noting the existence of a “normative gap” in trade secret law, but disagreeing with Bone and attempting to fill it using a variety of policy-based justifications); David D. Friedman, William M. Landes & Richard A. Posner, *Some Economics of Trade Secret Law*, 5 J. ECON. PERSP. 61, 61–62 (1991) (observing how “there is in a sense no law of trade secrets” but nonetheless attempting to justify the common law approach to trade secrets in economic terms); Lemley, *supra* note 34, at 312 (“Courts and scholars have struggled for over a century to figure out why we protect trade secrets.”).

inability to discern a coherent theory for the area necessitates abandoning it in favor of individual common law doctrines.<sup>40</sup>

While trade secrets originated as a state common law doctrine, in 1979 the National Conference of Commissioners on Uniform State Laws drafted the Uniform Trade Secrets Act ("UTSA"), recognizing the need to "clarify" and "harmonize" the laws of different states.<sup>41</sup> An overwhelming majority of states have since adopted the UTSA.<sup>42</sup> Yet, the legislation seems to have done little to curtail common law development in the area, both under and independent of the statute.<sup>43</sup> The statutory provisions tend to form no more than a starting point for courts' analysis, which then proceeds in traditional common law fashion. This greater than usual willingness to adopt a common law approach within the statutory framework may, in turn, derive from the reality that the statute itself sought to do no more than codify rules that were essentially judge-made.

### *B. Publicity Rights: From Privacy to Property*

Publicity rights originated as a branch of the common law of torts and over time gradually evolved into full-blown property rights. Publicity rights create an ownership interest in a set of characteristics evoking the recognition of a natural person when used.<sup>44</sup> As one commentator put it, these rights protect "the inherent right of every human being to control the commercial use of his or her identity."<sup>45</sup> A cause of action for a right of publicity infringement requires a showing that: (1) the plaintiff owns an enforceable right in the identity or

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40. See Bone, *supra* note 36, at 302–04. For a critical evaluation of Bone's position, see Lemley, *supra* note 34, at 328–29.

41. Linda B. Samuels & Bryan K. Johnson, *The Uniform Trade Secrets Act: The States' Response*, 24 CREIGHTON L. REV. 49, 49–50 (1990).

42. As of March 2010, forty-six states had enacted the UTSA into law. 1 JAGER, *supra* note 37, § 3:29.

43. What is perhaps most interesting is that some states adopting the UTSA sought to preempt all common law claims for trade secret misappropriation that predated their adoption of the UTSA, while other legislatures only preempted common law doctrine that was in "conflict" with the UTSA. In these latter states, independent common-law-based causes of action for misappropriation of trade secrets continue to coexist with the statutory causes of action. See *K.C. Multimedia, Inc. v. Bank of Am. Tech. & Operations, Inc.*, 171 Cal. App. 4th 939, 955–56 (2009) (noting this distinction and applying it to the California statute); see also *Powell Prods., Inc. v. Marks*, 948 F. Supp. 1469, 1474 (D. Colo. 1996) (discussing the Colorado statute); *Micro Display Sys., Inc. v. Axtel, Inc.*, 699 F. Supp. 202, 204 (D. Minn. 1988) (discussing the Minnesota statute); *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 788–90 (Wis. 2006) (discussing the Wisconsin statute).

44. Melissa B. Jacoby & Diane Leenheer Zimmerman, *Foreclosing on Fame: Exploring the Uncharted Boundaries of the Right of Publicity*, 77 N.Y.U. L. REV. 1322, 1328 (2002).

45. 1 MCCARTHY, *supra* note 23, § 1:3.

persona of a natural person; (2) the defendant, without consent, used some aspect of identity or persona such that plaintiff is identifiable from the use; and (3) such use is likely to injure the commercial value of the plaintiff's identity.<sup>46</sup>

Publicity rights originated as a branch of tort law dealing with personal privacy.<sup>47</sup> Early decisions relied on a theory of implied contract between plaintiff and defendant.<sup>48</sup> Thereafter, the theory developed into a tort-based one, focusing on the nature of the defendant's use—whether the defendant had used the plaintiff's name or likeness for “some advantage.”<sup>49</sup> In this formulation, courts viewed publicity rights as largely nonproprietary and thus incapable of being assigned or alienated like other property rights.<sup>50</sup> By the mid-twentieth century, with the tortious element limited to commercial situations, courts began to treat plaintiffs' interests as full-blown property rights. This conception reached its culmination in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*,<sup>51</sup> where the court recognized the plaintiff's “right to grant the exclusive privilege of publishing his picture”<sup>52</sup> and understood it to be fully transferable without restrictions.<sup>53</sup>

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46. 1 *id.* § 3:2.

47. These rights are ordinarily traced back to the famous 1890 law review article by Samuel Warren and Louis Brandeis. Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 193–95 (1890) (tracing the development of privacy rights); *see also* Melville B. Nimmer, *The Right of Publicity*, 19 LAW & CONTEMP. PROBS. 203, 203–04 (1954) (attributing the doctrine to Warren and Brandeis's article). *But see* William L. Prosser, *Privacy*, 48 CAL. L. REV. 383, 401 (1960) (arguing that Warren and Brandeis did not direct attention to publicity rights in their discussion of privacy). For the earliest case recognizing a common-law-based publicity right and tracing it to the right of privacy, *see Pavesich v. New England Life Insurance Co.*, 50 S.E. 68, 74–76 (Ga. 1905) (recognizing that the publication of a picture of a person, without his consent, for a commercial purpose constituted a violation of the right of privacy).

48. *See, e.g., Holmes v. Underwood & Underwood*, 225 A.D. 360, 361–62 (N.Y. App. Div. 1929) (finding an implied contract existed between a photographer and his client); *Klug v. Sheriffs*, 109 N.W. 656, 657–58 (Wis. 1906) (finding an implied contract existed between a painter and a client and that it was a breach of faith for the painter to fashion a painting of the client's deceased wife from retained photos); *Pollard v. Photographing Co.*, (1888) 40 Ch.D. 345 at 346–50 (Eng.) (holding that the bargain between a customer and the photographer includes, by implication, an agreement that the prints are solely for the customer's use); Prosser, *supra* note 47, at 401.

49. Prosser, *supra* note 47, at 403.

50. *See Nimmer, supra* note 47, at 209–10 (“In most jurisdictions it is well established that a right of privacy is a personal right rather than a property right and consequently is not assignable.”).

51. 202 F.2d 866 (2d Cir. 1953).

52. *Id.* at 868.

53. For complimentary reviews of the decision, *see Nimmer, supra* note 47, at 221–23; Prosser, *supra* note 47, at 406–07.

In the decades that followed, many states recognized the cause of action by statute. As part of that process, they made the right fully alienable, and in some instances even descendible.<sup>54</sup> Again, much like trade secret law, the state level codification seems to have done little to impede courts' incremental development of the area.<sup>55</sup>

### *C. Idea Protection: Implied-in-Fact Contract*

Idea protection law relies entirely on the common law doctrine of implied-in-fact contracts to generate a principal of liability. Ideas are expressly excluded from the coverage of copyright and patent law.<sup>56</sup> Yet, occasionally the creator of an idea shares it with others, but at the same time seeks to ensure that it isn't commercially exploited against his or her wishes. In situations such as these, the common law affords idea-creators tailored protection against bad-faith free riding.<sup>57</sup>

The principal common law protection for ideas rests on a theory of implied-in-fact contract. The law *implies* the existence of an actual agreement between parties based on their conduct and context.<sup>58</sup> Even in the absence of an express contractual understanding, state common law allows idea-creators to prevent recipients from using it for free in situations where: (1) the creator conditions the release of the idea

54. Jacoby & Zimmerman, *supra* note 44, at 1324.

55. See, e.g., *Landham v. Lewis Galoob Toys, Inc.*, 227 F.3d 619, 621 (6th Cir. 2000) (interpreting a Kentucky statute and extending it to cover action figures); *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 191–96 (5th Cir. 1998) (interpreting a Texas statute and extending it to restaurant décor); see also Jacoby & Zimmerman, *supra* note 44, at 1324–25 n.11 (reviewing expansions of the law that have benefited celebrities); Jennifer Rothman, *Copyright Preemption and the Right of Publicity*, 36 U.C. DAVIS L. REV. 199, 206–07 n.19 (2002) (detailing some of the more problematic expansions).

56. See 17 U.S.C. § 102(b) (2008) (excluding ideas from the coverage of copyright law). Patent law similarly excludes protection for “abstract ideas.” See 1 DONALD S. CHISUM, CHISUM ON PATENTS § 1.03[2] (2010) (describing the exclusion of principles and abstract ideas).

57. The earliest systematic treatment of the subject dates back to the 1950s. See, e.g., Harold C. Havighurst, *The Right to Compensation for an Idea*, 49 NW. U. L. REV. 295 (1954); Benjamin Kaplan, *Further Remarks on Compensation for Ideas in California*, 46 CAL. L. REV. 699 (1958); Melville B. Nimmer, *The Law of Ideas*, 27 S. CAL. L. REV. 119 (1954); Harry R. Olsson, Jr., *Dreams for Sale: Some Observations on the Law of Idea Submissions and Problems Arising Therefrom*, 23 LAW & CONTEMP. PROBS. 34 (1958); Joseph D. Pannone, *Property Rights in an Idea and the Requirement of Concreteness*, 33 B.U. L. REV. 396 (1953).

58. For an analysis of various other theories that are today preempted by federal copyright law, see 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 19D.02 (2010) (discussing various legal theories to protect ideas); Lionel S. Sobel, *The Law of Ideas, Revisited*, 1 UCLA ENT. L. REV. 9, 32 (1994) (describing available state law protection). Implied contracts are to be distinguished from the category of quasi-contract, where the law does not imply an actual agreement, but rather imposes a set of obligations on parties that are contract-like, but originate in the law, much like tortious principles. See *Detroit Tigers, Inc. v. Ignite Sports Media, LLC*, 203 F. Supp. 2d 789, 798–99 (E.D. Mich. 2002) (elaborating on this distinction in the context of Illinois law); 4 NIMMER & NIMMER, *supra* § 19D.02[B] (discussing “implied-in-law” contracts).



upon an obligation to pay for its use; and (2) the recipient knows and accepts the condition prior to obtaining the idea.<sup>59</sup> Even when the condition is not made explicit, courts have been willing to imply its existence from the circumstances of the parties' relationship.<sup>60</sup>

Once these requirements are met, courts then move to examining the idea's eligibility for protection.<sup>61</sup> Here, the law requires a plaintiff to show that the idea was "concrete," which means either that the idea must be ready for immediate use or that it must be specific enough to be identifiable.<sup>62</sup> The plaintiff must also show that it was "novel," which requires merely that it was not already known in the industry.<sup>63</sup>

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59. See *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 902 (9th Cir. 1987) (denoting the elements in the context of California law); *Mann v. Columbia Pictures, Inc.*, 128 Cal. App. 3d 628, 646 (1982) (describing the same analytical framework); 4 NIMMER & NIMMER, *supra* note 58, § 19D.05[A][2][a][i] (stating these two circumstances as vital at the time an idea is disclosed).

60. See *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193, 1196 (9th Cir. 1986) ("[T]he contract claim turns . . . upon the implied promise to pay the reasonable value of the material disclosed."); *Desny v. Wilder*, 46 Cal. 2d 715, 756 (1956) ("[T]he positions occupied by the parties should be sufficient to raise the inference that if the literary work is used by the prospective buyer, compensation would be paid."); *Gunther-Wahl Prods., Inc. v. Mattel, Inc.*, 104 Cal. App. 4th 27, 43 (2002) (noting that the assertion of no liability without an express agreement was contrary to California law and that the contested instruction improperly permitted the argument); *Donahue v. Ziv Television Programs, Inc.*, 245 Cal. App. 2d 593, 607 (1966) (finding a promise to pay if the idea was used); *Chandler v. Roach*, 156 Cal. App. 2d 435, 441–42 (1957) ("There is nothing unreasonable in the assumption that a producer would obligate himself to pay for the disclosure of an idea which he would otherwise be legally free to use, but which in fact, he would be unable to use but for the disclosure.").

61. For a critical overview of these requirements, see Arthur R. Miller, *Common Law Protections for Products of the Mind: An "Idea" Whose Time Has Yet to Come*, 119 HARV. L. REV. 703 718–32 (2006) (examining why courts adhere to the requirements despite unrelenting criticism and finding that concreteness and novelty do not "strike the right balance between encouraging market competition and rewarding mental creativity, and avoiding administrative and evidentiary difficulties"); see also 4 NIMMER & NIMMER, *supra* note 58, § 19D.06 (discussing the requirements and whether they should be necessary); Sobel, *supra* note 58, at 53–63 (discussing the requirements and taking issue with the conception of novelty in the Nimmer treatise).

62. See Miller, *supra* note 61, at 723–26 (discussing the standard and courts' application of the same); see also *Sellers v. Am. Broad. Co.*, 668 F.2d 1207, 1210 (11th Cir. 1982) (stating the essentiality of definiteness and completeness); *Hamilton Nat'l Bank v. Belt*, 210 F.2d 706, 708 (D.C. Cir. 1953) (discussing the requirement and explaining that the law doesn't offer "protection to vagueness"); *Chandler v. Roach*, 319 P.2d 776, 779 (Cal. Dist. Ct. App. 1957) (stating the necessity of completeness); *Jones v. Ulrich*, 95 N.E.2d 113, 120 (Ill. App. Ct. 1950) (noting that "the idea to be protected must be concrete to a degree"); *Smith v. Recrion Corp.*, 541 P.2d 663, 665 (Nev. 1975) (stating the need for concreteness at an idea's developmental stage).

63. See *AEB & Assoc. Design Grp., Inc. v. Tonka Corp.*, 853 F. Supp. 724, 734 (S.D.N.Y. 1994) ("[A] plaintiff may not claim that an idea is original if it was already in use in the industry at the time of the submission.") (citing *McGhan v. Ebersol*, 608 F. Supp. 277, 286 (S.D.N.Y. 1985)); *Paul v. Haley*, 588 N.Y.S.2d 897, 902–03 (App. Div. 1992) (noting that an idea merits protection if it shows innovation and goes beyond existing knowledge); 4 NIMMER & NIMMER, *supra* note 58, § 19D.06[B][1] ("[N]ovel ideas are those that are *new*, in the sense that they are

Before federal copyright law preempted much of the area in 1976, idea protection under state law was far more extensive than what it is today. Despite this federal preemption, state common law continues to protect ideas through a cause of action that is largely relational.

#### *D. Misappropriation: Quasi Property*

The doctrine of misappropriation, another product of common law evolution, protects factual information ordinarily ineligible for protection under copyright and patent law. Misappropriation originated in the Supreme Court's decision in *International News Services v. Associated Press*.<sup>64</sup> The case involved one news conglomerate lifting the new reports of a competitor from publicly available newspapers and bulletin boards, and using them in its own print newspapers. Conceding that the subject matter (news) was outside the coverage of copyright law, the plaintiff argued that equity and the impropriety of "reaping without sowing" necessitated recognizing a property right in news, vested in its collector.<sup>65</sup> To its credit, the Court recognized both the need to prevent one business from free riding on the efforts of another and the problems inherent in granting a collector of valuable information unbounded property-like in rem control over it. Balancing the two, it formulated the category of "quasi property" that recognized the valuable nature of the time-sensitive factual information exclusively between two competitors "irrespective of the rights of either as against the public."<sup>66</sup> Within a limited setting, the right mimics the effects of in rem protection, using the framework of unjust enrichment—hence "quasi" property.<sup>67</sup> Because of both the demise of federal general common law in the years

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not already being used in the industry for which they are proposed."); Miller, *supra* note 61, at 726–27 ("[C]ourts generally require the plaintiff's idea to reflect a spark of inventiveness or a measurable quantity of creative genius beyond what was generally known in the trade.").

64. 248 U.S. 215 (1918). For more on the decision and its background, see generally Douglas G. Baird, *The Story of INS v. AP: Property, Natural Monopoly, and the Uneasy Legacy of a Concocted Controversy*, in *INTELLECTUAL PROPERTY STORIES* 9 (Jane C. Ginsburg & Rochelle Cooper Dreyfuss eds., 2006) (discussing AP's strategic promotion of the idea of news as property, the relationship between INS and AP, and the reception of the case in the lower courts); Baird, *supra* note 2 (examining the misappropriation doctrine and its origin in the decision).

65. See *Int'l News Serv.*, 248 U.S. at 239–40.

66. *Id.* at 219.

67. See Shyamkrishna Balganesh, "Hot News": *The Enduring Myth of Property in News*, 111 COLUM. L. REV. (forthcoming 2011) (discussing the unjust enrichment origins of the misappropriation doctrine and its relationship with traditional conceptions of property).

following the decision,<sup>68</sup> and the federal preemption of copyright-like causes,<sup>69</sup> litigants have invoked this doctrine with less frequency.<sup>70</sup> All the same, the doctrine continues to subsist in several states.

More recently, the Supreme Court has reiterated that factual information of the nature protected in *International News* might sometimes merit protection under a theory of unfair competition.<sup>71</sup> Accordingly, state common law courts have reconstructed the misappropriation doctrine to overcome federal copyright preemption, limiting protection to circumstances where no protection is available—all on an amorphous theory of unfair competition.<sup>72</sup> The most prominent of these reconstructions is the “hot news doctrine,” which allows recovery when: (1) the plaintiff gathers information at a cost; (2) the information is time-sensitive; (3) the defendant free-rides on such information; (4) the defendant is competing directly with the plaintiff; and (5) such free riding would reduce the incentive to produce the product or service, substantially threatening its existence or quality.<sup>73</sup> A principal limiting feature of the doctrine in this construction is the existence of “direct competition” between the plaintiff and the defendant. While courts have interpreted the

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68. See *Erie R.R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938) (“There is no federal general common law.”).

69. See 17 U.S.C. § 301(a) (2008) (“[N]o person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.”).

70. Cf. Bruce P. Keller, *Condemned to Repeat the Past: The Reemergence of Misappropriation and Other Common Law Theories of Protection for Intellectual Property*, 11 HARV. J.L. & TECH. 401, 402 (1997) (“Since the enactment of the 1976 Copyright Act, with its broad preemption provisions, most had regarded misappropriation as a theory of liability that had lost its vitality.”).

71. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 354 (1991) (quoting 1 NIMMER & NIMMER, *supra* note 58, § 3.04).

72. See, e.g., *Standard & Poor’s Corp. v. Commodity Exch., Inc.*, 683 F.2d 704, 711 (2d Cir. 1982) (affirming the finding of irreparable harm with respect to the misappropriation claim on the basis of such a theory); *Roy Exp. Co. Establishment of Vaduz, Liech. v. Columbia Broad. Sys., Inc.*, 672 F.2d 1095, 1106 (2d Cir. 1982) (“Application of state unfair competition laws to unpublished works protected by common-law copyright is preserved from preemption.”); *Bd. of Trade of Chi. v. Dow Jones & Co.*, 456 N.E.2d 84, 93 (Ill. 1983) (explaining misappropriation as “a combination of unjust enrichment and competitive injury”); *U.S. Sporting Prods., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 217 (Tex. App. 1993) (describing misappropriation’s theoretical basis in unfair competition and declaring that the “tort of misappropriation takes root in federal common law”); *Mercury Record Prods., Inc. v. Econ. Consultants, Inc.*, 218 N.W.2d 705, 715–16 (Wis. 1974) (setting forth unfair competition as a flexible doctrine and asserting its “affirmative duty to protect rights that have arisen in the course of the centuries of the evolution of the common law”).

73. *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 845 (2d Cir. 1997).

requirement with varying degrees of stringency,<sup>74</sup> at a minimum the doctrine does not extend to noncommercial or private appropriations (unlike copyright law), thereby reducing the social costs of protection.

Of the different common law intellectual property regimes in existence, misappropriation is perhaps the most open-ended, and is often used as a catch-all, residual category. It is precisely for this reason that historically, courts have made concerted efforts to limit its application.<sup>75</sup> It nonetheless remains viable.

### *E. Common Law Copyright: Literary Property*

Common law copyright is the oldest of all common law intellectual property regimes, having been in existence since the very origins of copyright law.<sup>76</sup> Despite controversies over its existence in England and later under federal law,<sup>77</sup> common law copyright survived federal preemption and remains a viable basis for protection under state law.<sup>78</sup>

To qualify for protection under common law copyright, expression needs to be beyond the purview of federal copyright law's coverage. It thus usually extends to two categories of works: (1) subject matter that does not qualify as a "work of authorship" under the copyright statute;<sup>79</sup> and (2) works that are not "fixed" in a tangible medium of expression, as mandated by federal law.<sup>80</sup> Sound recordings

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74. See, e.g., *U.S. Golf Ass'n v. St. Andrews Sys., Data-Max, Inc.*, 749 F.2d 1028, 1037–40 (3d Cir. 1984) (denying a claim because competition was indirect); *Bd. of Trade of Chi.*, 456 N.E.2d at 89–90 (allowing a claim despite the absence of direct competition).

75. Judge Learned Hand, when on the Second Circuit, was well-known for his skepticism of the doctrine, attempting to cabin its application on numerous occasions. See, e.g., *Millinery Creators' Guild, Inc. v. Fed. Trade Comm'n*, 109 F.2d 175, 177 (2d Cir. 1940) ("[T]he public interest is best served by limiting the protection afforded an idea to the particular chattel in which it is embodied."); *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929) ("[I]n the absence of some recognized right at common law, or under the statutes . . . a man's property is limited to the chattels which embody his invention.").

76. See *supra* note 4 (discussing the origins of common law copyright in England).

77. For a succinct discussion of the debate in England at the time, see Ronan Deazley, *The Myth of Copyright at Common Law*, 62 CAMBRIDGE L.J. 106, 132–33 (2003) (describing the historical context of the modern law of copyright and focusing on "the common good as the organizing principle . . . of copyright regulation"). For an exhaustive discussion of the debate under federal U.S. law, see Howard B. Abrams, *The Historic Foundation of American Copyright Law: Exploding the Myth of Common Law Copyright*, 29 WAYNE L. REV. 1119, 1186 (1983) (tracing the evolution of the debate from the pre-Constitutional era forward and finding that "assertions of the existence of common law copyright as a historical fact are in error").

78. Common law copyright was the primary target of the copyright statute's preemption provision. Yet, the way in which the provision came to be drafted allowed common law copyright to thrive unimpeded, in pockets. See Goldstein, *supra* note 3, at 1110–23.

79. 1 NIMMER & NIMMER, *supra* note 58, § 2.02.

80. *Id.*

fixed before 1972 are an example of the former,<sup>81</sup> while extemporaneous speeches,<sup>82</sup> unrecorded choreography, and improvisational performances<sup>83</sup> (for example, jazz performances<sup>84</sup>) are examples of the latter. Protection under common law copyright usually subsists only as long as the work remains unpublished. Once published, a work loses common law protection regardless of its eligibility for protection under federal copyright law.<sup>85</sup>

Once covered by common law copyright, expression is protected by a set of rights roughly analogous to those of federal copyright law.<sup>86</sup> However, common law copyright remains more expansive than statutory copyright in two important respects. First, unlike federal copyright law, it subsists into perpetuity without a defined temporal limit. Second, it isn't subject to the same kinds of exceptions and limitations that exist under federal copyright law.<sup>87</sup>

Whether common law copyright contains a fair use limitation was, until recently, largely a matter of speculation.<sup>88</sup> While some courts had hinted at its existence in dicta, none had officially endorsed it, even though scholars had argued for such limits.<sup>89</sup> In a recent decision, a New York state court expressly acknowledged that a fair use doctrine was part of the state's common law copyright regime. The decision gleaned from federal law and noted how fair use actually

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81. This is a consequence of section 301(c), which explicitly provides that common law copyright for sound recordings fixed before 1972 is to subsist until the year 2067. 17 U.S.C. § 301(c) (2008); see also *Capitol Records, Inc. v. Naxos of Am., Inc.*, 830 N.E.2d 250, 263 (N.Y. 2005) (finding pre-1972 sound recordings to be protected by New York's common law copyright regime).

82. See *Williams v. Weisser*, 273 Cal. App. 2d 726, 740–41 (1969) (finding that speeches delivered orally can be the subject of state copyright); cf. *Falwell v. Penthouse Int'l*, 521 F. Supp. 1204, 1208 (W.D. Va. 1981) (denying protection for an extemporaneous interview in the absence of clear segregation); *Estate of Hemingway v. Random House, Inc.*, 244 N.E.2d 250, 255–57 (N.Y. 1968) (rejecting common law copyright protection for conversations when they had not been clearly demarcated).

83. See generally Gregory S. Donat, Note, *Fixing Fixation: A Copyright with Teeth for Improvisational Performers*, 97 COLUM. L. REV. 1363, 1375–77 (1997) (noting the problems with common law copyright protection for improvisational performances).

84. 2 NIMMER & NIMMER, *supra* note 58, § 8C.02.

85. 1 *id.* § 2.02.

86. 2 *id.* § 8C.02.

87. Most of which have, in the statutory context, come to be codified. See 17 U.S.C. §§ 108–112 (2008).

88. See 2 NIMMER & NIMMER, *supra* note 58, § 8C.02 (discussing support for the proposition “that fair use forms part of common law copyright doctrine, properly construed”).

89. See, e.g., *Capitol Records, Inc. v. Naxos of Am., Inc.*, 830 N.E.2d 250, 267 (N.Y. 2005) (discussing the federal doctrine and finding “no justification for adopting a different rule of state law”); *Hemingway's Estate v. Random House, Inc.*, 279 N.Y.S.2d 51, 57 (Sup. Ct. 1967) (discussing the doctrine's justification).

further the regime's goals—illustrative of the common law process through which the regime continues to develop.<sup>90</sup>

## II. PRAGMATIC INCREMENTALISM AND COMMON LAW INTELLECTUAL PROPERTY

Today, there is no dearth of theories attempting to explain the common law method of lawmaking. They range from those that view the common law as attempting to maximize one or more basic values (for example, efficiency or corrective justice) to those that believe in the common law being entirely the product of individual, context-based adjudication.<sup>91</sup> Pragmatic incrementalism belongs to the latter category and draws from the overlapping ideas of common law incrementalism, decisional minimalism, and legal pragmatism.

Richard Posner, the most ardent defender of legal pragmatism today, associates the school with three “essential” elements.<sup>92</sup> The first is “antifoundationalism”—a distrust of metaphysical explanations or grand theories that seek to determine the content of the law by

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90. *EMI Records Ltd. v. Premise Media Corp.*, No. 601209-08, 2008 N.Y. Misc. LEXIS 7485, at \*41 (N.Y. Sup. Ct. Aug. 13, 2008) (denying preliminary injunction).

91. *See, e.g.*, MELVIN ARON EISENBERG, *THE NATURE OF THE COMMON LAW* 3 (1991) (explaining that the common law “consists of the rules that would be generated at the present moment by application of the institutional principles that govern common law adjudication”); RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 98 (1972) (surveying the common law fields and concluding that “the common law exhibits a deep unity that is economic in character”); POUND, *supra* note 25, at 183 (explaining the basis for the common law and emphasizing that such law “is to be discovered by judicial and juristic experience of the rules and principles which in the past have accomplished or have failed to accomplish justice”); ERNEST J. WEINRIEB, *THE IDEA OF PRIVATE LAW* 223–27 (1995) (describing the exercise of judgment and the determinacy or corrective justice); Holmes, *supra* note 25, at 461 (viewing the law as “prophecies of what the courts will do in fact”); George L. Priest, *The Common Law Process and the Selection of Efficient Rules*, 6 J. LEGAL STUD. 65, 65 (1977) (arguing the pervasiveness of “the tendency of the set of all legal rules to become dominated by rules achieving efficient . . . allocative effects”); Richard A. Posner, *The Ethical and Political Basis of the Efficiency Norm in Common Law Adjudication*, 8 HOFSTRA L. REV. 487, 488 (1980) (“[W]ealth maximization, especially in the common law setting, derives support from the principle of consent that can also be regarded as underlying the otherwise quite different approach of Pareto ethics.”); Gerald J. Postema, *Philosophy of the Common Law*, in *THE OXFORD HANDBOOK OF JURISPRUDENCE AND PHILOSOPHY OF LAW* 588, 620 (Jules Coleman & Scott Shapiro, eds., 2002) (emphasizing “the conventional foundations of law” and exploring “a practiced discipline of public practical reasoning” as a vital and “defining feature of law”); Paul H. Rubin, *Why is the Common Law Efficient?*, 6 J. LEGAL STUD. 51, 51 (1977) (“[T]he efficient rule situation noted by Posner is due to an evolutionary mechanism whose direction proceeds from the utility maximizing decisions of disputants rather than from the wisdom of judges.”).

92. Richard A. Posner, *What Has Pragmatism to Offer Law?*, 63 S. CAL. L. REV. 1653, 1660 (1990).

reference to one or more core values.<sup>93</sup> The second is the belief that legal rules are best valued by their actual consequences, both short- and long-term.<sup>94</sup> Unlike schools of legal thought that advocate adhering to coherent rules independent of their impact, pragmatism remains heavily “instrumental.”<sup>95</sup> The third is legal pragmatism’s insistence that decisionmaking be contextualized, rather than abstracted or rendered “objective.”<sup>96</sup> Contextualization refers to the belief that all thinking remains deeply embedded in social practice and that attempts to disaggregate the two are futile. In a sense, this idea builds on the antifoundationalism that is central to legal pragmatism.<sup>97</sup>

Antifoundationalism, instrumentalism, and contextualization thus form the central tenets of legal pragmatism. These principles, however, focus not just on the substantive content of the law, but also on the lawmaking process itself. In other words, they also provide us with a reason why pragmatic decisionmaking in the common law remains characterized by an incremental (or gradual) process of rule development.

Incrementalism refers to a characteristic of lawmaking that favors narrow, circumstantially-tailored decisions—a feature that its protagonists often describe as decisional “narrowness.”<sup>98</sup> From a normative standpoint, decisional “narrowness” can come about for a variety of reasons. It can arise when courts intentionally avoid addressing politically divisive issues thereby facilitating democratic deliberation, as commonly seen in the constitutional context.<sup>99</sup> This is often referred to as minimalism in the context of constitutional

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93. For early uses of this term in the context of philosophical pragmatism, see ANTI-FOUNDATIONALISM AND PRACTICAL REASONING: CONVERSATIONS BETWEEN HERMENEUTICS AND ANALYSIS (E. Simpson ed., 1987); Posner, *supra* note 92, at 1659.

94. See Posner, *supra* note 92, at 1657 (describing this feature as the “forward-looking” attribute of pragmatism).

95. See RONALD DWORKIN, *LAW’S EMPIRE* 95 (1986) (castigating pragmatism for failing to respect the past for its “own sake”).

96. Posner, *supra* note 92, at 1660–61.

97. See Thomas C. Grey, *Holmes and Legal Pragmatism*, 41 STAN. L. REV. 787, 799 (1989) (“The pragmatists’ first thesis—that knowledge is essentially contextual, situated in habit and practice—holds that no such zero-based method of inquiry is possible.”).

98. CASS R. SUNSTEIN, *ONE CASE AT A TIME: JUDICIAL MINIMALISM ON THE SUPREME COURT* 10 (1999) [hereinafter SUNSTEIN, *ONE CASE*]; Cass R. Sunstein, *Burkean Minimalism*, 105 MICH. L. REV. 353, 362–64 (2006) [hereinafter Sunstein, *Minimalism*].

99. For an elaboration of the virtues of this process, see SUNSTEIN, *ONE CASE*, *supra* note 98, at 3 (describing this process as that of “[l]eaving things undecided”); Cass R. Sunstein, *Incompletely Theorized Agreements*, 108 HARV. L. REV. 1733, 1752–53 (1995) (arguing that because judges lack a “democratic pedigree” they should avoid deciding cases based on “large theories” that cut against the democratic process).

adjudication. Alternatively, it can come about because of a strong belief in the value of precedent—in the virtues of deviating from the past minimally in order to preserve an old tradition.<sup>100</sup> It can also, however, come about because of pragmatic reasons, connecting it to the central ideas of legal pragmatism.

Recall that legal pragmatism places great emphasis on instrumental and contextual rulemaking. Translated to the adjudicatory process, this implies that the same emphasis ought to guide judges' decisionmaking as well.<sup>101</sup> Thus, any rule or decision ought to be driven by its consequences in society, measured by concrete (as opposed to abstract) attributes. Assessing the consequences of a decision or rule requires an empirical prediction, and the further removed the rule becomes from the case at hand, the greater the predictive uncertainty associated with its future consequences.<sup>102</sup> Given pragmatism's emphasis on the consequences of a decision, it tends to caution against broad rulings with uncertain consequences.

Decisional narrowness derives from pragmatism's insistence that consequences inform decisions.<sup>103</sup> In the face of uncertainty over future consequences, it advocates a sense of caution. This corresponds to what some scholars describe as the "implicit behavioral rationality" of the common law—the common law's recognition that actors (including judges) are boundedly rational agents, and its consequent deployment of corrective mechanisms and devices to compensate for this boundedness.<sup>104</sup> Since judges cannot predict the consequences of their rulings for all time, they adopt narrow rulings where

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100. See Holmes *supra* note 25, at 469 (noting the irrationality of such an approach and observing famously that "[i]t is revolting to have no better reason for a rule of law than that so it was laid down in the time of Henry IV").

101. See Richard A. Posner, *Pragmatic Adjudication*, 18 CARDOZO L. REV. 1, 5 (1996) (describing how pragmatic judges make decisions prioritizing present and future needs).

102. For a recognition of this point, see RICHARD A. POSNER, *HOW JUDGES THINK* 246–47 (2008) (observing how pragmatic judges are likely to favor narrow rather than broad rulings, in the early evolution of a legal doctrine).

103. See *id.* at 246 (explaining how economic cost-benefit analysis fairly describes how judges weigh consequences).

104. Christine Jolls & Cass R. Sunstein, *Debiasing Through Law*, 35 J. LEGAL STUD. 199, 235 (2006); see also Jeffrey J. Rachlinski, *A Positive Psychological Theory of Judging in Hindsight*, 65 U. CHI. L. REV. 571, 574 (1998) (describing steps courts take to correct for the human propensity to view past events with a hindsight bias); Cass R. Sunstein, *Human Behavior and the Law of Work*, 87 VA. L. REV. 205, 215–17 (2001) (citing the workplace as an area in which the common law can help correct for inefficient and unfair behavioral incentives, such as employers discharging late-career employees earlier than they implicitly contracted).



consequences are easier to predict based on information available to them.<sup>105</sup>

Legal pragmatism's insistence on contextualizing rule- and decisionmaking also favors narrow rulings. In the abstract, instrumentalism and contextualization may seem to conflict.<sup>106</sup> Contextualization emphasizes the centrality of custom and social practices, as well as socially situated rulemaking.<sup>107</sup> In the common law, any rule originates not from a pre-commitment to a set of values, but rather from the facts of the case at hand. Justice Holmes, the quintessential common law pragmatist, thus observed that it was "the merit of the common law that it decides the case first and determines the principle afterwards."<sup>108</sup> Focusing on the case at hand results in narrow rulings. On the whole, common law pragmatism thus favors an incremental approach to rulemaking.

To sum up, pragmatic incrementalism builds on the values of *instrumentalism*, *antifoundationalism*, and *contextualization* that it draws from legal pragmatism. As a theory of common law decisionmaking, it also favors decisional narrowness or *incrementalism*. These values in turn translate into four characteristic practical attributes when applied to common law decisionmaking, which the next Section elaborates on, in the process identifying strategies and techniques that courts use to instantiate them in the context of common law intellectual property.

To be sure, sometimes common law courts do deviate from several of these techniques and ideas. Nevertheless, they are central to common law intellectual property decisionmaking. Courts act cautiously, construct their rules and principles in value-neutral terms, customize law and lawmaking, and strive to balance ex ante and ex post considerations. The rest of this Part examines these four principles in detail.

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105. See SUNSTEIN, ONE CASE, *supra* note 98, at 53 (arguing that minimalism is a sensible reaction to judges' inability to predict all consequences).

106. For a description of this point, see Thomas C. Grey, *Freestanding Legal Pragmatism*, 18 CARDOZO L. REV. 21, 24 (1996) (explaining that instrumentalism and contextualization developed as independent, often opposing schools of thought).

107. See Grey, *supra* note 97, at 798–800 (discussing how pragmatists believe that knowledge derives from habit and practice, highly rooted in the social context). For strands of this idea in philosophical pragmatism, see CHARLES SANDERS PEIRCE, *What Pragmatism Is*, in 5 COLLECTED PAPERS OF CHARLES SANDERS PEIRCE para. 416 (Charles Hartshorne & Paul Weiss eds., 1934).

108. Oliver Wendell Holmes, Jr., *Codes and the Arrangement of the Law*, 5 AM. L. REV. 1, 1 (1870).

*A. Caution in the Face of Uncertainty*

The first practical attribute of pragmatic incrementalism is courts' concern with errors. In dealing with an activity that is prone to change, courts often try to cabin the scope of their decisions, thereby enhancing the law's ability to address future developments with fewer constraints when needed. Some term this as the concern with "error costs"—the concern that either a high number of small mistakes or a small number of large mistakes will seriously harm the legal system and society.<sup>109</sup> This concern with mistakes that are likely to flow from the inadequacy of information about a law's consequences results in courts exercising a good degree of caution in their development of the law.

Caution of this nature is particularly common in situations where the consequences of a rule remain uncertain. Again, this derives from pragmatism's insistence that decision- and rulemaking pay close attention to their context and consequences.<sup>110</sup> Caution may be seen during the early stages of a rule's development, when its impact remains altogether unknown.<sup>111</sup> Sometimes, however, it may also bear no connection to the stage of doctrinal development in an area. This is seen most prominently in areas that remain inherently susceptible to change, due either to technological developments or other sociocultural factors. Cass Sunstein, for instance, argues that the Supreme Court's opinions dealing with the application of the First Amendment to new communications technologies are characterized by a significant amount of caution.<sup>112</sup>

Another good example of the common law's emphasis on caution is *stare decisis*'s useful differentiation between the holding and dicta of a case.<sup>113</sup> The traditional principle emphasizes that it is only a court's *holding* in a case that binds a future court, with a holding understood as the court's application of the rule it formulates

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109. See SUNSTEIN, ONE CASE, *supra* note 98, at 49–50 (describing "error costs" as the costs of mistaken judgments, and arguing that a minimalist approach is sometimes the best way to minimize them); see also Cass R. Sunstein & Edna Ullmann-Margalit, *Second-Order Decisions*, 110 ETHICS 5, 26 (1999) (discussing the potential societal harm that can arise when broad decisions are made by judges who cannot predict every conceivable consequence).

110. See *infra* text accompanying notes 194–208.

111. See POSNER, *supra* note 102, at 246 (describing how pragmatic judges may favor narrow decisionmaking early in a legal doctrine's development, so as not to step beyond the level of consequential information the case provides).

112. SUNSTEIN, ONE CASE, *supra* note 98, at 181.

113. See generally Michael Abramowicz & Maxwell Stearns, *Defining Dicta*, 57 STAN. L. REV. 953, 956–58, 1065 (2005) (describing the distinction in some detail and the lack of scholarly attention to it).

to the facts of the dispute before it. Extensions or variations of the rule that the court doesn't itself apply to the case are loosely classified as *dicta* and not binding on future courts.<sup>114</sup> To be sure, the distinction is not watertight, and courts certainly never adhere to it with any rigidity. Yet, it originated in the common law's desire to force courts to limit their formulations to the case at hand, leaving later courts free to modify earlier precedents as circumstances demand.

In developing common law intellectual property, courts have long proceeded cautiously for two reasons. First is the uncertainty accompanying the area of information production. Common law courts lack expertise on the nuances of the industry under consideration, especially when it involves new technologies and when future developments remain unclear.<sup>115</sup> Second is the uncertainty about the costs and benefits of free riding. It might be beneficial to allow some free riding under limited circumstances, and broad property-like exclusionary regimes may have a chilling effect on certain kinds of socially beneficial activities.<sup>116</sup>

A cautious approach leaves open the possibility that an exclusionary regime may prove to be unnecessary as an industry develops, or that strong public interest concerns may outweigh the need for protection.<sup>117</sup> It also allows courts to take the law in new directions, should technology or other socioeconomic realities change dramatically. Recall that one of the issues with all forms of intellectual property protection is that it impacts not just outputs, but also inputs. Outputs protected under an exclusionary regime form

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114. For an early elaboration on this distinction by Chief Justice Marshall, see *Cohens v. Virginia*, 19 U.S. (6 Wheat.) 264, 399–400 (1821); see also Michael C. Dorf, *Dicta and Article III*, 142 U. PA. L. REV. 1997, 2000 (1994) (referring to dicta as “statements in a judicial opinion that are not necessary to support the decision reached by the court”).

115. For an analysis of the interaction between industry structure and legal entitlements, see Tim Wu, *Intellectual Property, Innovation, and Decentralized Decisions*, 92 VA. L. REV. 123, 124–26 (2006) (arguing that intellectual property assignments that affect product development decisionmaking can have a major influence on future economic performance).

116. Indeed, this was the basis of Judge Learned Hand's and Justice Brandeis's objections to common law intellectual property creation to begin with. See *supra* text accompanying note 6.

117. A case in point is the television industry in the United States, where broadcasters were long denied full-blown property protection over their content-carrying transmission signals (unlike in Europe, which recognized such protection). It resulted in the emergence of a robust cable television industry, and the idea of “free television” as an operational paradigm in the United States. See generally Shyamkrishna Balganesh, *The Social Costs of Property Rights in Broadcast (and Cable) Signals*, 22 BERKELEY TECH. L.J. 1303, 1305–06 (2007) (discussing the difference between countries recognizing “broadcasters' rights” and the United States); Timothy Wu, *Copyright's Communications Policy*, 103 MICH. L. REV. 278, 319–24 (2004) (discussing the patchwork system of intellectual property protection regulating the cable industry in favor of broadcasters, and noting that the cable industry experienced major growth once regulation was relaxed in the mid 1970's).

inputs into future production, often of the same kind that the regime is seeking to encourage.<sup>118</sup> The magnitude and precise nature of this dynamic inefficiency is impossible to predict, and a cautious approach leaves courts free to drastically reduce their impact on the system by building the system up incrementally, eliminating such inefficiencies when they arise. Were courts to adopt an expansive, context-neutral approach to protecting common law intellectual property, they would be forced to retrench the system later on by carving out limitations and exceptions, thereby undermining any reliance placed on earlier rules.

### 1. Relational Property

The first cautionary technique involves moving away from the idea of property. Property rights ordinarily operate in rem, against the world at large, by providing their holders with an entitlement to exclude others from an identified resource. Such exclusion is necessary to make optimal use of scarce physical resources. Intangibles and informational resources, however, are by their very nature nonrivalrous, and simultaneous uses of them do not interfere with each other. A property right is therefore granted in them largely to function as an incentive for their very production. While such protection provides an incentive to produce, it also imposes costs on society as a whole by forbidding others from using the resource. In economic terms, these costs are often referred to as static and dynamic inefficiencies.<sup>119</sup> Tailoring the property right (that is, the incentive) by limiting it balances these competing interests.

Most common law intellectual property regimes try to do just this. Their conception of property is tailored to the peculiarities of the relationship between a specific class of plaintiffs and defendants.<sup>120</sup> In other words, protection is not automatically available against the world at large, like it is for ordinary property or indeed traditional intellectual property.

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118. See BENKLER, *supra* note 22, at 36–37 (describing how enforcing copyright protection causes information to be underutilized in the present, but hopes to increase information production over time).

119. LANDES & POSNER, *supra* note 15, at 12–13.

120. By “relationship,” I do not mean to emphasize that there needs to be a pre-existing relationship or connection between the parties, but rather that the triggering event for the entitlement originates in the interaction between them, regardless of whether it predates the cause of action or occurs simultaneously with it.

Take, for example, the Court's decision in *International News Service*.<sup>121</sup> Conscious of the problems with recognizing full-blown property protection for news (that is, information), the court emphasized that the property-like interest it was creating was a consequence of the competitive relationship between the two parties, an interest it labeled "quasi property" for precisely this reason.<sup>122</sup> Independent of such competition, the interest would cease to exist; competition is an element of the doctrine that state common law continues to emphasize to this day. What was the court really worried about in avoiding full-blown property protection for news? For one, monopoly control over information (as opposed to original expression) would have run up against free speech concerns by impeding the dissemination of information to (and among) the public.<sup>123</sup> Additionally, the majority opinion also limited itself to the newspaper industry *as it existed then*, seemingly aware of the possibility that the mechanisms of news transmission were likely to develop and change over time.<sup>124</sup>

A similar emphasis on the relational nature of the entitlement is seen in the law of trade secrets, where Justice Holmes famously emphasized that the use of "property" to describe trade secrets should not detract from the reality that it always arises within the context of a specific relationship between two parties.<sup>125</sup> The same is true of common law idea protection, where the protectable interest originates entirely in the implied relationship between a plaintiff-creator and a defendant.<sup>126</sup>

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121. See *supra* text accompanying notes 64–70. For an analysis of the case in terms of restitutionary principles see Gordon, *supra* note 2, at 266–68 (arguing that fairness and economics would be served by restoring *INS* to its restitutionary principles).

122. *Int'l News Serv. v. Associated Press*, 248 U.S. 215, 236 (1918).

123. See *id.* at 241 (noting that the aim was not to allow monopolization over information-gathering and dissemination, but rather to secure partial temporary exclusion to prevent one competitor from reaping the fruits of another's efforts).

124. See *id.* (observing how the "practical needs and requirements of the [news] business" were reflected in the complainant's bylaws). Recent scholarly work has suggested that the news industry had been lobbying for property-like protection in the decades leading up to *International News Service*, efforts which failed at the legislative level. See Robert Brauneis, *The Transformation of Originality in the Progressive-Era Debate over Copyright in News 2* (George Washington Univ. Law Sch. Pub. Law & Legal Theory, Working Paper No. 403, 2009), available at <http://ssrn.com/abstract=1365366>. Brauneis also argues that at the time, the industry relied heavily on an informal system of information-exchange, which would change rapidly with the advent of the telegraph. See *id.* at 11, 15.

125. See *E. I. Du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917) (noting that the trade secret issue at hand originated in prior confidential relationship between the parties, rather than from property or due process).

126. See *supra* text accompanying notes 58–60.

## 2. Discretionary Subject-Matter Filters

Not all forms of common law intellectual property emphasize the relationship between plaintiff and defendant. Some continue to operate as traditional in rem property interests.<sup>127</sup> Yet here too, courts limit the scope of the right by reference to the peculiarities of the informational resource at issue. Very often, such limits supplement relational limits. Limiting by subject matter entails the use of filtering devices to circumscribe the eligibility of an intangible for protection independent of the defendant's own actions. Subject matter limits are well known in statutory patent and copyright. Common law intellectual property regimes have their own set devices, limiting eligibility for protection by context.

These subject matter limits give common law courts great flexibility. They afford common law courts broad discretion to mold them to new contexts and to give effect to diverse values that justify the grant or denial of protection. This discretion allows courts to limit the reach of a regime through both *substantive* and *structural* methods. The former involves interpreting the limit to exclude something from protection, while the latter entails cabining or limiting precedent narrowly to the facts in issue. To be sure, both methods are also available to courts in the statutory intellectual property context, but the presence of statutory language, often defining or guiding the application of the limit, constrains courts' ability to limit precedent.

The requirement of "concreteness" is a particularly good example of a subject matter filter designed to foster judicial discretion. Common law idea protection insists that an idea be "concrete" for it to be eligible for protection.<sup>128</sup> Yet, courts have struggled to make sense of concreteness. The substantive method of employing the filter can take two forms: one approach takes concreteness to mean that the idea must be reduced to a tangible form,<sup>129</sup> presumably to serve an

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127. Publicity rights and common law copyright are perhaps good examples.

128. See *Hamilton Nat'l Bank v. Belt*, 210 F.2d 706, 708 (D.C. Cir. 1953) (noting that "the law shies away from according protection to vagueness").

129. See, e.g., *Shanco Int'l Ltd. V. Digital Controls, Inc.*, 312 S.E.2d 150, 153-54 (Ga. Ct. App. 1983) (affirming dismissal of plaintiff's wrongful appropriation claim in part because his idea for a video game was not put in any concrete, usable form, such as plans, blueprints, or diagrams); *Bailey v. Haberle Congress Brewing Co.*, 85 N.Y.S.2d 51, 52 (Syracuse Mun. Ct. 1948) (dismissing a breach of contract to pay for an advertising slogan claim for reasons including that even if the defendant obtained the idea from the plaintiff, ideas that are not embodied in concrete form are not protected absent express contract); *Tutelman v. Stokowski*, 44 U.S.P.Q. (BNA) 47, 48 (Pa. Ct. Com. Pl. 1939) (dismissing plaintiff's claim that he had a property right in his idea for producing animated cartoons to run synchronously with well-known musical compositions in a motion picture for reasons including that an idea must be put into a concrete

evidentiary role, while another interprets it to imply merely that the idea be detailed and developed, in order to avoid the problem of overbreadth.<sup>130</sup> Judicial opinions have gone back and forth—affirming both theories for the doctrine.<sup>131</sup> Additionally, courts have used the common law origins of the concreteness filter to limit extensions of the law to new situations even when other courts haven't found the need to through the common law process—the structural method of employing the filter. Thus, while one court has denied protection to the slogan “Neighborly Haberle” on the ground that it was not concrete, another allowed protection for the slogan “A Macy Christmas and A Happy New Year.”<sup>132</sup> The latter court distinguished the former case by noting how the slogan there was a part of a “full and complete,” “carefully phrased” advertising plan, effectively limiting the earlier holding to its unique facts.<sup>133</sup> In another case involving cigarette advertisements, a court distinguished an earlier decision that had extended protection to a similar idea by express reference to the common law nature of the limit. It observed that each case had to be limited to its own facts and that the concreteness limit was “incapable of exact determination.”<sup>134</sup> Scholars have criticized these opinions for their seemingly inconsistent application of the standard in near-identical scenarios.<sup>135</sup> Yet from a structural point of view, they represent the effective use of the concreteness filter as a discretionary

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form of expression, which entails incorporating it into a product, which then becomes property, in order to be protected).

130. *See, e.g.*, *Jones v. Ulrich*, 95 N.E.2d 113, 120 (Ill. App. Ct. 1950) (reversing the trial court's dismissal while noting that “[a]lthough the idea to be protected must be concrete to a degree, there appears no requirement that it must be tangible and in a material form to entitle it to the protection of a court of equity”); *Flemming v. Ronson Corp.*, 258 A.2d 153, 156 (N.J. Super. Ct. Law Div. 1969) (finding that the plaintiff's idea for a type of artificial candle, though not yet expressed in physical form, was still “concrete and usable,” but dismissing the claim on other grounds).

131. *See Miller*, *supra* note 61, at 726 n.94 (noting the “uncertainty over the philosophical basis for the concreteness requirement,” and how it has led to inconsistent case law).

132. *Compare Bailey*, 85 N.Y.S.2d at 54, *with Healey v. R.H. Macy & Co.*, 297 N.Y.S. 165 (N.Y. App. Div. 1937) (per curiam) (reinstating jury verdict in favor of plaintiff), *aff'd*, 14 N.E.2d 388 (N.Y. 1938).

133. *See Bailey*, 85 N.Y.S.2d at 53 (distinguishing *Healey* on the grounds that in that case “plaintiff submitted to defendant not merely a slogan, but a full and complete advertising plan in writing, featuring the slogan, with drawings and sketches, and 200 words of carefully phrased advertising material”).

134. *Compare Thomas v. R.J. Reynolds Tobacco Co.*, 38 A.2d 61, 63–64 (Pa. 1944) (affirming judgment for defendant tobacco company because plaintiff's idea was not novel and concrete, noting that “[e]ach case of this nature must of necessity depend upon its own facts”), *with Liggett & Meyer Tobacco Co. v. Meyer*, 194 N.E. 206, 210 (Ind. Ct. App. 1935) (affirming on grounds including that plaintiff's idea for a billboard cigarette advertisement was concrete enough to go to a jury).

135. 4 NIMMER & NIMMER, *supra* note 58, § 19D.06[A][1]; *Miller*, *supra* note 61, at 726 n.94.

limit on extending protection to a domain where the consequences of such an extension remain unclear. The emphasis placed on the specific facts of a case to assess the concreteness of an idea is perhaps indicative of courts approaching the task of protecting ideas through a cautious assessment of the likely consequences.

### *B. Semantic Value Pluralism*

Another distinguishing feature of the common law method is its use of concepts and terms that are couched at a relatively high level of abstraction. Rather than committing themselves to a particular set of values or goals for the law, this enables courts to look at conflicting values and balance them through a form of practical reasoning.<sup>136</sup> The conceptual apparatus of the common law thus remains largely value neutral.<sup>137</sup>

Tort law is a strikingly good example of this. Tort theorist Leon Green described this best when he noted that common law tort concepts are “exceedingly flexible, capable of accommodating many shades of meaning,” representing “not a language of precision but rather one of ambiguity . . . always requiring the judgment of some one [sic] to make it explicit.”<sup>138</sup> Common law concepts thus derive their content from the way courts and litigants invoke them and instantiate them with particular meaning, as necessitated by the context.<sup>139</sup> The concepts are therefore, on their own, capable of accommodating multiple values—in the process allowing them to coexist within the broader parameters of the system. Value pluralism derives entirely from legal pragmatism’s antifoundational ideal.<sup>140</sup>

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136. For a succinct discussion of why judges rely on practical reasoning, see Joseph William Singer, *Normative Methods for Lawyers*, 56 UCLA L. REV. 899, 944–48 (2009).

137. See Mario J. Rizzo, *Rules Versus Cost-Benefit Analysis in the Common Law*, 4 CATO J. 865, 865 (1985) (“The common law . . . can restrict itself to the provision of abstract rules that enhance the possibilities of an order in which individuals can pursue and attain their own goals.”); cf. Jody S. Kraus, *Transparency and Determinacy in Common Law Adjudication: A Philosophical Defense of Explanatory Economic Analysis*, 93 VA. L. REV. 287, 300 (2007) (observing that even when decisions are rendered using concepts that have deontic significance, they allow for consequentialist explanations as a consequence of the specialized meaning they have come to acquire over time—a process referred to as the “contextualist convergence”).

138. Leon Green, *The Thrust of Tort Law, Part II: Judicial Law Making*, 64 W. VA. L. REV. 115, 129 (1962).

139. Coleman refers to this as the process of “inferential role semantics.” JULES L. COLEMAN, *THE PRACTICE OF PRINCIPLE* 7 (2001); see also Kraus, *supra* note 137, at 313–14 (explaining how Coleman rejects the notion that semantic elements have a determinate meaning in favor of the view that concepts are understood relationally).

140. For a discussion of legal pragmatism’s antifoundational approach, see *supra* Part II.A.



Though scholars have analyzed common law intellectual property regimes in terms of foundational theories, the rules of the regimes themselves continue to consciously disavow exclusive reliance on any one theory. Much like the rest of the common law, they have continued to develop in semantically neutral terms, enabling a contextual balancing and application of foundational values. This is far less true of statutory intellectual property.<sup>141</sup> Common law intellectual property's value pluralism occurs at two different levels. Systemically, the regimes straddle multiple doctrinal areas including tort, property, contract, and unjust enrichment. They draw devices and ideas from each of them, to produce a hybrid regime that resembles them all, but in parts. On a more granular level, they use doctrinal concepts and devices that are inherently open to contestation in terms of foundational value.

### 1. Interdoctrinalism

Common law intellectual property regimes resist categorization into any single area of the common law. To begin with, they do not treat the idea of property as an in rem right that is agnostic to the context and circumstances where it is enforced.<sup>142</sup> They also borrow ideas and devices from tort, contract, and unjust enrichment to produce a hybrid regime that emphasizes different aspects at different times. Precisely what end does this serve though? First, it allows a regime to integrate multiple goals and values into its functioning. For instance, by relying on tort law ideas, which emphasize the wrongfulness of a defendant's actions, it incorporates the ideal of corrective justice into its framework.<sup>143</sup> Similarly, by using party consent as a device from contract law, it values autonomy. Second, as a direct consequence of this integration, it allows each individual

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141. Even if statutory regimes do use concepts and ideas that are value-neutral on their face, they most often undergo a process of "contextualist convergence," where as a consequence of courts' use of ideas and concepts with a certain meaning/purpose in mind, the concept itself comes to acquire distinct meaning associated exclusively with the meaning/purpose in question. See Kraus, *supra* note 137, at 349. Copyright's fair use doctrine is an excellent example of this phenomenon, where courts have over the years come to understand the doctrine almost entirely in market failure (or transaction cost related) terms. See, e.g., Robert P. Merges, *The End of Friction? Property Rights and Contract in the "Newtonian" World of On-line Commerce*, 12 BERKELEY TECH. L.J. 115, 130–34 (1997).

142. For a discussion of how intellectual property's nonrivalrous nature necessitates a relational property view, see *supra* Part II.A.1.

143. See Jules Coleman & Gabe Mendlow, *The Normative Structure of Tort Law* (forthcoming 2011), available at <http://www.law.upenn.edu/academics/institutes/ilp/2009papers/ColemanPennWorkshopDraft.pdf> (arguing that the normative structure of tort law affirms the ideal of corrective justice even if the institution's foundational ideals may be more diverse),

regime to resist affirming the values associated with any single area of the law. For instance, if a regime rested entirely on contract law, courts would be hard-pressed to accommodate corrective justice and other values to which contract law remains largely inattentive.<sup>144</sup>

Scholars have long criticized courts for their eclectic approach to rulemaking in the area of common law intellectual property. This is perhaps most noticeable in the area of trade secrets, where the inability to cabin the area into a single theory has even resulted in some questioning its utility as an independent area of intellectual property and recommending its replacement with individual common law doctrines.<sup>145</sup> While a unified theory for trade secrets may enhance its coherence and logical consistency, it is by no means clear that this lack of coherence has proven to be a practical problem.<sup>146</sup>

Trade secret law is perhaps the best example of interdoctrinalism. It draws on devices from property, contract, tort, and unjust enrichment. In the process, it endorses multiple values: incentives, allocative efficiency, autonomy, commercial morality, corrective justice, and other distributive goals.<sup>147</sup> Publicity rights also reflect this feature, albeit to a lesser degree. While these rights are today thought to be truly proprietary, given earlier understandings of the area as deriving from tort and contract law, courts and scholars continue to disagree about the area's underlying theoretical justification. As a result, multiple theories, each with a very different

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144. See generally Anthony T. Kronman, *Paternalism and the Law of Contracts*, 92 YALE L.J. 763, 797 (1983) (exploring justifications for paternalism in contract law and criticizing it for being inattentive to the unique motives of contracting individuals); Anthony T. Kronman, *Contract Law and Distributive Justice*, 89 YALE L.J. 472, 474 (1979) (arguing that contract law should be used to promote distributive justice when alternative means are less acceptable).

145. See Bone, *supra* note 36, at 246–47 (arguing that trade secret law should not extend beyond the limits of individual common law areas such as contracts or torts, describing it as “not essential to the protection of intellectual property”).

146. The focus of Bone's analysis remains almost entirely on problems with individual “general” theories often proposed to justify the entire body of trade secret law. In *practice*, trade secret law seems to be far less problematic, other than facing problems in justifying its own existence on the basis of any single theory. Yet Bone's argument can be understood to make the case more convincingly for an antifoundationalist approach to trade secret law—one that recognizes the multiplicity and incompatibility of its numerous values. See *id.* at 304 (arguing that we should “recognize trade secret law for what it is: a collection of contract and tort theories grouped together by the nature of the subject matter they regulate”).

147. See KIM LANE SCHEPPELE, *LEGAL SECRETS: EQUALITY AND EFFICIENCY IN THE COMMON LAW* 3–4 (1988) (underscoring concerns for democracy and efficiency); see also James W. Hill, *Trade Secrets, Unjust Enrichment, and the Classification of Obligations*, 4 VA. J.L. & TECH. 2, 2 (1999) (noting that courts sometimes view liability under trade secret law as attempting to “enforce morality in business”); Lemley, *supra* note 34, at 319–28 (explaining trade secret law through tort, contract, property, and commercial morality).

emphasis, coexist.<sup>148</sup> Prominent theories for the continued existence of publicity rights include those focused on economic incentives, natural rights, efficient allocation, and autonomy, and those seeking to suppress commercial misrepresentation.<sup>149</sup> Again, much like trade secret law, theoretical diversity flourishes because these rights operate at the intersection of multiple doctrinal areas and draw from them for concepts and ideas.

## 2. Contestability

Contestability is a philosophical idea that refers to a situation of disagreement about the normative content of a particular concept.<sup>150</sup> While some understand contestability to be a feature of vagueness, others attribute it to theoretical or ideological disagreement.<sup>151</sup> Beyond mere contestability though, certain concepts are thought to be “essentially contested” in nature, a term first coined by the philosopher W.B. Gallie.<sup>152</sup> A concept is “essentially contested” when contestability (or normative disagreement over its content) is central to its meaning and existence. In other words, contestability is a fundamental purpose of these concepts, rendering it *essential* to their enterprise.<sup>153</sup> Examples include concepts such as art, democracy, freedom, and sovereignty.

Where normative disagreement is central to an area or recognized to be intractable, essentially contested concepts allow a discourse to focus participants’ attention on the contestation and its basis.<sup>154</sup> Essential contestability thus emphasizes that the meanings of some concepts need to change over time, as circumstances change, and

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148. See 1 MCCARTHY, *supra* note 23, § 1:1-26; Alice Haemmerli, *Whose Who? The Case for a Kantian Right of Publicity*, 49 DUKE L.J. 383, 406 (1999) (noting the unsettled nature of the justification, legitimacy, scope, and content of the right of publicity).

149. 1 MCCARTHY, *supra* note 23, §§ 2:1–2:9.

150. Jeremy Waldron, *Vagueness in Law and Language: Some Philosophical Issues*, 82 CAL. L. REV. 509, 526 (1994).

151. See TIMOTHY A.O. ENDICOTT, *VAGUENESS IN LAW* 47 (2000) (describing it as a form of vagueness but noting disagreement over this characterization).

152. W.B. Gallie, *Essentially Contested Concepts*, 56 PROC. ARISTOTELIAN SOC’Y 167, 171–72 (1956). For a more recent extension of the idea, see Christine Swanton, *On the “Essential Contestedness” of Political Concepts*, 95 ETHICS 811 (1985) (reformulating the concept of essential contestedness).

153. Gallie, *supra* note 152, at 169 (“[C]oncepts the proper use of which inevitably involves endless disputes about their proper uses on the part of their users.”).

154. Waldron, *supra* note 150, at 530–33.

that predicting or prescribing this change in advance is likely to be impossible.<sup>155</sup>

The connection between essential contestability and antifoundationalism should be obvious. Essentially contested concepts and ideas allow multiple values and normative goals to coexist under a common head and for their conflict to remain central to the very meaning of those concepts and ideas. One characteristic feature of the common law lies in its persistent use of standards (as opposed to rules) to frame its doctrinal content.<sup>156</sup> Standards, as scholars have long argued, give courts greater discretion to adapt the law to new circumstances *ex post*, while offering actors just enough guidance to plan their actions *ex ante*.<sup>157</sup> Additionally, when framed in terms that facilitate normative debate over their purpose and meaning, standards resemble essentially contested concepts.<sup>158</sup>

Common law intellectual property regimes use several prominent concepts that are contestable in this sense. Indeed, the mere possibility of such contestability has encouraged courts to employ loose standards rather than tightly worded rules in their rule formulation. Consider, for example, trade secret law's requirement that the plaintiff have taken "reasonable efforts" to preserve the secrecy of the information in question. When exactly is a measure "reasonable"?<sup>159</sup> As expected, here we find a wide array of views, ranging from those that examine the cost-effectiveness of a plaintiff's actions, to those that emphasize the signaling effects of a plaintiff's measures to protect secrecy.<sup>160</sup> Although courts interpret this

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155. Gallie, *supra* note 152, at 172 (prescribing a condition of essential contestability to be that "[t]he accredited achievement must be of a kind that admits of considerable modification in light of changing circumstances; and such modification cannot be prescribed or predicted in advance").

156. See Duncan Kennedy, *Form and Substance in Private Law Adjudication*, 89 HARV. L. REV. 1685, 1685–712 (1976) (addressing the challenge of deciding between rules and standards as the forms for legal directives); cf. FREDERICK SCHAUER, PLAYING BY THE RULES: A PHILOSOPHICAL EXAMINATION OF RULE-BASED DECISION-MAKING IN LAW AND IN LIFE 174–87 (1991) (describing the common law process in terms that correspond to its use of generalizable rules—resembling the idea of standards).

157. Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557, 568–70 (1992) (describing the debate in terms of *ex ante* and *ex post* approaches to lawmaking).

158. For a recent argument similarly contrasting rules and standards, see Seana Valentine Shffrin, *Inducing Moral Deliberation: On the Occasional Virtues of Fog*, 123 HARV. L. REV. 1214, 1214 (2010) (delineating the merits of the superficial opacity of standards).

159. See Lemley, *supra* note 34, at 317 (noting how the use of the word "reasonable" contributes to the confusion).

160. See, e.g., *Rockwell Graphic Sys., Inc. v. DEV Indus.*, 925 F.2d 174, 180 (7th Cir. 1991) (noting that the more the owner of a trade secret spends on protecting the secret, the more he demonstrates the value of the secret); *E.I. duPont deNemours & Co. v. Christopher*, 431 F.2d 1012, 1017 (5th Cir. 1970) (holding that businesses should take reasonable precautions to protect

requirement in terms of fairness, efficiency, and consent, none of these variables dominate the contestable idea of a “reasonable measure.”<sup>161</sup>

In the common law of idea protection, the requirement that the idea be sufficiently “concrete” is a similar evaluative standard, where contestation and disagreement in its application continue to exist.<sup>162</sup> Here too, courts use a variety of factors to assess whether an idea is concrete enough to merit protection. No single test dominates; a diversity of views thrives.<sup>163</sup>

### *C. The Influence of Custom*

Pragmatic incrementalism also insists that decisionmaking be “situated” or contextualized. Thus, it directs judges to look to the interaction between a legal rule and the social norms surrounding the type of activity at issue.<sup>164</sup> As a result, custom and practice often have a significant influence on common law courts’ formulation of a rule.<sup>165</sup>

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their trade secrets, but need not erect an “impenetrable fortress”); *J.T. Healy & Son, Inc. v. James A. Murphy & Son, Inc.*, 357 Mass. 728, 737–38 (1970) (reiterating that individuals who wish to keep trade secrets must take all proper and reasonable steps to ensure secrecy); *see also* 1 JAGER, *supra* note 37, § 5:16 (examining the signaling effects of plaintiff’s efforts to protect secrecy); 1 MILGRIM, *supra* note 23, § 1:04 (documenting considerations that courts take into account to determine whether this requirement is satisfied).

161. *See* Bone, *supra* note 36, at 279 n.171, 281 (observing how the “reasonableness” standard is both open-ended and contributes to the “uncertainty” of trade secret law).

162. 4 NIMMER & NIMMER, *supra* note 58, § 19D.06[A][1] (noting how the concept has been used in cases in a variety of senses and presenting the argument that it is vague and uncertain).

163. *See, e.g.*, *Hamilton Nat’l Bank v. Belt*, 210 F.2d 706, 708–09 (D.C. Cir. 1953) (permitting a cause of action where an idea is original, concrete, useful, and disclosed in circumstances demonstrating that compensation is expected if the idea is accepted and used); *Chandler v. Roach*, 319 P.2d 776 (Cal. 1957); *Stanley v. Columbia Broad. Sys.*, 221 P.2d 73, 83–84 (Cal. 1950) (approving of jury instructions that stated that a new, novel, and original abstract idea, reduced to concrete form, may be protected by an implied contract); *Jones v. Ulrich*, 95 N.E.2d 113, 120 (Ill. 1950) (noting that although an idea must be concrete to a degree to enjoy protection, there is no requirement that it be tangible and in material form); *Smith v. Recrion Corp.*, 541 P.2d 663, 665 (Nev. 1975) (requiring that the idea be capable of immediate use); *Bailey v. Haberle-Congress Brewing Co.*, 85 N.Y.S.2d 51, 52 (Syracuse Mun. Ct. 1948) (holding that an abstract idea can only be protected as private property when embodied in a concrete form); *see also* Miller, *supra* note 61, at 723–26 (noting the problems with the concreteness element).

164. *See* Grey, *supra* note 106, at 41 (“Law is contextual: it is rooted in *practice and custom*, and takes its substance from existing patterns of human conduct and interaction.”) (emphasis added).

165. Indeed, for long the common law was thought of as no more than customary law. *See* BENJAMIN N. CARDOZO, *THE NATURE OF THE JUDICIAL PROCESS* 125 (1925) (describing the conception of common law as judges throwing “off the wrappings to expose” the law); A.W.B. Simpson, *The Common Law and Legal Theory*, in 1 *FOLK LAW: ESSAYS IN THE THEORY AND PRACTICE OF LEX NON SCRIPTA* 119, 131 (Alison Dundes Rentelin & Alan Dundes eds., 1994) (explaining the traditional notion of the common law as custom). This certainly isn’t to imply that customs have little or no influence in the statutory context—just that their influence is likely to be much greater in relation to common law rule development.

Allowing custom to inform the scope of common law rules, though, isn't altogether without costs. For one, it may deter certain kinds of innovative activity if its effect is entirely to expand the scope and reach of a liability regime.<sup>166</sup> It may also favor one set of actors at the expense of others.<sup>167</sup> Consequently, courts using custom tread somewhat cautiously and often rely on a custom only when presented with conclusive evidence of it being widespread and well accepted by a broad set of actors.

Looking to customary practices and usages contextualizes the common law process.<sup>168</sup> But what does such contextualization contribute to common law intellectual property besides converting it into a bottom-up process? First, it leads to domain-specific rules. By enabling a rule to develop by reference to a single domain and the ways in which actors organize themselves and interact therein, it allows for a very high level of situational tailoring. This in turn leads rules to vary from one context to another, thereby avoiding the use of a one-size-fits-all approach to rule development. Secondly, custom also reinforces a regime's antifoundationalism. By using custom in lieu of various normative assessments, common law intellectual property regimes allow courts to avoid having to justify their normative decisions by reference to anything other than the specific, descriptive reality of generally acceptable behavior.

### 1. Domain-Specific Tailoring

Domain specificity is custom's biggest contribution to common law intellectual property. In intellectual property, scholars have noted how the use of uniform rules brings with it large costs that are only realized in the future, and, by the time these costs are realized, minimizing them is problematic.<sup>169</sup> This problem of "uniformity" is endemic to most statutory, top-down regulation. The common law process, by contrast, produces rules that originate in a bilateral setting, which forces courts to pay attention to the circumstances of

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166. See Gideon Parchomovsky & Alex Stein, *Torts and Innovation*, 107 MICH. L. REV. 285, 304 (2008) (noting that common law rules in tort may deter liability).

167. See Eric Posner, *Law, Economics, and Inefficient Norms*, 144 U. PA. L. REV. 1697, 1704 (1996) (noting that costs and benefits of common law rules are likely not symmetrical and that repeat litigators will attempt to exploit the constraints on courts to maximize their own wealth).

168. See 1 WILLIAM BLACKSTONE, COMMENTARIES \*68 (equating the common law with customary law); Simpson, *supra* note 165, at 131 (explaining the traditional notion of the common law as custom).

169. See, e.g., Michael W. Carroll, *One for All: The Problem of Uniformity Cost in Intellectual Property Law*, 55 AM. U. L. REV. 845, 852–56 (2006) (delineating the societal problems of uniform costs in the context of intellectual property).

the parties involved in the dispute. While some scholars argue that this forces courts to ignore broader issues,<sup>170</sup> it undoubtedly also results in much greater attention to detail. The use of custom to develop legal rules is perhaps the most direct way of minimizing the costs of uniformity.<sup>171</sup>

Additionally, the process of domain-specific tailoring enables participants to have a greater say in the process. If the common law method was thought to be antimajoritarian, its reliance on custom serves to alleviate that concern to a limited extent. Customary practices allow individuals (or participants) to organize themselves in ways that serve their collective interests, independent of the special-interest lobbying that accompanies that process.<sup>172</sup> Recent studies have shown that there exist multiple areas where largely homogeneous groups have developed rules and practices to govern their interactions and the sharing of informational resources that are central to their activities.<sup>173</sup> The resulting equilibrium from these rules and practices remains by and large stable.<sup>174</sup> However, when the equilibrium is disrupted, common law intellectual property regimes can restore the equilibrium by developing rules to replicate the functioning of the custom. In the process, common law intellectual

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170. Schauer, *Bad Law*, *supra* note 20, at 884.

171. See Dotan Oliar & Christopher Sprigman, *There's No Free Laugh (Anymore): The Emergence of Intellectual Property Norms and the Transformation of Stand-Up Comedy*, 94 VA. L. REV. 1787, 1839–40 (2008) (noting how decentralized norms can serve to break intellectual property's "one-size-fits-all straightjacket"). *But see* Jennifer Rothman, *Custom, Comedy, and the Value of Dissent*, 95 VA. L. REV. IN BRIEF 19, 20 (2009), <http://www.virginialawreview.org/inbrief/2009/04/20/Rothman.pdf> (arguing that a contrary outcome is more likely).

172. Indeed this was Friedrich Hayek's basis for preferring common law to statutory law, since to him the common law was made up *entirely* of rules that originate in customary practices, what he called the evolution of a "spontaneous order." 1 FRIEDRICH HAYEK, *LAW, LEGISLATION, AND LIBERTY: A NEW STATEMENT OF THE LIBERAL PRINCIPLES OF JUSTICE AND POLITICAL ECONOMY: RULES AND ORDER* 124, 124–25 (1973). *See generally* Robert D. Cooter, *Decentralized Law for a Complex Economy: The Structural Approach to Adjudicating the New Law Merchant*, 144 U. PA. L. REV. 1643 (1996) (describing the evolution of norms in philosophical and game theoretic terms).

173. *See, e.g.*, Emmanuelle Fauchart & Eric von Hippel, *Norms-Based Intellectual Property Systems: The Case of French Chefs*, 19 ORG. SCI. 187, 187 (2008) (identifying three implicit social norms that protect intellectual property of recipes); Jacob Loshin, *Secrets Revealed: How Magicians Protect Intellectual Property Without Law*, in *LAW AND MAGIC: A COLLECTION OF ESSAYS* 123, 134–38 (Christine A. Corcos ed., 2010) (identifying the magic community's norm-based intellectual property regime, which limits access, establishes norms, and enforces violations); Oliar & Sprigman, *supra* note 171 (documenting the existence of such customs in the world of stand-up comedians).

174. *Cf.* Rochelle Dreyfuss, *Fragile Equilibria*, 93 VA. L. REV. IN BRIEF (2007), <http://www.virginialawreview.org/inbrief.php?s=inbrief&p=2007/01/22/dreyfuss> (suggesting some skepticism about the stability of the resulting equilibria).

property rules draw substantive content from the customary practices that they seek to replicate.

*International News Service* illustrates this phenomenon. Richard Epstein has argued convincingly that the case is best understood against the backdrop of customary practices that existed among newspapers at the time.<sup>175</sup> He observes how newspapers had an unwritten norm against copying news stories from each others' bulletin boards and print editions, but allowed headlines to be copied, to be used as "tips" for further journalistic investigation.<sup>176</sup> World War I interfered with the equilibrium that these norms had created.<sup>177</sup> The Court's opinion in *International News Service* was then doing little more than reinforcing a pre-existing custom, and its solution, heavily tailored towards time-sensitive news, corroborates this account.

It is perhaps also against this backdrop of custom that one may understand Judge Learned Hand's reluctance to extend common law misappropriation to the fashion industry shortly thereafter. Until the 1940s, copying in the fashion industry between competitors was controlled rather effectively though a system of industry-wide norms created and enforced by the Fashion Originators' Guild.<sup>178</sup> In a well-known decision around the same time, Judge Hand refused to extend misappropriation to copying in the fashion world, seemingly concerned with the issues of institutional competence and balancing.<sup>179</sup> Could his reluctance be better explained by the existence of a strong system of norms that obviated the need for common law protection? Indeed, when the equilibrium disappeared as a consequence of the Guild being dissolved, Judge Hand seemed more willing to recognize some kind of protection for textile designs, this time under the rubric of traditional statutory copyright.<sup>180</sup> Determining when a norms-based equilibrium

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175. Richard A. Epstein, *International News Service v. Associated Press: Custom and Law as Sources of Property Rights in News*, 78 VA. L. REV. 85, 90–94 (1992). For critiques of Epstein's analysis, see Stephen L. Carter, *Custom, Adjudication, and Petrushevsky's Watch: Some Notes from the Intellectual Property Front*, 78 VA. L. REV. 129, 131 (1992) (cautioning against a court's enforcement of private customs regarding property rights), and Lloyd L. Weinreb, *Custom, Law, and Public Policy: The INS Case as an Example of Intellectual Property*, 78 VA. L. REV. 141, 143 (1992) (critiquing Epstein's characterization of the dichotomy between positive and customary law and Epstein's failure to adequately acknowledge the impact of spontaneous social order).

176. Epstein, *supra* note 175, at 95 n.24.

177. *Id.* at 105.

178. See Kal Raustiala & Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 VA. L. REV. 1687, 1697 (2006) (noting how the Guild "was effective at policing design piracy among its members"). The Guild was set up in 1932 and eventually dismantled by 1941. *Id.* at 1697–98.

179. *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929).

180. See *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 490 (2d Cir. 1960) (allowing copyright protection for a textile design). To be sure, other factors seem to have played



is in need of legal support is no easy task, since unnecessary interventions can have the effect of altogether undoing the normative significance of customary practices.<sup>181</sup> Perhaps this is also the reason that various norms of information sharing and control continue to exist in different areas, largely untouched by any legal regime.<sup>182</sup>

*International News Service* is a good example of a regime's holistic domain specificity—situations where a common law regime develops entirely to benefit a single domain. In these situations, the normative content of the regime originates in customary practices, and the common law then gives these practices de jure significance by rendering them legally enforceable. Instances of holistic domain specificity are rare.

Domain specificity can emerge from within a regime as well, when courts exhibit a willingness to interpret a legal standard differently for different groups of actors or resources. The use of custom here mirrors its role in other common law contexts such as products liability law or professional negligence.<sup>183</sup> The rules of the regime originate in legal directives, but courts defer to ground realities in operationalizing the regime. Domain specificity internal to a regime, in other words, one that emerges from within a regime, is seen in trade secret law. To determine whether parties intended for information to be kept secret, courts look to prevalent practices in the industry. As is to be expected, these practices vary from one industry to another and from one type of informational resource to another. Courts are perfectly comfortable undertaking this granular inquiry on a case-by-case basis.<sup>184</sup> Common law idea protection often relies on

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an important role as well, including a Supreme Court decision holding that the utilitarian nature of an object did not preclude copyright protection over its design. *Mazer v. Stein*, 347 U.S. 201, 218 (1954). Yet, Judge Hand's change in position—and the motivations for the same—have been the subject of some scrutiny by scholars. See, e.g., Thomas Ehrlich, *Copyright of Textile Designs—Clarity and Confusion in the Second Circuit*, 59 MICH. L. REV. 1043, 1043 (1961) (noting various points of confusion associated with Judge Hand's decision in *Peter Pan*).

181. See, e.g., Edward B. Rock & Michael L. Wachter, *The Enforceability of Norms and the Employment Relationship*, 144 U. PA. L. REV. 1913, 1938 (1996) (noting that “when a norm is self-enforcing, judicial enforcement only provides opportunities for abuse without any off-setting benefits”).

182. See *supra* text accompanying note 175.

183. See Richard A. Epstein, *The Path to The T.J. Hooper: The Theory and History of Custom in the Law of Tort*, 21 J. LEGAL STUD. 1, 1 (1992) (exploring various standards of care used when assessing tort liability); see also Philip G. Peters, Jr., *The Quiet Demise of Deference to Custom: Malpractice Law at the Millennium*, 57 WASH. & LEE L. REV. 163, 164 (2000) (documenting the use of custom in medical malpractice cases and noting the general demise of deference to customary norms among physicians).

184. See, e.g., *Flotec, Inc. v. S. Research, Inc.*, 16 F. Supp. 2d 992, 1007 (S.D. Ind. 1998) (finding a “widespread but not uniform” custom of keeping a customer's information confidential in the machine shop industry); *Zemco Mfg. v. Navistar Int'l Transp. Corp.*, 759 N.E. 2d 239, 250

custom too. Here, to determine whether a recipient of a concrete and novel idea understood the submission to have taken place under a condition of confidentiality, courts frequently look to industry custom to determine the existence or absence of such an understanding.<sup>185</sup>

Domain specificity thus involves deferring to participants in an area for guidance. It operates as a decentralization of the lawmaking process, allowing participants to organize themselves in the ways most conducive to them. As with any decentralized process, its effectiveness depends on the extent to which it is representative of the various interests involved. When the customary practices systematically undervalue the interests of less powerful participants—commonly seen in situations of greater heterogeneity among actors—the decentralization produces more problems than it does benefits.<sup>186</sup> This is a common objection to the use of custom in the statutory intellectual property context.<sup>187</sup> It remains less of an issue in the common law intellectual property context, where the bilateral nature of the dispute and the incremental process of rulemaking mitigate the potential

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(Ind. App. 2001) (disallowing a claim based on industry custom in the automobile parts industry); *Machen, Inc. v. Aircraft Design, Inc.*, 828 P.2d 73, 78 (Wash. Ct. App. 1992) (discussing the existence of an industry custom of confidentiality in the aviation industry); see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 41 cmt. b (2009) (“[T]he customs of the particular business or industry may be sufficient to indicate to the recipient that a particular disclosure is intended as confidential. The customary expectations surrounding the disclosure of information in noncommercial settings may differ from those arising in connection with disclosures in commercial contexts. The customary expectations regarding the confidentiality of information disclosed within the research facilities of an industrial firm, for example, may differ from those regarding disclosures in a nonprofit research laboratory.”).

185. See, e.g., *Nadel v. Play-By-Play Toys & Novelties, Inc.*, 208 F.3d 368, 371 (2d Cir. 2000) (“To facilitate the exchange of ideas, the standard custom and practice in the toy industry calls for companies to treat the submission of an idea as confidential.”); *Whitfield v. Lear*, 751 F.2d 90, 93 (2d Cir. 1984) (finding a custom in the television industry that when a studio is notified of a script, and reviews the script, it is customarily under an obligation to pay for the idea if it uses it); *Victor G. Reiling Assocs. v. Fisher-Price, Inc.*, 450 F. Supp. 2d 175, 184 (D. Conn. 2006) (noting the existence of this norm in the toy industry, and attributing its importance to the need to protect individual inventors from exploitation by large toy companies); *Minnear v. Tors*, 266 Cal. App. 2d 495, 505 (1968) (affirming the trial court’s finding of a similar custom in the television industry).

186. See Posner, *supra* note 167 at 1725. (noting that the few powerful members of a group may have more influence on the creation and enforcement of norms than the more numerous, less powerful members); Jennifer E. Rothman, *The Questionable Use of Custom in Intellectual Property*, 93 VA. L. REV. 1899, 1981 (2007) (using intellectual property to state the broader proposition that custom may develop from rent-seeking, powerful participants).

187. See Rothman, *supra* note 186, at 1956–59 (critiquing the idealized view of customary practice that fails to acknowledge that powerful interest groups might control the creation and development of custom); Weinreb, *supra* note 175, at 145–47 (questioning the utility of certain statutory provisions of intellectual property law because society knows little about “general welfare” in the area of intellectual property).

under-representativeness of the process. In this sense, domain specificity contributes to the incrementalism of these regimes.

## 2. Using the Positive as the Normative

Using custom also facilitates common law intellectual property's emphasis on antifoundationalism. By seeking to replicate the ways in which actors organize themselves to solve certain problems, courts avoid having to choose among conflicting values for an answer. It allows them to rely on a positive claim (about what parties do) to generate a normative answer (that parties ought to do that which they generally do). When presented with a conflict between efficiency, fairness, distributional concerns, and other moral ideas, custom allows courts to fall back on practical reasoning for a solution.

This process isn't without its own set of problems. Occasionally, courts use custom indirectly as a superficial proxy for a normative value, without actually analyzing how that value would operate in a given context. For instance, if a court were to conclude that a particular solution was the most efficient merely because it was customary in the industry or that the reason for choosing the custom was because it was the most efficient solution, the use of custom would have little normative significance of its own. It would operate as a dubious proxy for an independent efficiency analysis.<sup>188</sup> Courts' use of custom to this end can be contrasted with situations where they look to custom not as evidence for an independent variable, such as efficiency, but as the direct basis for a practical solution, rooted in the ways actors organize themselves. The crucial difference is that here they use the descriptive evidence of a custom as the *very basis* for their solution, while in the earlier set of cases they run their descriptive finding through the independent variable for which it is meant to be a proxy. The distinction is thus between direct and indirect uses of custom to derive a solution, with the latter being problematic.<sup>189</sup>

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188. In recent work, one scholar points to the problems inherent in courts' use of custom to answer these kinds of questions in intellectual property. Rothman, *supra* note 186, at 1931, 1937. For a useful discussion of similar problems in the context of Internet norms, see Mark A. Lemley, *The Law and Economics of Internet Norms*, 73 CHI.-KENT L. REV. 1257, 1286 (1998) (describing judges' lack of technological sophistication and inflexibility as barriers to effective enforcement of norms).

189. Rothman classifies these uses of custom using terms such as "aspirational," "nonnormative," and the like. Rothman, *supra* note 186, at 1971, 1975. Yet, the direct/indirect classification may better capture the problem here. For instance, if a custom of employee confidentiality exists in an industry is that custom to be understood as aspirational or nonnormative? If by nonnormative one means no more than that it is evidence of something

Between the two processes just identified are also situations where the regime uses standards whose normative content is widely contested. The use of “reasonableness” as a standard in different contexts is a perfect example of this phenomenon.<sup>190</sup> When courts use custom to assess the reasonableness of a solution, they certainly are not employing the custom directly. Yet, custom isn’t being used as a proxy for an independent evaluation either, since reasonableness is by its very nature devoid of uniform substantive content. Thus, when a common law intellectual property regime uses reasonableness as a variable, it provides courts with a stronger basis to analyze ways by which actors organize themselves and solve problems within an identified domain. While reasonableness could indeed come to be equated with efficiency, fairness, or some other substantive value,<sup>191</sup> it remains equally susceptible to analysis in practical terms, thereby allowing courts to sidestep having to choose between competing conceptions. In this way, the use of custom serves to complement the idea of antifoundationalism. Trade secret law’s requirement of “reasonable measures of precaution” remains a perfect illustration of this phenomenon. In avoiding having to define “reasonable” in terms of efficiency, cost-effectiveness, or some other variable, courts look to actual practice within the relevant industry to assess the reasonableness of the plaintiff’s actions.<sup>192</sup>

Custom thus allows common law intellectual property regimes to rely on current practices among actors in an area as the basis for their rule development. This doesn’t imply that the process merely reinforces the status quo by allowing little or no change over time. A

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other than its own existence—such as efficiency—then, it collapses back onto the direct/indirect distinction.

190. *See id.* at 1975 (noting how the use of custom here might be of some utility).

191. Indeed, problematic instances where courts use custom as a proxy for reasonableness are on closer analysis those where custom is used as a proxy for an independent value, i.e., situations where the addition of a reasonableness test does little more than obfuscate the inquiry and add a dimension of contestability when in reality none ought to exist. Courts’ use of custom in the fair use context, where the “fairness” of the use—rather than its reasonableness—is the mandated standard, illustrates this point. *See Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 550 (1985) (conflating the “reasonableness” of a use with its “fairness,” and thereby introducing a counterargument by The Nation that its use, while against custom, was not unreasonable); Rothman, *supra* note 186, at 1941 (discussing the differences between a reasonable use and a fair use in the context of intellectual property).

192. *See* UNIF. TRADE SECRETS ACT § 1(4)(ii), 14 U.L.A. 433 (1985) (requiring that the information in question be “the subject of efforts that are reasonable under the circumstances to maintain its secrecy”); *see also* *Flotec, Inc. v. S. Research, Inc.*, 16 F. Supp. 2d 992, 1000–07 (S.D. Ind. 1998) (finding that the requirement had not been met since the plaintiff had not followed the basic industry practice of indicating that the drawings in question were confidential); *Elm City Cheese Co. v. Federico*, 752 A.2d 1037, 1049–50 (Conn. 1999) (setting out commonly used methods of protecting secrecy in analyzing the requirement).

status quo approach of this sort would come about only if courts were to interpret the concept of “custom” differently from that of industry norms and practices.<sup>193</sup> There seems to be little reason to believe that common law intellectual property regimes adopt such a narrow conception of custom.<sup>194</sup> By contrast, courts seem well aware that customs are dynamic and as a consequence, look to how “widespread,” pervasive, or uniform a custom is, before modeling their rule on it.<sup>195</sup>

#### *D. Integrating the Ex Ante with the Ex Post*

Legal pragmatism insists that adjudication be “forward-looking,” that it pay close attention to its social consequences, and that judges decide on the precise formulation of a rule based on evidence of these consequences.<sup>196</sup> Yet, unlike lawmaking in the legislative or administrative context, common law rulemaking is constrained by the specifics of the dispute before a court. Common law courts therefore have to combine the instrumentalism of their rule formulation with the backward-looking nature of adjudication.

This has two consequences. First, it causes courts to view the future through the present. By restricting their decisionmaking to the dispute at hand, it focuses any rulemaking that comes about through that process on circumstances analogous to those before them.<sup>197</sup> Second, it also forces courts to analyze the present through the perspective of the future. This involves judges adopting an ex ante perspective in their analysis of the dispute before them.<sup>198</sup> When

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193. See Richard A. Posner, *Hayek, Law, and Cognition*, 1 N.Y.U. J.L. & LIBERTY 147, 152 (2005) (observing how “custom” may fail to keep up with changing economic or social practices).

194. See Posner, *supra* note 92, at 1657 (“[T]he law is forward-looking.”).

195. See, e.g., *Flotec, Inc.*, 16 F. Supp. 2d at 1007 (holding that a “widespread but not uniform practice” of keeping customer information confidential was not adequate grounds for infringement of trade secrets in the machine shop industry).

196. See Posner, *supra* note 92, at 1657 (“[The] law is forward-looking.”).

197. See Holmes, *supra* note 108, at 1 (“It is the merit of the common law that it decides the case first and determines the principle afterwards.”); Martha Minow, *The Supreme Court 1986 Term: Foreword: Justice Engendered*, 101 HARV. L. REV. 10, 89 (1987) (“In the process of personal reflection, however, the judge may stretch faculties for connection, while engaging in dialogue with the parties over their legal arguments and analogies.”); Schauer, *Bad Law*, *supra* note 20, at 883 (noting how lawmaking in the common law is contextualized through individual disputes); Steven Shavell, *The Appeals Process as a Means of Error Correction*, 24 J. LEGAL STUD. 379, 417 (1995) (observing how the appellate courts discharge their lawmaking function at times through issues needing such lawmaking being brought to their attention by litigants in individual cases).

198. For an overview of the ex ante approach to adjudication, see Frank H. Easterbrook, *Foreword: The Court and the Economic System*, 98 HARV. L. REV. 4, 10–12 (1984), and Frank H. Easterbrook, *Method, Result, and Authority: A Reply*, 98 HARV. L. REV. 622, 622 (1985). My account of the ex ante perspective differs from Easterbrook’s formulation. His approach tends to

presented with a dispute, common law judges factor the effects of the law into their rule- and decisionmaking. Additionally, they do this not just for the future, but in their analysis of the past as well. In other words, they examine how a prior rule is likely to have impacted parties' actions, resulting in the dispute before them. They use this then to understand the rule's future consequences. Thus, the forward-looking nature of the process isn't only future-oriented. It also entails examining past precedents for their consequences manifested in the present.

Courts developing common law intellectual property regimes often make a concerted effort to do more than just achieve justice between parties to a dispute. This is especially so when the regime relates to a rapidly changing area of activity. In these situations, courts focus on the future consequences of their decisions and the impact it is likely to have on actors in the area.

Courts examine the consequences of common law intellectual property rules in three principal ways. The first involves analyzing the legal regime in question as a system that exists principally as a future inducement for certain kinds of behavior. This analysis is only *mildly* instrumental, since the incentive effects are attributed to the regime in the aggregate and not to individualized decisions that courts themselves make in applying the regime. The idea of incentives is offered here at the theoretical, rather than practical, level.<sup>199</sup> Common law intellectual property regimes routinely employ the idea of incentives to this end, as do other areas of intellectual property.<sup>200</sup>

A second method of analyzing a regime's consequences involves examining how individual decisions and their holdings might impact actors in a certain area. This analysis differs from a focus on the system's aggregate effects in that the consequences it looks to are short-term, and largely immediate in nature. Courts' analysis of the "reasonable measure of secrecy" rule in trade secret law is a good

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correspond roughly to Posner's concept of forward-looking decisionmaking, rather than involving an analysis of the actual dispute in terms of the ex ante effects of past precedents.

199. See Shyamkrishna Balganesh, *Foreseeability and Copyright Incentives*, 122 HARV. L. REV. 1569, 1577 (2009) (noting the extensive use of incentives rhetoric in current copyright law).

200. See, e.g., *Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562, 576 (1977) (observing how the right of publicity provides an "economic incentive" to invest in a performance); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484–85 (1974) (observing how trade secret law will serve to "encourage invention" in areas); *U.S. Golf Ass'n v. St. Andrews Sys., Data-Max, Inc.*, 749 F.2d 1028, 1035 (3d Cir. 1984) (describing the misappropriation doctrine as providing creators of intellectual property with "necessary incentives"). For scholarly arguments in a similar vein, see 1 MCCARTHY, *supra* note 23, § 2:6 (discussing the incentive justification for publicity rights); Lemley, *supra* note 34, at 329–37 (arguing that trade secret law provides actors with an incentive to invent and disclose); Miller, *supra* note 61, at 711–15 (justifying common law idea protection in terms of the incentives it provides creators of ideas).

example. In determining whether a plaintiff took reasonable measures to protect the information in question, courts are often very cautious about placing the burden of secrecy too high, worried that doing so would result in an inefficiently excessive investment in secrecy measures.<sup>201</sup> The consequence that their decision cares about is the investment in secrecy, which is different from the aggregate effect of the regime: the inducement to invest in innovative activity that generates valuable information.<sup>202</sup> This form of analysis is *moderately* instrumental in the pragmatic sense, since its short-term focus could detract from the system's long-term consequences.

The third and perhaps most meaningful focus on consequences entails courts aligning the immediate effects of their decisions with the intended long-term effects of the regime as a whole. This involves two steps. In the first, courts accept the idea that a regime is directed at influencing primary behavior of a certain kind—in the aggregate and over time. In the second, they examine: (1) the extent to which the parties' actions were aligned with the effects that the system intended, and (2) how their own decision in the case is likely to contribute to or detract from the system's incentive effects. In a negligence case, it would thus entail courts first recognizing that the law is directed at inducing actors to invest in efficient precautions. Then, in deciding an individual case, courts would examine whether parties were actually influenced to invest in such precautions and how their decision would contribute towards parties making such investments in the future.<sup>203</sup> While common law courts rarely go through these steps in practice while adjudicating tort, contract, or property claims, they frequently undertake just such an analysis in common law intellectual property. This form of analysis is most *strongly* instrumental in the pragmatic sense.

The clearest example of this approach is seen in the law of misappropriation, as formulated by the Second Circuit.<sup>204</sup> One of the

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201. See, e.g., *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 725 (7th Cir. 2003) (observing how the requirement depends on a balancing of costs and benefits); *E.I. duPont deNemours & Co. v. Christopher*, 431 F.2d 1012, 1016–17 (5th Cir. 1970) (noting how requiring the defendant to do more than it had would “impose an enormous expense” and that the court did not want to “burden industrial inventors with such a duty”).

202. Cf. Lemley, *supra* note 34, at 342–44 (noting the centrality of secrecy to the incentive justification for trade secret law).

203. Some argue that courts do precisely this, under a theory of untaken precautions. See Mark F. Grady, *Untaken Precautions*, 18 J. LEGAL STUD. 139, 139 (1989) (“The key question that courts ask is what particular precautions the defendant could have taken but did not.”); see also WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF TORT LAW* 246 (1987) (arguing the same under a theory of marginal cost-benefit analysis).

204. *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997).

elements for a valid misappropriation claim, under the court's formulation, is a showing that "the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened."<sup>205</sup> The formulation thus accepts that *one* of the regime's objectives may indeed be to induce the production of a product or service. It then forces courts to analyze that systemic goal through the dispute being decided. Cumbersome as it may seem, courts seem to have found few problems in undertaking an analysis along these lines, recognizing that the analysis of a regime's consequences ought to be of more than just of rhetorical significance.<sup>206</sup>

Misappropriation law certainly isn't the only place where we see this type of analysis. Publicity law is another. While the incentives argument is often used to justify publicity rights, courts have on occasion stopped to ask whether the invocation of publicity rights in the case before them would serve to further the incentive effects claimed by the system, and on that basis have either extended or limited the application of the regime.<sup>207</sup> *Cardtoons, L.C. v. Major League Baseball Players Association* illustrates this point.<sup>208</sup> There, in balancing the plaintiff's claims against the defendant's free speech rights, the court examined whether denying the plaintiff's claim would reduce the incentive effects commonly imputed to the regime and concluded that in cases where no performance was involved, the incentive effect was "strained" and "less compelling" and that granting the plaintiff protection might have a harmful "chilling effect" on future speech. On that basis, it denied the plaintiff protection.<sup>209</sup> This example also illustrates that the consequences being considered often extend to those not just for the plaintiff, but also for the defendant. Other courts have adopted near identical analyses.<sup>210</sup>

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205. *Id.* at 845.

206. *See, e.g.*, *U.S. Golf Ass'n v. St. Andrews Sys., Data-Max, Inc.*, 749 F.2d 1028, 1034–41 (3d Cir. 1984) (denying a misappropriation claim based on a lack of "direct competition"); *X17, Inc. v. Lavandeira*, 563 F. Supp. 2d 1102, 1109 (C.D. Cal. 2007) (applying the multi-factor *NBA* analysis in a misappropriation case); *Pollstar v. Gigmania, Ltd.*, 170 F. Supp. 2d 974 (E.D. Cal. 2000) (same); *Fred Wehrenberg Circuit of Theatres, Inc. v. Moviefone, Inc.*, 73 F. Supp. 2d 1044, 1050 (E.D. Mo. 1999) (same).

207. *But see* 1 MCCARTHY, *supra* note 23, § 2:6 (criticizing its use here on the argument that such an analysis is never undertaken in the patent and copyright contexts).

208. 95 F.3d 959 (10th Cir. 1996).

209. *Id.* at 974.

210. *See, e.g.*, *C.B.C. Distrib. & Mktg., Inc. v. MLB Advanced Media, L.P.*, 505 F.3d 818, 824 (8th Cir. 2007) (using the framework of *Cardtoons* to analyze publicity rights pertaining to a fantasy baseball service); *ETW Corp. v. Jireh Pub., Inc.*, 332 F.3d 915, 938 (6th Cir. 2003) (same,



The various techniques described above and their relation to pragmatic incrementalism's main ideas are summarized by the following table.

<b>Pragmatic Incrementalist Tenets</b>	<b>Common Law Intellectual Property Techniques/Strategies</b>
Antifoundationalism	<i>Interdoctrinalism</i> <i>Encouraging Contestability</i> <i>Normative Use of Positive Custom</i>
Instrumentalism	<i>Incentives Analysis</i>
Contextualization	<i>Relational Property</i> <i>Domain Specific Tailoring</i>
Incrementalism	<i>Relational Property</i> <i>Discretionary Filters</i>

### III. LESSONS FOR INTELLECTUAL PROPERTY LAW REFORM

The functioning of pragmatic incrementalism in common law intellectual property holds several important lessons for intellectual property law reform efforts. It points to creative possibilities that intellectual property lawmaking ought to consider as genuine options, either in addition to or in lieu of features prevalent in the current system. Given the inadequacies of the current patent and copyright regimes, and the widely recognized impracticability of radical reform from within their current frameworks, looking to common law intellectual property might provide lawmakers with important structural and substantive possibilities to consider. This Part details some of them.

#### *A. Institutional Choice and Design*

Questions of institutional choice—of determining the appropriate distribution of lawmaking power between different

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pertaining to artwork of Tiger Woods); *Frazier v. Boomsma*, 84 U.S.P.Q.2d (BNA) 1779 (D. Ariz. 2007) (same, pertaining to publicity rights of soldiers who died in Iraq).

lawmaking institutions—have received surprisingly little attention in intellectual property.<sup>211</sup> The practical reality that legislatures have taken the lead in determining the shape and content of the law influences the way in which most participants in the system approach the mechanics of legal change. When any interest group today contemplates changing the law, its primary target remains the legislative branch.<sup>212</sup> Rarely are courts, whether at the federal or state level, considered appropriate stand-alone venues for intellectual property law reform. Perhaps more importantly, though, intellectual property reform efforts have increasingly come to spend very little time and effort on the question of when the judicial process might be a better avenue for legal change than the legislative one. Legislative reform remains the norm, while reform through courts is considered an exception, or, at best, a supplement. The working of common law intellectual property regimes, at the very least, suggests there may be areas within intellectual property where courts are as well equipped as (if not better than) legislatures at lawmaking. The remainder of this Section will discuss the choice between legislative certainty and common law flexibility, and the interaction between the two.

Legislatures certainly have distinct advantages. As democratically elected institutions, they are well suited to represent the multiple interests involved in intellectual property law and to reach compromises when necessary. Their directives are often universal in application, decisive on the appropriate trade-off between competing values, and, above all else, certain—enabling actors to plan their actions accordingly. Additionally, legislatures are particularly well suited for collecting and gathering information from different participants in an area, without being restricted to the specific parties of a dispute. All the same, their working has its costs. For one, law reform through the legislative process takes time.<sup>213</sup> Recognizing this, legislatures are commonly reluctant (in the intellectual property context) to make minor, incremental changes to the law on a sustained basis. Additionally, intellectual property law reform through legislatures is prone to special interest group pressures, often

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211. *See generally* NEIL K. KOMESAR, IMPERFECT ALTERNATIVES: CHOOSING INSTITUTIONS IN LAW, ECONOMICS, AND PUBLIC POLICY 5–6 (1997) (observing how issues of institutional choice receive very little systematic attention in the law generally).

212. This accounts for the innumerable amendments to both the patent and copyright statutes. *See supra* note 1. In recent times, this has certainly come to be supplemented by a very large number of amicus briefs filed in leading intellectual property cases.

213. *See Green, supra* note 138, at 121–22 (observing this phenomenon in the context of tort law and arguing that it favors judicial law-making in the area).

resulting in gridlocks and stalemates.<sup>214</sup> Thus, while legislative rulemaking comes with a high level of certainty, it often compromises on flexibility, in an effort to avoid incurring the costs of the legislative process on a repeated basis.

In contrast, common law courts create rules from the context of a specific dispute. The rulemaking is thus “situated” in the sense that it takes the dispute as representative of a larger phenomenon and extrapolates to the future from there.<sup>215</sup> The doctrines of *stare decisis* and *ratio decidendi* serve to constrain the court’s freedom in significant ways, ensuring that the exercise of any delegated discretion is undertaken in a largely principled way. This process of decisionmaking, with its enabling and constraining features, forces courts to proceed tentatively, in small steps, but with a high degree of precision. Since the process of rulemaking is invariably *ex post*, to the individual actor the law remains uncertain until a decision is actually rendered. This uncertainty could in turn have its own distinct set of incentive-related costs, since it might interfere with the ability of actors to plan their future undertakings. The common law process thus comes with a very high degree of flexibility, but compromises on certainty.

In a reform initiative, one of the first points of comparison must therefore be the relative costs and benefits of *flexibility* and *certainty* to the area or question under consideration. No doubt, the analysis will reveal that, for a large number of areas and questions in intellectual property, the need for certainty will dominate. Basic issues such as the very availability of protection, the duration of such protection, and the nature of the rights it grants its holder—would benefit more from a rule-based rather than a case-by-case approach. These are indeed questions for which the demands of certainty outweigh the advantages of flexibility, from a purely *ex ante* incentive point of view for both plaintiffs and defendants. It is perhaps for this reason that a large number of states have thought it necessary to codify some of these basic questions even within the domain of court-created intellectual property.

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214. Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900–2000*, 88 CAL. L. REV. 2187, 2234 (2000) (reviewing the “abundant evidence” of rent-seeking by special-interest groups in the realm of “IP legislation”); William F. Patry, *Copyright and the Legislative Process: A Personal Perspective*, 14 CARDOZO ARTS & ENT. L.J. 139, 141 (1996) (describing the extreme lobbying efforts of interest groups in the copyright lawmaking process).

215. The most cogent exposition of the idea can be traced back to the work of Karl Llewellyn, who emphasized the importance of a strong “situation sense” among common law judges. To him, situation sense entailed identifying relevant features in a set of facts, appreciating their social significance and thereupon approaching the case as an instantiation of a broader phenomenon. See LLEWELLYN, *supra* note 25, at 268–85, 447–48.

On the other hand, the certainty that tends to accompany the legislative process remains heavily dependent on the availability of information. And indeed when such information is available, the legislative process is superior to the judicial process in gathering it, notwithstanding the routine use of amicus brief filings by third parties in intellectual property cases.<sup>216</sup> There are however a large number of situations where such information is either unavailable, incapable of being measured, assessed, or compared, or is of questionable currency. Several factors may contribute to this, including the wide variety of parties' actions and their consequences, changing technology and social norms, and conflicting normative views and values on an issue. To favor certainty in these situations is likely to result in the law being grossly underinclusive or insensitive to the diversity of incommensurable preferences in society, thereby undermining its legitimacy. The analysis of common law intellectual property reveals how flexibility in the law can produce uniformity in principle, without degenerating into ad hoc decisionmaking. As situations change from one context to another and over time, a flexible, context-sensitive approach allows a legal regime to expand as needed, without striving for ex ante prescience.

Tort law, for instance, has remained a flexible common-law-based body of law, in large part due to the extreme variations in facts that courts encounter. To systematize the law with anything but open-ended principles would leave courts with very little room to adapt the law to new situations as they arise. One sees the same in common law intellectual property. Norms of "secrecy" or "confidentiality" and the methods employed tend to show extreme variability, eluding rule-based regulation.

The inadequacy of information because of a divergence in values is a less appreciated side of the same problem. When the underlying value framework for an area or its theoretical basis remains uncertain in society and among participants, the imposition of certainty there will produce artificial results or those contrary to the ones intended. For long, the regulation of cyberspace was thought to necessitate favoring flexibility over certainty for precisely this reason.<sup>217</sup> In that context, scholars came to favor a common law,

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216. See generally WILLIAM M. LANDES & RICHARD A. POSNER, *THE POLITICAL ECONOMY OF INTELLECTUAL PROPERTY LAW* 19–20 (2004) (detailing the number of such amicus filings in intellectual property cases between 1980 and 2003).

217. See Lawrence Lessig, *The Path of Cyberlaw*, 104 YALE L.J. 1743, 1744–45 (1995) (noting a gulf between the known interests and the potential interests at stake in cyberspace); Suzanna Sherry, *Haste Makes Waste: Congress and the Common Law in Cyberspace*, 55 VAND. L. REV. 309, 316–17 (2002) (arguing for common law solutions, rather than federal regulation, for

incremental approach that allowed courts to experiment with rules on a tentative, case-by-case basis *until* the core values underlying internet participation became clear and the consequences of implementing them predictable. Scholars have advocated similar approaches to the First and Fourth Amendments as well, where disagreement over values is pervasive.<sup>218</sup> An example of this phenomenon can be seen in the world of intellectual property too. Contrast in this respect, the competing availability of a free speech (in other words, First Amendment-related) defense in copyright law and the law of publicity rights. Copyright law, developed as a rule-based framework, continues to struggle with cases where a defendant presents a free speech argument, with courts having to fit their analysis into the terms of the fair use doctrine. The law of publicity, in contrast, developed in flexible common law terms, allowing courts to give free speech concerns far more salience. This has enabled courts to craft new exceptions and defenses, the most notable of which is the “newsworthiness” defense, largely unheard of in copyright jurisprudence.

The flexibility-certainty trade-off in many ways tracks the rules versus standards debate in legal theory. Yet, it does more than that. It points to the fact that in certain domains flexibility may not just be necessary, but also beneficial—by forcing a deeper and more sustained consideration of the issues at stake. Determining when flexibility is preferable to certainty in intellectual property and vice-versa is, to be sure, no easy or formulaic task. Yet, it is not without a corpus to draw from either. And this is where looking to common law intellectual property and its use of a flexible approach in different domains could prove helpful.

Perhaps more importantly, what often goes unnoticed is that flexible common law rulemaking need not be completely independent of legislative action dealing with areas of a regime where certainty is needed. It can remain interstitial and coexist with legislative enactments in an area. Copyright law’s fair use doctrine and substantial similarity requirement are good examples here. In these situations, for pragmatic incrementalism to function effectively, the

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cyberspace issues). *But see* Orin S. Kerr, *The Fourth Amendment and New Technologies: Constitutional Myths and the Case for Caution*, 102 MICH. L. REV. 801, 883–87 (2004) (arguing that when it comes to criminal law, the common law method shouldn’t be applied to cyberlaw).

218. *See* Ronald J. Allen & Ross M. Rosenberg, *The Fourth Amendment and the Limits of Theory: Local Versus General Theoretical Knowledge*, 72 ST. JOHN’S L. REV. 1149, 1149–51 (1998) (making an analogous argument in the Fourth Amendment context); Daniel A. Farber & Philip P. Frickey, *Practical Reason and the First Amendment*, 34 UCLA L. REV. 1615, 1615–17 (1987) (making the argument in relation to the First Amendment).

legislature needs to “empower” courts, or be seen as delegating actual common law rulemaking power to them.<sup>219</sup> Such empowering statutes would thus favor the use of standards, as opposed to rules. Additionally, in their framing of standards, they might choose to employ highly contestable concepts that are capable of accommodating multiple values when invoked (for example, “reasonableness”).

While the functioning of common law intellectual property as described in this Article certainly does not make the case for the superiority of judicial lawmaking in the area, at the very least it points to the exaggeration of claims that courts are ill-equipped to answer these questions. Substantive reform efforts would thus do well to integrate a study of relative institutional strengths and weaknesses before moving forward, recognizing that there might indeed be domains where change is better served incrementally through the judicial process, or that a collaborative exercise between courts and legislatures (for example, the fair use doctrine) would prove more effective in the long run. In situations of uncertainty, when the lack of information or the conflict of basic values demands a cautionary, tentative approach on an issue, the law would do well in entrusting to courts to develop rules as they have in the regimes described previously.

It is also worth emphasizing that the method of pragmatic incrementalism described herein does not automatically point in the direction of courts (federal or state) for its instantiation. Administrative agencies acting in their quasi-judicial or adjudicatory capacities might be equally well positioned to incorporate its core tenets and techniques. One might thus see the method working equally well in the context of a specialized intellectual property tribunal, where rules are generated from the context of the dispute, with a strong reliance on precedent and common law reasoning techniques. We must remember, however, that it is not just dispute-based rulemaking that results in the process being pragmatic and incremental. Structural norms such as *stare decisis*, precedent, analogical reasoning, and the use of formalist common law concepts as instrumental place-holders remain equally central. Courts and the judicial process are structured to exhibit these characteristics naturally. To the extent that other bodies model themselves on courts in these respects, the method of pragmatic incrementalism is likely to

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219. Cf. Margaret H. Lemos, *The Other Delegate: Judicially Administered Statutes and the Nondelegation Doctrine*, 81 S. CAL. L. REV. 405, 428–34 (2008) (describing the phenomenon of delegating to courts).

work there too. It too, at a minimum, would point to bodies other than legislatures as sources of intellectual property law reform.

### *B. Valuing Practical Reasoning*

Today, courts, scholars, policymakers, and the general public disagree about intellectual property's basic purpose. What is the system trying to achieve? The search for a grand theory to justify the institution has eluded scholars and practitioners for decades, if not centuries.<sup>220</sup> While the economic analysis of intellectual property today dominates the landscape, it isn't without its own set of rather significant shortcomings.<sup>221</sup>

The pragmatic incrementalism of common law intellectual property regimes tells us that we do not need to worry about choosing between these different values and goals for all times to come, and that a single system can accommodate them all. The emphasis that it places on practical reasoning as a mechanism of balancing different substantive values serves to minimize the effects of any trade-off or prioritization that is necessary. It also cautions against placing too much reliance on theoretical coherence as a precondition to institutional design.

What is practical reasoning though? Practical reasoning involves an eclectic approach to problem solving and avoids deciding an issue deductively by reference to a unifying principle. As an idea, it is often traced back to Aristotle and the belief that determining what is right (and necessary) in a situation does not require a universal theory of what is right.<sup>222</sup> Instead, people make decisions by choosing, comparing, and balancing multiple principles as they relate to the problem at hand.<sup>223</sup> Practical reasoning thus rejects both legal formalism and legal foundationalism.<sup>224</sup> It asks courts to focus on the dispute, and to use the reality of the controversy before them to think about the law that they are expounding on. It emphasizes the *reality*

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220. See Sunder, *supra* note 19, at 259–60 (“[T]here are no ‘giant-sized’ intellectual property theories . . .”).

221. For an overview of the problems in the copyright context, see Balganes, *supra* note 199, 1572–76. See also MADHAVI SUNDER, IP: YOUTUBE, MYSPACE, OUR CULTURE (forthcoming 2010).

222. ARISTOTLE, NICOMACHEAN ETHICS bk. VI, chs. 5–11 (Martin Ostwald trans., 1962) (understanding this idea in terms of the concept of *phronesis*).

223. See Daniel A. Farber, *The Inevitability of Practical Reason: Statutes, Formalism, and the Rule of Law*, 45 VAND. L. REV. 533, 536 (1992) (“[T]he judge could approach the case as an example of a broader situation, giving the particular facts of the case some weight but assessing them in regard to the broader implications of the case.”).

224. *Id.* at 539.

of the controversy rather than the *specifics* of the controversy, an important distinction. The latter would have judges adopt a narrow view of their task, related exclusively to doing justice between the parties, while the former would have courts fit the dispute into a broader category to understand the wider real-world implications of their individual adjudication.<sup>225</sup>

The Court's approach in *International News* very well illustrates the use of practical reasoning. When faced with the reality of free riding between competitors in the news industry, the Court was neither presented with, nor indeed sought, a single theory for its decision on quasi property. It consciously rejected the formalist concept of "property in news," recognizing that it was doing something vastly different.<sup>226</sup> At the same time, the Court did more than just balance the equities involved in the case for which a pure property interest in news would have been adequate. Instead, it tailored its rule to avoid running up against free speech and other public interest concerns.<sup>227</sup> In the decades since the decision, scholars have struggled to articulate a grand theory to explain Justice Pitney's reasoning in the case. They note that the opinion uses ideas from corrective justice, distributional fairness, unjust enrichment, and unfairness in competition, but fails to incorporate them all into a unified framework.<sup>228</sup> Yet, this eclecticism is indeed laudable; it effectively

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225. Llewellyn made much of this point in his description of the common law system of analysis. See KARL N. LLEWELLYN, JURISPRUDENCE: REALISM IN THEORY AND PRACTICE 301 (Transaction Publishers 2008) (1962) ("[T]he common law court deals not only with the particular decision, but with the rule which is to become a precedent and guide the future."). The importance of the reality of the controversy in allowing courts to sense the consequences of their decisions has been noted by others on several occasions as well. See *Valley Forge Christian Coll. v. Ams. United for Separation of Church & State, Inc.*, 454 U.S. 464, 472 (1982) (noting that the redressability component of standing helps ensure that legal questions are resolved "in a concrete factual context conducive to a realistic appreciation of the consequences of judicial action"); *Baker v. Carr*, 369 U.S. 186, 241–64 (1962) (Clark, J., concurring) (closely examining factual background of the disparity in voting representation across Tennessee counties). But see Frederick Schauer & Richard J. Zeckhauser, *The Trouble with Cases* 15 (Va. Law & Econ. Res. Paper, No. 2009-09, 2009), available at <http://ssrn.com/abstract=1446897> (detailing the problems of under-representativeness that this entails).

226. *Int'l News Serv. v. Associated Press*, 248 U.S. 215, 234–35 (1918) ("We need spend no time, however, upon the general question of property in news matter at common law, or the application of the copyright act, since it seems to us the case must turn upon the question of unfair competition in business.").

227. *Id.* at 236 ("Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognize that for this purpose, and as between them, it must be regarded as *quasi* property, irrespective of the rights of either as against the public.").

228. See, e.g., Baird, *supra* note 2, at 411 (noting how the danger of the Court's approach lay in its not being clear about the real interest being protected); Rudolf Callmann, *He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition*, 55 HARV. L. REV.



allowed multiple variables to play out in the area—all of which subsist today, with little negative impact on the robustness of the doctrine.

Eclecticism and practical reasoning, however, should not be confused with an entirely ad hoc approach to decisionmaking.<sup>229</sup> Practical reasoning is not the same as unprincipled decisionmaking. Rather, it involves employing experience and expertise to disaggregate a complex situation and then reconstruct it based on categories and ideas that have arisen in the past. As some have argued, it involves more than just bare intuition and entails the process of “sophisticated pattern recognition.”<sup>230</sup> Others have described its functioning in terms of hermeneutical theory.<sup>231</sup>

As a process, practical reasoning entails embracing the pluralism of values and ideals underlying an area, but working through the complexity of the situation inductively through its context. Through the focus on context, the abstract inconsistency of multiple values comes to be overshadowed by their practical compatibility. In recent work, Joseph Singer argues that practical reasoning is the primary way that judges and lawyers, unlike theorists and philosophers, approach the task of decisionmaking.<sup>232</sup> To Singer, the essence of practical reasoning lies in providing decisionmakers with a way to balance incommensurables. He identifies three ways by which this is achieved.<sup>233</sup> The first involves the direct balancing of competing interests.<sup>234</sup> A balancing approach is most suited to situations where the parties’ interests can be understood along a single variable that the decisionmaker determines is to be prioritized up front. A cost-benefit analysis, such as

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595, 597 (1942) (noting how the case relied on a theory of unjust enrichment for its decision); Gordon, *supra* note 2, at 266–67 (observing how the decision had two rationales, one deriving from fairness and the other from economic reasoning).

229. For this criticism of practical reasoning, see Martin H. Redish & Gary Lippman, *Freedom of Expression and the Civic Republican Revival in Constitutional Theory: The Ominous Implications*, 79 CAL. L. REV. 267, 290 n.132 (1991); Stephen D. Smith, *The Pursuit of Pragmatism*, 100 YALE L.J. 409, 434–37 (1990); David E. Van Zandt, *An Alternative Theory of Practical Reason in Judicial Decisions*, 65 TUL. L. REV. 775, 791 (1991).

230. Farber, *supra* note 223, at 555–56.

231. See William N. Eskridge, Jr. & Philip P. Frickey, *Statutory Interpretation as Practical Reasoning*, 42 STAN. L. REV. 321, 322 (1990) (applying practical reasoning to statutory interpretation); Farber & Frickey, *supra* note 218, at 1616 (applying practical reasoning to interpretation of the first amendment); Philip P. Frickey, *Congressional Intent, Practical Reasoning, and the Dynamic Nature of Federal Indian Law*, 78 CAL. L. REV. 1137 (1990) (applying practical reasoning to federal Indian law).

232. See Singer, *supra* note 136, at 944 (“Lawyers recognize that we have plural, incommensurable values and that we generally hold to a form of practical reason to decide hard cases in a practical manner.”).

233. *Id.* at 972–73.

234. *Id.* at 973–74.

intellectual property's incentives-access trade-off would fit this category. The second involves the idea of "contractualism," or the use of widely recognized ideas of rightness and wrongness to arrive at a decision and justify it.<sup>235</sup> To Singer, in the legal context, this involves that process of "reversing roles"—or trying to understand the decision in terms of the other side's context, in other words, on the assumption that a party's normative preferences aren't capable of being determined.<sup>236</sup> This ideal is then represented in the way that judges in the common law tradition often work hard to explain the reasoning behind their decisions, even when they don't have to do so.

The third mechanism that Singer identifies uses Rawls's idea of the "reflective equilibrium."<sup>237</sup> The method of arriving at a reflective equilibrium entails moving back and forth between the general and the specific, and allowing modification and updating at both ends of that process. The decisionmaker deems the outcome acceptable when he achieves sufficient coherence through this back and forth. The back and forth process combines inductive, deductive, and analogical reasoning in the decisionmaking process.

Applying Singer's mechanisms to intellectual property lawmaking reveals several important lessons. To begin with, it would imply that the system need not prioritize certain values over others up front, but can instead hope to achieve a harmonious balance between them within the institution and over time. It involves recognizing the existence of multiple, equally viable, theoretical values for an institution, and then looking to how each is likely to work in the context of the case being decided. Judges test the implications of each value against the likely short- and long-term practical effects of their decision. In the process, they update their choice of value framework, modify its exclusivity, and perhaps even achieve a balance between multiple values in the context of a single decision. Central to the entire process is thus an abandonment of the idea that the rule-development and decisionmaking processes necessitate abstract theoretical coherence, and a recognition that the needs of *deciding the case at hand* force a consideration and comparison of multiple perspectives. The coherence of the process lies in the contextual balance between the general and the specific that it achieves for different informational resources and contexts.

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235. The idea is commonly associated with the work of T.M. Scanlon. See THOMAS M. SCANLON, WHAT WE OWE TO EACH OTHER 153 (1998).

236. Singer, *supra* note 136, at 975.

237. *Id.* at 976–77.

In concrete terms, this suggests that intellectual property law would benefit from placing more reliance on practical, problem-solving techniques rather than theoretical consistency. For decades now, Congress and the federal courts have framed their discussion of the subject using uniform foundational values, even when logic and common sense point them elsewhere—all in the name of coherence. Yet, the functioning of common law intellectual property ought to point to the reality that value pluralism and contestability are perfectly compatible with a well-functioning system of intellectual property rules.

#### IV. OBJECTIONS

The preceding parts of this Article have developed a model of judicial lawmaking from the working of common law intellectual property and have argued that it holds important lessons for the future of intellectual property reform efforts. This Part anticipates and responds to possible objections to the argument. Much like the theory of pragmatic incrementalism itself, the objections are both structural and substantive in nature: (1) that pragmatic incrementalism is inherently conservative; (2) that common law intellectual property operates at the margins of the intellectual property system; and (3) that my defense of it underplays the deficiencies of the common law.

##### *A. Pragmatic Incrementalism Is Inherently Conservative*

At first glance, the working of pragmatic incrementalism may seem diametrically opposed to change as an idea, and certainly antagonistic to radical change. Given its emphasis on small steps and incremental development over time, it certainly has overtones of Burkean conservatism—in a methodological, rather than ideological sense.<sup>238</sup> Yet, paradoxical as it may seem, pragmatic incrementalism is capable of being employed to bring about genuine change in the status quo.

The idea of incremental change in the common law comes with the recognition that when circumstances demand, the extent of the change can indeed be significant.<sup>239</sup> Even when significant, the change

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238. EDMUND BURKE, REFLECTIONS ON THE REVOLUTION IN FRANCE 74 (Frank M. Turner ed., Yale Univ. Press 2003) (1790); Sunstein, *Minimalism*, *supra* note 98, at 371.

239. As some have observed, Burke himself recognized the need for such change as society changes. BURKE, *supra* note 238, at 19, 51–52. For an interesting application of Burkean thought to patent law, see Thomas F. Cotter, *A Burkean Perspective on Patent Eligibility*, 22 BERKELEY

remains incremental in the sense that it develops from the accumulation of knowledge and information about the area over time. Decisions such as *Palsgraf*, *MacPherson*, and *International News*, all prominent examples of pragmatic incrementalism, did anything but affirm the status quo. Nonetheless, the extent of the change they introduced remained incremental in the use of ideas, concepts, and principles that were in existence and had been developed by the common law over an extended period of time. In other words, these decisions were radical, yet incremental.

Additionally, incrementalism is hardly opposed to the idea of overruling precedent when necessary. Yet, overruling too can be incremental—when it recognizes that the idea underlying a previous case has come to be whittled away in spirit (even if not in express terms) by practice and holdings since.<sup>240</sup> Like Burkean minimalism, pragmatic incrementalism cautions against decisionmaking in situations of extreme uncertainty, especially when completely unaided by information. Yet, as a theory about the judicial process, incrementalism is equally suspicious of such decisionmaking regardless of ideology, be it intellectual property minimalist or maximalist.

Even if incrementalism is largely Burkean, its interface with pragmatism as a way of thinking about a problem in antifoundational terms actively facilitates change of a different kind. Accusations of conservatism and of biasing the status quo have long been leveled against pragmatism as a philosophical movement.<sup>241</sup> Responding to portions of this criticism in a short essay, Richard Rorty succinctly observed that social change to pragmatism comes about by focusing on the real-world consequences of an idea, rather than by laying claim to

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TECH. L.J. 855, 858 (2007) (“[S]ome of the general themes found in Burke’s writing . . . may shed some light on some contemporary debates about the scope of patentable subject matter.”).

240. In a recent opinion of the Supreme Court, Justice Breyer dissented from the majority’s opinion which overruled a century-old precedent, noting that the process of overruling had to be incremental, and pointing to Cardozo’s approach as paradigmatic of this process. See *Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 551 U.S. 877, 928 (2007) (Breyer, J., dissenting).

241. See, e.g., Lynn A. Baker, *“Just Do It”: Pragmatism and Progressive Social Change*, 78 VA. L. REV. 697, 697 (1992) (“[P]ragmatism is of scant use for achieving progressive social change.”); Allan C. Hutchinson, *The Three Rs: Reading/Rorty/Radically*, 103 HARV. L. REV. 555, 583 (1989) (reviewing RICHARD RORTY, *CONTINGENCY, IRONY, AND SOLIDARITY* (1989)) (“Law does the same for practical reason as philosophy does for reasoning at large; it attempts to turn it into a falsely privileged mode of discourse.”); Joseph W. Singer, *Should Lawyers Care About Philosophy?*, 1989 DUKE L.J. 1752, 1759 (reviewing RICHARD RORTY, *CONTINGENCY, IRONY, AND SOLIDARITY* (1989)) (“By separating philosophy from justice, Rorty’s vision reinforces existing power relations that illegitimately oppress and exclude large segments of the population.”).

its truth or authority.<sup>242</sup> Indeed, pragmatic incrementalism is in similar terms forward-looking, driven by its consequences for actors likely to be guided by the law's normative (or guidance) power. As an antifoundational approach to rulemaking, it actively disavows reliance on a grand theoretical framework to reach a decision, but instead focuses attention on the pluralism of values and theories that operate under the normative structure of the law. In this respect too, it draws from pragmatism as a philosophy, which Rorty describes as principally "negative and renunciatory."<sup>243</sup>

In the intellectual property context, pragmatic incrementalism's focus on epistemological pluralism is likely to bring about rather significant social change. With the ideas of ownership, economic incentives, and efficiency coming to dominate the way in which courts think about and apply the copyright and patent systems today, pragmatic incrementalism, as an antifoundational approach to rulemaking, is likely to force a recognition of the plurality of values and concerns at stake in the area. The amount of change enabled by any approach is entirely a factor of what the baseline for the change is. Given the foundationalism at work in different parts of intellectual property, pragmatic incrementalism can at the very least ensure a methodological shift in the way in which intellectual property rights are conceived and operationalized. Whether this comes about one case at a time, over a period of time, or through the gradual relinquishment of foundationalist rhetoric, it certainly constitutes change.

### *B. The Marginality of Common Law Intellectual Property*

A second possible objection derives from the fact that the regimes described previously are all creatures of *state* law, likely to be preempted in different ways by federal intellectual property law. To some this might imply that these areas, though once robust, today operate in the interstices of the intellectual property system largely in recognition of their fragmented, common law development. In other words, their marginalization might be thought of as a consequence of their structural attributes, many of which the argument here extols. Additionally, to the extent that the three main federal intellectual property regimes could in theory preempt these state common law regimes, it might be seen as little more than a matter of time before

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242. Richard Rorty, *What Can You Expect from Anti-Foundationalist Philosophers?: A Reply to Lynn Baker*, 78 VA. L. REV. 719, 719 (1992) ("They defend their proposals not solely in terms of how much we would like the consequences of the change they propose . . . but also by reference to the authority of that for which they speak.").

243. *Id.* at 724.

Congress decides to replace or eliminate these laws altogether in recognition of these deficiencies.

Federal preemption is no doubt an important issue in the intellectual property context; and indeed many of the regimes described have shrunk in significance as a consequence of it.<sup>244</sup> Yet, the fact of the matter is that the common law intellectual property regimes that subsist today do so because they are thought to have a legitimate role in the intellectual property landscape. In other words, their structural and functional attributes are thought to be independently significant so as to warrant being preserved.

Trade secret law is perhaps the best example of this. In the 1974 case of *Kewanee Oil Co. v. Bicron Corp.* for instance, when presented with the question of whether state trade secret law ought to be preempted, the Court answered the question in the negative, sending a message to Congress that if it thought trade secret law worth preempting it ought to do so expressly.<sup>245</sup> Observing that “Congress, by its silence over these many years, has seen the wisdom of allowing the States to enforce trade secret protection,”<sup>246</sup> the Court went on to find that trade secret law performed an important function by deterring commercial impropriety. A few scholars and practicing lawyers no doubt continue to advance the claim that uniformity and consistency in interpretation demand the federalization of trade secret law, and as a result almost completely ignore the virtues of the

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244. For work on the issue of federal preemption in intellectual property law, see Howard B. Abrams, *Copyright, Misappropriation, and Preemption: Constitutional and Statutory Limits of State Law Protection*, 1983 SUP. CT. REV. 509, 580–81 (arguing section 301 of the Copyright Act has frustrated the intent of Congress to create a uniform federal system and the standards for copyright preemption must therefore be reformulated); Paul Heald, *Federal Intellectual Property Law and the Economics of Preemption*, 76 IOWA L. REV. 959, 1009 (1991) (arguing the propriety of preemption can be determined by analyzing the goals and balances struck by federal law reflected in the economics of patents, copyrights, and trademarks); Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111, 150 (1999) (emphasizing the limits of preemption in resolving the conflict between freedom of contract and intellectual property policy); Maureen A. O'Rourke, *Copyright Preemption After the ProCD Case: A Market-Based Approach*, 12 BERKELEY TECH. L.J. 53, 91 (1997) (arguing that Congress should clarify its intent regarding which copyright rules are immutable, but absent such clarification, courts should reference market considerations by analogy to other areas of the law to inform their decisions); Rothman, *supra* note 55, at 265 (contending that “[c]ourts must preempt the right of publicity when it is based solely on persona, is used to thwart a copyright holder's lawful exercise of rights to which the publicity holder consented, or when the Copyright Act explicitly permits the use at issue”); Sharon K. Sandeen, *Kewanee Revisited: Returning to First Principles of Intellectual Property Law to Determine the Issue of Federal Preemption*, 12 MARQ. INTELL. PROP. L. REV. 299, 357 (2008) (arguing it is the fact that state law “does not unduly restrict free competition in information” that saves it from federal preemption).

245. 416 U.S. 470, 492–93 (1974).

246. *Id.* at 493.

common law process.<sup>247</sup> Not surprisingly, these proposals have seen little success in practice.<sup>248</sup>

The same holds true of other forms of common law intellectual property. In enacting the preemption provisions of the 1976 Copyright Act, Congress expressly observed that publicity rights and trade secrets were “evolving” doctrines and outside the purview of copyright preemption as long as they continued to differentiate themselves from traditional copyright law—an indirect reference to their adaptability.<sup>249</sup> Additionally, in relation to the misappropriation doctrine, Congress observed that state law should continue to have the “flexibility” needed to afford a remedy to plaintiffs when needed, referring specifically to the “traditional principles of equity.”<sup>250</sup> These references clearly illustrate that, while subject matter certainly was important in Congress’s exclusion of these regimes from the reach of federal preemption, their structural attributes were equally important and recognized as independently beneficial. The congressional “silence” that the Court spoke of in *Kewanee* was thus followed by an unequivocal endorsement of the continuing utility of these regimes in structural and functional terms.<sup>251</sup>

The marginality of common law intellectual property is thus hardly a consequence of its structural features. The argument here accepts the reality that common law intellectual property regimes tend to get insufficient attention in discussions of the subject. While the federalization of intellectual property and the decline of federal general common law as a stand-alone body may have contributed to this, the argument’s principal objective has been to show that this marginalization has ignored the lawmaking processes that these

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247. See, e.g., David S. Almeling, *Four Reasons to Enact a Federal Trade Secrets Act*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 769, 770–71 (2009); Marina Lao, *Federalizing Trade Secrets Law in an Information Economy*, 59 OHIO ST. L.J. 1633, 1633 (1998); Christopher Rebel J. Pace, *The Case for a Federal Trade Secrets Act*, 8 HARV. J.L. & TECH. 427, 442–43 (1995); Carole P. Sadler, *Federal Copyright Protection and State Trade Secret Protection: The Case for Partial Preemption*, 33 AM. U. L. REV. 667, 669, 671–74 (1984).

248. Besides congressional inaction in the area, it is also interesting to note that in its most recent report on the subject, the American Intellectual Property Law Association (AIPLA) recommended against the federalization of trade secret law, after reviewing multiple proposals to the contrary. AM. INTELLECTUAL PROP. LAW ASS’N, REPORT OF THE TRADE SECRETS COMMITTEE 2 (2007), available at [http://www.aipla.org/MSTemplate.cfm?Section=Proposal\\_to\\_Federalize\\_Trade\\_Secret\\_Law&Site=Trade\\_Secret\\_Law&Template=/ContentManagement/ContentDisplay.cfm&ContentID=7041](http://www.aipla.org/MSTemplate.cfm?Section=Proposal_to_Federalize_Trade_Secret_Law&Site=Trade_Secret_Law&Template=/ContentManagement/ContentDisplay.cfm&ContentID=7041). One of the principal reasons that the report cites for its conclusion is the need to allow states to develop their local economies by adapting the law to the needs of their individual marketplaces. *Id.* at 7. This most certainly is an allusion to the inherent adaptability of trade secret law, and the benefits of a ‘no one size for all’ approach to the subject.

249. H.R. REP. NO. 94-1476, at 132 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5748.

250. *Id.*

251. *Kewanee*, 416 U.S. at 493.

regimes employ. Congress clearly sees some virtue in these lawmaking processes, as evidenced by its actions in carving out a distinct space for them. Recognizing and accepting the marginality of what these regimes cover (that is, their subject matter) does not translate into a denunciation of their lawmaking processes.

Perhaps most importantly though, the normative goal of this Article has been to show that the common law method of rulemaking that these regimes use is suitable for a host of other intellectual property contexts—whether federal or state, entirely common law based, or interwoven with statutory provisions. The claim uses common law intellectual property to illustrate the functioning of this method; yet, the method itself is hardly tied to these regimes. It is possible to reconstruct the existing common law parts of the federal intellectual property regimes such as the fair use doctrine in positive terms along nearly identical lines.<sup>252</sup>

### *C. Courts and Their Deficiencies*

A last possible objection is also perhaps the strongest, since it looks to the practical side of pragmatic incrementalism. This is that the defense of pragmatic incrementalism in common law intellectual property pays insufficient attention to the problems associated with looking to courts for rule generation. These shortcomings are said to derive from: (1) questions of judicial competence, whether judges are capable of making the policy decisions that intellectual property law demands; and (2) the problem of dividing responsibility between judge and jury in the adjudicatory process, an enduring problem of the adjudicatory process. The analysis below examines each issue and its significance for intellectual property as it relates to some of my previous claims about pragmatic incrementalism.

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252. The fair use doctrine was originally the creation of courts. *See Folsom v. Marsh*, 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (No. 4901) (holding that in determining whether a use is permitted, the court must consider “the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work”). Yet, in drafting the current version of the doctrine, contained in 17 U.S.C. § 107, Congress again clearly recognized that “the endless variety of situations and combinations of circumstances that can rise in particular cases precludes the formulation of exact rules” and that “courts must be free to adapt the doctrine to particular situations on a case-by-case basis.” H.R. REP. NO. 94-1476, at 66, *reprinted in* 1976 U.S.C.C.A.N. at 5680. Indeed, the method that courts have used to develop the doctrine is worthy of independent analysis along the lines carried out here.



## 1. Competence

The argument from *competence* has two parts to it. The first is the claim that since common law intellectual property tends to be state law, state courts may not be as well equipped and competent as their federal counterparts, given that a large number of states appoint judges through elections or other political processes.<sup>253</sup> This objection is of limited significance for my claim here, since as noted before, nothing in my defense of pragmatic incrementalism ties it to state courts.<sup>254</sup> Indeed the broader normative goal of the project is to have federal law (and courts) internalize some of the methods that state courts developed and routinely apply. We may therefore move on to the second part, which is the more generic claim that courts, whether federal or state, are less competent than legislatures or indeed administrative agencies in dealing with matters of a specialized nature, of which intellectual property law is clearly a subset.

The claim that specialization and complexity necessitate less judicial involvement is hardly true of a host of other areas. Tort law, antitrust law, and several other areas exhibit similar levels of complexity, and yet have for ages been handled and developed principally by courts. This is no less true of intellectual property law in general, where generalist courts have always arbitrated disputes and on occasions moved the law along incrementally. Additionally, the intellectual property system's one experiment with a specialized court for patent law has hardly been a runaway success, with many questioning the wisdom behind allowing a specialized court to develop its jurisprudence independent of the general corpus of law and legal reasoning that applies to other areas.<sup>255</sup> When complexity is indeed an issue, and requires the input of experts from different disciplines, the answer may lie in fostering a greater role for administrative agencies in the lawmaking process, to collaborate with and inform judicial rule development. The role of the Federal Trade Commission ("FTC") in

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253. For an elaborate overview of the different appointment processes followed in different state courts, see Roy A. Schotland, *New Challenges to States' Judicial Selection*, 95 GEO. L.J. 1077, 1079–86 (2007).

254. See *supra* p. 1551.

255. See, e.g., Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 25 (1989) (discussing the concern that specialization would lead to inferior law because "channeling cases to a single forum" would decrease the "percolation of ideas within the judiciary"); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1108–10 (2004) (arguing the Federal Circuit has not yet achieved its mandate of a clearer, more coherent, more predictable legal infrastructure for the resolution of patent cases, but is on the trajectory to achieve it in the future).

developing antitrust law might in this context represent a model to follow.<sup>256</sup> Antitrust law, much like common law intellectual property, is principally the creation of courts through the common law process. Yet, the FTC issues guidelines, studies, and instructions on different areas and industries, to which courts routinely look (and often defer) in their analysis and development of the law.<sup>257</sup> The answer may thus lie in more agency involvement rather than attempting to take the primary task of lawmaking away from courts and handing it back to legislatures.

As this argument has emphasized throughout, adopting pragmatic incrementalism as an approach to lawmaking does not necessarily entail abjuring all reliance on legislation. Indeed the common law regimes discussed previously have come to reflect that reality, with many of them now being codified in different forms. The answer thus lies in a collaborative lawmaking exercise, with legislatures or agencies providing concrete, specialized rules when needed, and courts having a greater say in developing parts of the law that are best suited to incremental antifoundational development. Indeed, as some have argued, a similar collaborative model existed early in the development of copyright law, before the system turned entirely to statutory reform for solutions.<sup>258</sup>

## 2. Judge/Jury

A second problem that might be identified in the account of pragmatic incrementalism is that it elides the division of responsibility between judge and jury in the decisionmaking process. In various other common law contexts, most notably tort law, the judge-jury divide continues to be an issue that plays a rather significant role in influencing the shape and direction of the law. In order to vest decisionmaking either with the jury or to take it away from them, questions of law and fact tend to be framed in terms that complicate the doctrinal framework.<sup>259</sup> The issue of causation in

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256. See generally ROBERT A. KATZMANN, *REGULATORY BUREAUCRACY: THE FEDERAL TRADE COMMISSION AND ANTITRUST POLICY* (1980) (providing an overview of the FTC's transformation and its effects on antitrust policy).

257. For a recent overview of this interaction by the FTC Commissioner, see J. Thomas Rosch, Comm'r, Fed. Trade Comm'n, Remarks at the Berlin Forum on EU-US Legal-Economic Affairs: Thoughts on the FTC's Relationship (Constitutional and Otherwise) to the Legislative, Executive, and Judicial Branches, (Sept. 19, 2009), <http://www.ftc.gov/speeches/rosch/090919roschberlinspeech.pdf>.

258. Pierre N. Leval, *An Assembly of Idiots?*, 34 CONN. L. REV. 1049, 1061–62 (2002).

259. See James Fleming, Jr., *Functions of Judge and Jury in Negligence Cases*, 58 YALE L.J. 667, 679–85 (1949) (describing the ways by which this division is achieved in accident law, and

negligence law is a good example of this phenomenon, where the bifurcation of proximate cause and cause-in-fact often complicates the inquiry.<sup>260</sup> The same is likely to happen with intellectual property cases as well, should lawmaking come to increasingly rely on courts.

The proper role of juries in intellectual property cases has thus far received little systematic attention, even under existent law.<sup>261</sup> In patent cases for instance, the Federal Circuit itself has advocated a case-by-case approach to determining which issues are purely factual and therefore legitimately delegated to juries.<sup>262</sup> Yet, one recent study reveals that litigants and lawyers tend to adhere to the popular view that juries are incompetent when it comes to dealing with complex legal issues.<sup>263</sup>

The ideal division of responsibility between judge and jury will no doubt remain an issue with an increased role for courts in intellectual property. As such however, it is unlikely to interfere with their reliance on the method of pragmatic incrementalism developed here. This is so for two interconnected reasons. First, as a method of lawmaking, pragmatic incrementalism emphasizes techniques and approaches that are entirely within the exclusive domain of a judge's role in providing a reasoned decision. Building on legal pragmatism, its central premise remains the importance of forward-looking adjudication that pays close attention to future consequences and the guidance function of the law. Juries, by contrast, tend to focus on elements in a particular case, thus engaging in a largely backward-looking exercise. Second, appellate courts almost always carry out this method of incremental rule development in an effort to provide lower courts with guidance for the future. In other words, pragmatic

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the problems that accompany it); Stephen G. Gilles, *On Determining Negligence: Hand Formula Balancing, the Reasonable Person Standard, and the Jury*, 54 VAND. L. REV. 813, 854–56 (2001) (examining the appropriate role of juries in negligence cases).

260. Leon Green, *Jury Trial and Proximate Cause*, 35 TEX. L. REV. 357, 358–59 (1957).

261. For notable exceptions in the patent context, see Gary M. Hnath & Timothy A. Molino, *The Roles of Judges and Juries in Patent Litigation*, 19 FED. CIR. B.J. 15, 17 (2009) (analyzing the role of juries in patent cases); Jennifer F. Miller, iBrief, *Should Juries Hear Complex Patent Cases?*, 2004 DUKE L. & TECH. REV. 0004, at ¶ 1 (discussing the constitutionality of a “complexity exception” to the right to a jury trial in patent cases, under which there would be no such right where the complexity of the facts or legal issues of the case is so great that it is impossible for the jury to render a fair and reasonable verdict); Kimberly A. Moore, *Juries, Patent Cases, & a Lack of Transparency*, 39 HOUS. L. REV. 779, 801 (2002) (examining the inadequacies of juries in patent cases); Kimberley A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365, 368 (2000) [hereinafter Moore, *Black Box*] (studying the patent-holder win rates in cases tried before judges and juries and finding that the data results from her study suggest problems in the jury adjudication of patent suits).

262. *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1316 (Fed. Cir. 2007).

263. Moore, *Black Box*, *supra* note 261, at 369–74.

incrementalism, as a method of lawmaking rather than simple adjudication, emphasizes courts working with existent precedent and interpretatively molding the law to new situations, in the process developing it incrementally. This remains an exercise almost always undertaken by intermediate and final courts of appeal, in both the federal and state systems, where the judge-jury divide becomes irrelevant.

#### V. A STYLIZED EXAMPLE: THE FASHION INDUSTRY

To illustrate the lessons of common law intellectual property, this Part looks at how a common law approach might be applied to a setting where scholars and policymakers today disagree strongly about the need for, and consequences of, intellectual property protection: the fashion industry.

For decades now, the fashion industry in the United States has been without intellectual property protection for original designs. Because federal copyright law prohibits protection for utilitarian articles, courts have denied protection to fashion designs by default.<sup>264</sup> Despite this reality, the U.S. fashion industry remains vibrant.<sup>265</sup> The last few years have seen a renewed interest in understanding the reasons for this phenomenon and the lessons that can be drawn from it for intellectual property law more generally.

In an influential article, Kal Raustiala and Christopher Sprigman argue that an examination of the fashion industry's structure reveals that the absence of intellectual property protection has contributed to greater innovation and creativity in designs.<sup>266</sup> Knowing that their designs are likely to be copied and disseminated at different price ranges induces designers to generate new designs with greater rapidity than they would have had to without such copying. They propose a theory of "induced obsolescence" to explain design houses' incentives to create.<sup>267</sup> The diffusion of a design to a broader class of consumers diminishes its exclusivity, but in turn generates

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264. See 17 U.S.C. § 101 (2008) (defining a "useful article" as "an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information"); see also 1 NIMMER & NIMMER, *supra* note 58, § 2.18 (describing copyright law's reluctance to accord utilitarian articles protection).

265. For an early identification of this phenomenon in the legal literature, see Jonathan M. Barnett, *Shopping for Gucci on Canal Street: Reflections on Status Consumption, Intellectual Property, and the Incentive Thesis*, 91 VA. L. REV. 1381, 1384 (2005).

266. Raustiala & Sprigman, *supra* note 178, at 1775–77.

267. *Id.* at 1722.

the need to maintain that exclusivity by introducing new designs upon such diffusion. Raustiala and Sprigman thus observe:

As a design is copied by others and used in less-expensive derivative works, it becomes more widely purchased. Past a certain inflection point, the diffusion of the design erodes its positional value, and the fashion item becomes anathema to the fashion-conscious. This drives status-seekers to new designs in an effort to distinguish their apparel choices from those of the masses.<sup>268</sup>

Thus, the differentiated nature of the market for fashion designs and the diffusion it effectuates by lowering the price of copies is central to their explanation.<sup>269</sup>

Contrast this with the story that Scott Hemphill and Jeannie Suk tell about the same phenomenon.<sup>270</sup> Advocating a cultural approach to law and economics,<sup>271</sup> they argue that the absence of intellectual property protection cannot but diminish the incentive of fashion houses to innovate and create new designs, and that a world with such protection would see even more innovation.<sup>272</sup> They thus observe that “fashion is relevantly similar to other areas of creative production, and we expect designers to respond to economic incentives in the usual way.”<sup>273</sup> Relying on the effects of copying on innovation in other areas of creative production, reports on the effectiveness of the Fashion Originators Guild in curbing piracy in the industry, and the reality that the industry remains divided on the question of intellectual property protection, they advocate the creation of tailored copyright protection for fashion designs.<sup>274</sup> Hemphill and Suk’s idea of “tailoring,” though, involves varying the standard of substantial similarity, so as to allow protection only for identical copies and not those that have “substantial difference[s].”<sup>275</sup>

Both sides, however, pay insufficient attention to the importance of the segmented nature of the market for fashion. While Raustiala and Sprigman observe how copying occurs in all segments of the industry,<sup>276</sup> their theory of diffusion seems contingent on the importance of copying by actors in a lower segment of the industry. Hemphill and Suk on the other hand presume that the mere ability to

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268. *Id.* at 1721.

269. *See id.* at 1693–94 (describing the existence of a “fashion pyramid”).

270. C. Scott Hemphill & Jeannie Suk, *The Law, Culture, and Economics of Fashion*, 61 STAN. L. REV. 1147 (2009).

271. *Id.* at 1154.

272. *Id.* at 1153, 1180.

273. *Id.* at 1193.

274. *Id.* at 1174–80, 1193–4, 1151.

275. *Id.* at 1188.

276. *See* Raustiala & Sprigman, *supra* note 178, at 1705 (stating that copying in the fashion design industry is “ubiquitous”).

prevent the copying of a design, regardless of who is performing the copying, is likely to provide an incentive to create.<sup>277</sup>

If both sides are to be believed—that diffusion does indeed spur rapid innovation, and that market exclusivity contributes to the incentive to create and innovate—reform proposals ought to pay closer attention to the idea of “direct competition.” A regime that prevents copying only in the context of direct competition in the same segment of the market would at once both allow the incentives argument to have some play, and at the same time enable the process of diffusion to continue, spreading fashion more widely and making it accessible to a broader class of consumers. Surprisingly, neither set of authors mentions the common law doctrine of misappropriation as a way forward, when one of the earliest attempts to provide the fashion industry with some protection involved an attempt to extend the doctrine. In *Cheney Brothers v. Doris Silk Corp.*,<sup>278</sup> the Second Circuit considered the argument that the common law doctrine of misappropriation allowed a fashion designer to preclude the copying of a design by a competitor, for such time as the design held value, the limited duration of a fashion cycle.<sup>279</sup> Even so, Judge Learned Hand was particularly dismissive of common law misappropriation in his opinion, describing it as an act of “solecism,” and dismissing the plaintiff’s claims because of his disdain for the doctrine.<sup>280</sup> While state courts have since resurrected the doctrine, hardly anyone has since analyzed its suitability for the fashion industry. The common law doctrine of misappropriation, developed using the methods of pragmatic incrementalism, might indeed provide the fashion industry with a tailored, low social cost mechanism of protection.

The misappropriation doctrine is likely to protect a fashion design only as long as the design is *time-sensitive*, which is usually the duration of a fashion cycle, as reflected in the plaintiff’s claim in

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277. Hemphill & Suk, *supra* note 270, at 1180. What is additionally surprising is that Hemphill and Suk fail to note that this was the finding of one of the earliest attempts to understand the role of economic incentives in the fashion industry. See Barnett, *supra* note 265, at 1382 (“[T]he incentive thesis still rests on another vulnerable factual assumption: namely, that third-party imitators necessarily take away sales that would have been captured by the innovator, therefore reducing the innovator’s expected return ex post and its investment incentives ex ante.”).

278. 35 F.2d 279 (2d Cir. 1929).

279. *Id.* at 279–80.

280. *Id.* at 280. For more recent criticism of the misappropriation doctrine, alluding to institutional design concerns inherent in it, see Richard A. Posner, *Misappropriation: A Dirge*, 40 HOUS. L. REV. 621, 632–41 (2003).

*Cheney Brothers* and in the literature on the industry.<sup>281</sup> Additionally, any protection is likely to be only against copying by a *direct competitor*. But who exactly is a direct competitor? The stratified nature of the fashion industry is unlikely to make this hard to determine. Forever 21 or H&M aren't competing in the same segment of the market as Chanel and Gucci, but would nonetheless be considered competitors *inter se*. Courts undertake precisely this analysis in the antitrust context when asked to determine the "relevant market" for a product or service. The determination commonly involves the use of cross-elasticity of demand or similar variables for the analysis.<sup>282</sup>

Using common law misappropriation for fashion designs would also exhibit several strains of pragmatic incrementalism:

*Caution:* The use of misappropriation would enable courts to develop protection tentatively. By avoiding the in rem nature of property, and tailoring the entitlement to operate only against a narrowly defined class of defendants, the regime would have little effect on the public. Additionally, should it prove to impede creativity over time, courts would be able to tailor it further, or have a basis by which to roll back the regime.

*Value Pluralism:* The use of misappropriation instead of a full-blown property regime would also amount to recognition of the multiplicity of interests at work in the regime, beyond just the incentives of fashion designers. The social utility of copying, distributive values, reputational elements, and other fairness concerns would have a legitimate place in the regime. For instance, in relation to the misappropriation doctrine, courts have occasionally relaxed the element of direct competition when the subject matter involved is so intricately tied to a plaintiff that its use by a defendant isn't anticompetitive merely because of its incentive effects, but also because it appropriates the reputation and identity of the creator.<sup>283</sup>

*Tailoring Through Custom:* A misappropriation-based regime is also likely to allow for a good degree of contextual tailoring. The

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281. See, e.g., PAUL H. NYSTROM, *ECONOMICS OF FASHION* 18–36 (1928) (describing the wave-like movement of a normal fashion cycle in which the fashion rises, peaks, and then declines in popular acceptance and factors which influence this cycle); Wolfgang Pesendorfer, *Design Innovation and Fashion Cycles*, 85 AM. ECON. REV. 771, 785–87 (1995) (discussing the cyclical nature of fashion and factors influencing it).

282. See PHILIP AREEDA & LOUIS KAPLOW, *ANTITRUST ANALYSIS: PROBLEMS, TEXT, CASES* 572–73 (4th ed. 1988) (discussing the definition of a relevant market for purposes of antitrust law).

283. See *U.S. Golf Ass'n v. St. Andrews Sys., Data-Max, Inc.*, 749 F.2d 1028, 1039 (3d Cir. 1984) (attempting to explain cases that have dispensed with this requirement along similar lines).

regime as a whole would be modeled on an equilibrium of inter-segment copying currently prevalent in the fashion industry.<sup>284</sup> Additionally, elements internal to the regime could be adapted to the unique needs of the industry, as they change over time. Thus, the idea of “time-sensitivity,” contingent on the duration of a fashion season may come to be modified, should the fashion industry decide to adopt additional fashion cycles, or conversely go from multiple cycles to a single one for a calendar year. Further, the regime could also come to incorporate exceptions for copying, when the copying itself conforms to what Hemphill and Suk describe as following a “trend.”<sup>285</sup> Customary practices such as trends are likely to inform courts’ understanding of copying, in working the regime, and will indeed at times caution against affording a plaintiff *any* kind of protection.

*Ex Ante/Ex Post Integration:* If modeled on the “hot news” doctrine that courts currently use for misappropriation, the regime would also require courts to balance and integrate the *ex ante* and the *ex post*. Instead of simply assuming that every instance of copying is likely to interfere with the incentive to create, it would have courts examine the circumstances under which the copying was done, and also the commercial significance of a plaintiff’s motives for creation. Courts would thus have the option of denying a plaintiff protection if they were to conclude that allowing the copying is unlikely to have any impact on the original incentive to create.

In all the debates about intellectual property for fashion designs, *no one* seems to have thought of looking to the common law for any guidance. All the proposals to date have relied extensively on statutory formulations of a copyright-like *in rem* entitlement, with predetermined carve-outs.<sup>286</sup> “Tailoring,” though, ought to mean more than just industry-specific legislation that leaves little room for courts to maneuver as socioeconomic circumstances change. Regardless of whether the law originates at the federal or state level, discussions would do well to look to the common law doctrine of misappropriation, and its use of a flexible, contextual approach to protection, as a viable option.

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284. See Raustiala & Sprigman, *supra* note 178, at 1718 (describing the allowance for appropriation in the fashion industry as a “stable equilibrium”).

285. Hemphill & Suk, *supra* note 270, at 1159–61.

286. See, e.g., Design Piracy Prohibition Act, H.R. 2033, 110th Cong. § 2(d) (2007); Design Piracy Prohibition Act, S. 1957, 110th Cong. § 2(d) (2007).



## CONCLUSION

In describing the virtues of the common law's method of incremental rule development, Richard Epstein once noted that it "has hidden resources that are all too easily overlooked by scholars who start with some grand claim" for the institution.<sup>287</sup> Nowhere is this phenomenon more apparent than in the world of intellectual property law, long thought to be entirely about federal statutory regimes that center around one or more core values. In their focus on these regimes, discussions of the subject have altogether ignored the utility and significance of common law intellectual property—and, as I have argued, without sufficient justification.

Pragmatic incrementalism, the method of lawmaking that common law intellectual property regimes employ, influences both the structure and content of the law. As a form of common law rule development, it generates rules and principles from within the reality of a bilateral dispute presented to a court. Additionally, it emphasizes the virtues of beginning the process without looking to an abstract theory to justify the outcome, of focusing on the context for a rule, of understanding the short- and long-term consequences of a rule, and of proceeding with caution, one case at a time. These virtues can indeed be identified with several techniques that courts routinely adopt when applying and developing common law intellectual property rules. The continued vitality and robustness of these regimes under state law is in many ways a result of courts' use of these techniques to address many of the substantive and structural issues that continue to haunt traditional intellectual property.

The working of pragmatic incrementalism in common law intellectual property also serves to highlight the reality that some areas of law—such as intellectual property—may stand to benefit more from attempts to develop theories of *lawmaking* rather than just *law*. Focusing on the lawmaking process is more than just a procedural concern, for, as we have seen, the common law's structure of lawmaking greatly influences the substantive content of the law that courts develop and apply. Discussions and debate in intellectual property law would perhaps gain considerably from greater attention to the institutional process by which its entitlements are created and enforced in practice.

For centuries now, courts, policymakers, and scholars from a multitude of disciplines have struggled, without success, to articulate a coherent theoretical justification for intellectual property—one that

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287. Epstein, *supra* note 29, at 73.

does justice to the myriad interests and values that are central to it. This reality has long been taken to represent a fundamental failing of the subject. Yet, as I have argued, this theoretical incoherence ought to be seen instead as a starting point for a common law analysis of the subject, one that focuses on what parties affected by the law seek in practice, and the multi-faceted ways in which courts balance, limit, and help realize these needs on a nuanced basis over time, allowing the area of law as a whole to “work itself pure.”<sup>288</sup>

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288. HARRY KALVEN, JR., A WORTHY TRADITION: FREEDOM OF SPEECH IN AMERICA 506 (Jamie Kalven ed., 1988).