Intellectual Property and the Common Law

Edited by
Shyamkrishna Balganesh

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University of Pennsylvania Law School

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INTELLECTUAL PROPERTY AND THE COMMON LAW

In this volume, leading scholars of intellectual property and information policy examine what the common law – understood broadly as a method of reasoning, an approach to rulemaking, and a body of substantive law – can contribute to discussions about intellectual property. Drawing on a range of interdisciplinary ideas and principles that are embedded within the working of the common law, the volume shows that answers to many of modern intellectual property law's most puzzling questions may be found in the versatility and adaptability of the common law in all of its wisdom. The various chapters argue that, despite the degree of interdisciplinary specialization that the field sees today, intellectual property is fundamentally a creation of the law; and that the basic building blocks of the law can shed important light on the working of our various intellectual property regimes.

Shyamkrishna Balganesh is an Assistant Professor of Law at the University of Pennsylvania Law School. His scholarship focuses on understanding how intellectual property and innovation policy can benefit from the use of ideas, concepts, and structures from different areas of private law. He obtained his J.D. from Yale Law School, where he was an Articles & Essays Editor at the *Yale Law Journal* and a Student Fellow at the Information Society Project.

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Working with the authors of the chapters in this volume has been a genuine pleasure, and I am grateful to them for the readiness with which they all embraced the broad theme, even when it did not fully fit with their prior research, and for sharing in my general sentiment that there was indeed something meaningful to explore in the connection between intellectual property and the common law. I owe each of them a debt of gratitude for their creative contributions to the volume and, above all, for their patience and cooperation during the editing process. At the law school, Anna Gavin played a pivotal role in helping with the logistics of the symposium from which this volume arose. I also owe special thanks to my research assistant at the law school, Eric Hague, who did a masterful job editing the various chapters, and to John Berger at Cambridge University Press for facilitating the endeavor.

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Introduction

Exploring an Unlikely Connection

*Shyamkrishna Balganesh**

I. BACKGROUND: WHAT IS THE COMMON LAW?

On the face of things, the areas of intellectual property and the common law may seem to have very little in common. The common law is often viewed as an archaic body of rules and principles with little direct relevance to contemporary issues and debates. Intellectual property law, by contrast, is in large measure a modern subject, dealing with the regulation of culture, technology, and informational goods. What then might a body of law that had its origins in the twelfth century contribute to discussions about a subject that is about regulating innovation and creativity – and thus, the future? As it turns out, quite a lot indeed.

As a preliminary, appreciating the depth and pervasiveness of this connection necessitates an understanding of what indeed it is that the "common law" connotes. The common law is ordinarily thought to consist of legal rules that are almost entirely the creation of judges. Indeed, this institutional aspect – the equation of the common law with its "judge-made" status – is today the dominant way of defining what the common law is. As one noted scholar of the common law thus defines it, "[t]he common is that part of the law that is not based on [authoritative] texts, but instead is within the province of the courts themselves to establish."[1] Yet, hidden underneath this salient institutional dimension are other equally important facets to the common law, and it is hard to determine the extent to which these facets were influenced by (and not themselves influences on) the common law's judge-made nature. As Roscoe Pound put it more broadly, the common law "is essentially a mode of judicial and juristic thinking, [and] a mode of treating legal problems rather than a fixed body of definite rules."[2] The common law was, to Pound, synonymous with "our Anglo-American legal tradition."[3]

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1 MELVIN ARON EISENBERG, THE NATURE OF THE COMMON LAW vii (1988).

2 ROSCOE POUND, THE SPIRIT OF THE COMMON LAW 1 (1921).

3 *Id.*

Pound's observations are telling, because they echo the idea that the common law is at base a way of thinking about rules and institutions and the deployment of an "arsenal of sound common sense principles" during the process.[4] This idea no doubt revolves around the concept of heightened judicial involvement in the lawmaking process, but it certainly entails more. In its broadest sense then, the "common law" in the United States today implicates *five* possible ideas about the law and lawmaking, and most uses of the phrase – both in this volume and elsewhere – invoke some or all of them.

1. *As judge-made law.* This is the standard and indeed most common use of the phrase. Used in this sense, the phrase ordinarily entails an allusion to the question of separation of powers and the institution that is most appropriately suited to the task of lawmaking in an area.[5] Situations where judges actively *make* the law, rather than just interpret and apply it, are taken to be covered by the idea.
2. *As a mode of legal reasoning.* Judge-made law ordinarily follows a form of reasoning that is fairly distinctive, given its attempt to develop a forward-looking rule while at the same time focusing on the dispute at hand and relying on precedent for support. When used in this sense, scholars associate the common law with a form of practical reasoning that relies heavily on analogy, coherence, and incremental modification over time. It is in this sense that some use the phrase "the common law method."[6]
3. *As state rather than federal law.* This dimension of the common law is unique to the United States. With the Supreme Court's famous observation in *Erie* that "there is no federal general common law" in the country, in areas where Congress does not actively delegate lawmaking to federal courts or other narrowly circumscribed domains, federal courts are routinely seen as incapable of making law.[7] State courts were, as a result, to be the primary creators of the common law, which was thus state law. When used in this context the common law is synonymous with state law, even in situations where such law is not entirely uncodified.
4. *As an evolving and pluralistic body of law.* One of the features of legal rules that originate in judicial decisions is their intrinsic malleability in order to accommodate new situations. This dynamism imbues such rules with a fallibility that is rarely seen in relation to statutory law or indeed in judicial interpretations

[4] Mogul Steamship Co. v. McGregor, 23 Q.B.D. 598, 611 (1889).

[5] *See generally* Neil K. Komesar, Imperfect Alternatives: Choosing Institutions in Law, Economics, and Public Policy (1997).

[6] *See* Richard B. Cappalli, The American Common Law Method (1997); Frederick Schauer, *Is the Common Law Law?*, 77 Cal. L. Rev. 455 (1989).

[7] Erie R.R. Co. v. Tompkins, 304 U.S. 64, 78 (1938).

of statutes (i.e., "statutory precedents").[8] It also allows the law and lawmaking exercise to consider a variety of normative ideas and values in the formulation of the rule, given the intertemporal nature of any rule and its development. Consequently, it is not uncommon to use the term "common law" to connote bodies of rules that are developed inductively, from individual situations, and that accommodate a variety of normative goals in their functioning.

5. *As certain foundational subject areas.* The "common law" is also routinely used to reference the law's basic substantive areas of tort, property, contracts, and crimes (and in other common law countries, unjust enrichment), which form the building blocks of most other subject areas and were developed entirely by courts incrementally.[9] This is not to suggest that there aren't other – more advanced – areas that would fit this description just as well (e.g., antitrust law), just that ordinary usage routinely looks to these subjects, all of which constitute the standard first-year curriculum in most U.S. law schools.

II. OVERVIEW

Every one of these understandings of the common law has something important to contribute to discussions of intellectual property, and the chapters in this volume seek to illuminate the extent, significance, and likely implications of this interaction. Using this classification, these five understandings might thus be categorized into five broad themes, depending on the specific aspect of the common law that forms their focus.

A. *Judge-Made Intellectual Property Law*

Most intellectual property law today is statutory. Patent, copyright, and trademark law in the United States are today codified at the federal level.[10] Nonetheless, an unappreciated reality of U.S. intellectual property, across different regimes, is the fact that, despite this codification, courts continue to play an extremely important role in developing the law gradually. This process is seen in a variety of contexts: when the statute is silent and consciously delegates the development of a rule to courts, when the statute is ambiguous and necessitates judicial creativity to give it meaning and purpose, when the statute does not cover all of the doctrine in an area, or indeed when a regime is developed by state courts, completely independent of

[8] *See* William N. Eskridge, Jr., *Overruling Statutory Precedents*, 76 GEO. L.J. 1361, 1362 (1988) (outlining the hierarchy involved in courts' presumptions on the correctness of decisions).

[9] As an illustration, these were the standard subjects covered by Holmes in his classic book on the subject. *See* OLIVER WENDELL HOLMES, JR., THE COMMON LAW (1897).

[10] *See* 35 U.S.C. §101 *et seq.* (2005) (federal patent law); 17 U.S.C. §101 *et seq.* (2005) (federal copyright law); 15 U.S.C. §§1051–1141 (2005) (federal trademark law).

both federal and state legislative enactments. Each of these realities gives the lie to the idea that intellectual property (IP) lawmaking is within the exclusive purview of legislatures, and several chapters in this volume explore different dimensions of "judge-made" IP law.

In his contribution to the volume, Hanoch Dagan argues that there is nothing distinctive (or "exceptional") about property institutions that necessitates a heightened passivity among judges in relation to lawmaking.[11] Indeed there might – and indeed are – situations where courts have distinct institutional advantages over legislatures and ought to exercise their lawmaking abilities within these contexts. Although he does not suggest that judicial lawmaking is to be preferred in the context of property, he remains equally skeptical of "property exceptionalism," which asks judges to refrain from lawmaking in the areas of property and intellectual property. In Chapter 2, Henry Smith explores one such distinct context in which judicial lawmaking is often criticized: the judge-made IP doctrine of misappropriation.[12] Smith argues that those skeptical of misappropriation and its utility routinely fail to appreciate the fact that its origins were in "equity" rather than the traditional common law, a form of judge-made law that originated to mitigate the rigors of the common law. Equity works to control opportunistic behavior made possible by the common law, which Smith illustrates by offering a reconstruction of the misappropriation doctrine.[13]

Peter Menell and Margaret Lemos, in their respective contributions, offer various analytical and interpretive lessons that flow from recognizing the role that judges play in IP lawmaking. In Chapter 3, Menell systematically traces the symbiotic role that Congress and the courts have played in developing federal patent and copyright law, something that their facial statutory nature does not fully capture; he argues that this "mixed heritage" requires courts to trace the origins of a doctrine or proposition of law more fully before they choose an appropriate interpretive framework to use in molding and applying it.[14] Lemos asks a more general question: is the category of "common law statutes," which are treated as delegations of lawmaking power by Congress to courts, an analytically coherent category? She answers the question in the negative, arguing that the label obscures a variety of important institutional and normative questions that ought to be openly discussed, even (and perhaps, especially) in subject areas where courts might indeed be better than legislatures at law- and policy making.[15]

[11] Hanoch Dagan, *Judges and Property*, *in* INTELLECTUAL PROPERTY AND THE COMMON LAW, in this volume.

[12] Henry E. Smith, *Equitable Intellectual Property: What's Wrong with Misappropriation?*, in this volume.

[13] *Id.*

[14] Peter Menell, *The Mixed Heritage of Federal Intellectual Property Law and Ramifications for Statutory Interpretation*, in this volume.

[15] Margaret H. Lemos, *Interpretive Methodology and Delegations to Courts: Are "Common-Law Statutes" Different?*, in this volume.

A few other contributions examine the role of judicial lawmaking within specific areas of IP law. Two chapters do so within the context of patent law's claim construction exercise. In Chapter 5, Dan Burk examines what the claim construction process might learn from the process of statutory interpretation, a task that courts at all levels routinely employ.[16] Noting that the jurisprudence of claim construction is entirely judge-made, Burk argues that courts would stand to benefit from an approach that eschews formalism in favor of one that he describes as "dynamic claim interpretation," which builds on the idea of dynamic statutory interpretation and modifies it to the context of patent law.[17] In the following chapter Polk Wagner and Lee Petherbridge undertake an empirical examination of the impact that one landmark en banc common law decision of the Federal Circuit, on the question of claim construction, actually has had on the jurisprudence in the area.[18] In *Phillips* v. *AWH*[19] the Federal Circuit, which sees itself as tasked with managing patent law jurisprudence, sought to clarify its rules on claim construction in an effort to provide lower courts (and presumably, parties) with clear guidance. Examining later opinions on claim construction, the authors conclude that the *Phillips* opinion was largely unsuccessful in its efforts at clarifying the law, which continues to remain in a state of disarray and inconsistency.

Michael Risch examines the effect that codification has had on the law of trade secrets.[20] Unlike the dominant forms of IP law, trade secret law was originally entirely judge-made, being a creation of state common law courts. After decades of common law development by state courts, the Uniform Trade Secrets Act (UTSA) was passed, which has since been adopted by forty-six states. Risch's chapter explores, using empirical methods, the impact that this codification has had on the substantive law; he shows that a majority of courts continue to rely on traditional common law rules and precedents even in the face of the statute and examines the conditions under which they do so. In his contribution to the volume, Christopher Yoo asks a similar question in relation to copyright law and the comprehensive codification of the subject that Congress undertook in 1976.[21] Arguing that courts have continued to develop copyright law in common law fashion, Chapter 8 examines the propriety of this reality, concluding that the debate about the appropriate institutional role in copyright law needs to be more "context-specific," with courts avoiding broad generalization in favor of a more granular and provision-specific approach.

[16] Dan L. Burk, *Dynamic Claim Interpretation*, in this volume.

[17] *See* WILLIAM N. ESKRIDGE, JR., DYNAMIC STATUTORY INTERPRETATION (1994).

[18] R. Polk Wagner & Lee Petherbridge, *Did* Phillips *Change Anything? Empirical Analysis of the Federal Circuit's Claim Construction Jurisprudence*, in this volume.

[19] Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005).

[20] Michael Risch, *An Empirical Look at Trade Secret Law's Shift from Common to Statutory Law*, in this volume.

[21] Christopher S. Yoo, *The Impact of Codification on the Judicial Development of Copyright*, in this volume.

B. *The Common Law Method in Intellectual Property*

In developing the law through individual cases on an incremental basis, common law courts have long been known to employ a host of distinctive methods and techniques, which together comprise the common law method. These methods include the use of "analogical reasoning" in relying on prior decisions as precedent to formulate new rules,[22] the process of incremental (or gradual, context-specific) rule development,[23] and the reliance on customary practices in developing the law.[24] Courts involved in IP disputes too routinely deploy several of these techniques, with mixed results, and three chapters in this volume examine their pros and cons, offering different prescriptions for courts engaged in the process.

Tom Cotter in Chapter 9 explores what "legal pragmatism," long known to be the preferred method of rule development in the common law, can bring to lawmaking in intellectual property. Identifying the contextualization of thought, a rejection of foundationalism, an emphasis on consequences, situation sensitivity, and the use of practical reason as legal pragmatism's key attributes, Cotter argues that when applied to IP lawmaking, legal pragmatism has both strengths and weaknesses. He concludes that courts relying on it ought to do so in a nondogmatic and open-minded manner, recognizing that it is not likely to be a panacea for all hard questions and that it too – like most methods of legal reasoning – has important limitations when applied within certain contexts.[25]

In her chapter, Jennifer Rothman cautions against the unthinking use of custom in deciding IP cases. Noting that hallmarks of the common law method of reasoning have been its use of custom and its attempt to generalize a rule of conduct from the actual practices of parties, Rothman argues that IP law needs to adopt a more nuanced process of examining customary practices before treating them as sources of law. Examining how courts have used custom in the context of copyright's fair use defense, Rothman concludes that the utility of custom as a source of law depends on a variety of context-specific considerations, which courts ought to pay close attention to before converting custom into law.[26]

Analogical reasoning – the process of developing a rule of decision from prior opinions – is commonly taken to be the "classical" form of common law reasoning, and some scholars have argued that as a form of legal reasoning it is both autonomous

[22] *See* Cass R. Sunstein, *On Analogical Reasoning*, 106 HARV. L. REV. 741 (1993); Melvin A. Eisenberg, *The Principles of Legal Reasoning in the Common Law*, *in* COMMON LAW THEORY 81, 96–101 (Douglas Edlin ed. 2007).

[23] *See* Richard A. Epstein, *Cybertrespass*, 70 U. CHI. L. REV. 73, 73 (2003).

[24] *See* N. Neilson, *Custom and the Common Law in Kent*, 38 HARV. L. REV. 482 (1925); 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 (Alison Dundes Renteln & Alan Dundes eds. 1994).

[25] Thomas F. Cotter, *Legal Pragmatism and Intellectual Property Law*, in this volume.

[26] Jennifer E. Rothman, *Copyright, Custom, and Lessons from the Common Law*, in this volume.

and distinctive.[27] In her contribution to the volume, Emily Sherwin argues that, at least within the context of making laws for the Internet and information distribution therein, analogical reasoning is fraught with problems. Examining the doctrine of cybertrespass that courts developed to deal with information misuse on the Internet, Sherwin argues that reasoning by analogy is largely illusory as a stand-alone method. She notes that, in reality, judges purporting to reason from analogy are either engaged in a process of natural reasoning to what John Rawls described as a "reflective equilibrium" or in a rule-based decision-making process and shows how these methods might have been at play in cybertrespass.[28]

C. *State Intellectual Property Law*

The federal nature of the U.S. legal system has meant that both federal and state regimes of intellectual property have existed side-by-side for a long time. Although patent law and copyright law are today principally federal, other regimes of intellectual property such as trademark law, the law of trade secrets, publicity rights, and misappropriation operate either at both federal and state levels (e.g., trademark law) or exclusively at the state level. This has in turn prompted the development of a set of second-order rules to determine when and under what circumstances the presence of federal law has displaced state law on an issue: this is the question of federal preemption.[29] Whereas federal patent and copyright law seek to preempt most forms of analogous state law, federal trademark law is less restrictive and only preempts "interference[s]" from state law,[30] which has in turn allowed state trademark law to coexist with federal trademark law. Two contributions to this volume examine the interaction between federal and state intellectual property laws.

In Chapter 12, Jeanne Fromer seeks to make sense of the Supreme Court's somewhat confusing jurisprudence relating to the federal preemption of state IP laws. She argues that this jurisprudence is best understood against the backdrop of the Intellectual Property Clause of the U.S. Constitution (contained in Article I, Section 8, Clause 8), which informs Congress's purpose and intent behind the federal patent and copyright laws. Although it is not preemptive on its own, she nonetheless concludes that this clause adds content to the Court's preemption jurisprudence and suggests that state laws are preempted whenever they fall within the clause's "preemptive scope" and attempt to undermine the "balance" that Congress sought to give effect to in its federal laws.[31]

[27] *See* Gerald J. Postema, A Similibus ad Similia: *Analogical Thinking in Law*, *in* COMMON LAW THEORY 102, 103–08 (Douglas Edlin ed. 2007).

[28] Emily Sherwin, *Common Law Reasoning and Cybertrespass*, in this volume.

[29] *See generally* Viet D. Dinh, *Reassessing the Law of Preemption*, 88 GEO. L.J. 2085 (2000).

[30] *See* 15 U.S.C. §1127 (2005) ("The intent of this chapter is to . . . protect registered marks used in such commerce from interference by State, or territorial legislation.").

[31] Jeanne C. Fromer, *The Intellectual Property Clause's Preemptive Effect*, in this volume.