INTELLECTUAL PROPERTY AND THE COMMON LAW

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IN her article, Professor Wendy Gordon assumes that courts significantly have expanded the scope of intellectual property rights in recent years. She argues that courts have expanded this scope in part because of an intuitive sense of justice that one should not be allowed to reap where one has not sown. She then argues that, whatever its intuitive appeal, the principle of "sow not, reap not" does not support expansive notions of intellectual property protection, when tested either by basic ideas about justice or by the common law of restitution.

This Comment first points to recent developments that support the view that judges have been expanding intellectual and industrial property rights. It then examines the restitution analogy for support for Professor Gordon's conclusions. The analogy does provide support, more because the law of restitution addresses issues different than those addressed by intellectual and industrial property law than because restitution dictates only limited protection. The Comment then examines whether an alternative system of intellectual and industrial property could be built on contract principles. Though concluding that it could, the contours of such a common law system are unknowable because the judges have used the limits of the statutory systems to define the limits of the common law system. The common law of both restitution and contracts provides little to illuminate the appropriate scope of protection afforded by intellectual and industrial property, although a consistent skepticism toward restraints on competitive freedom exists in each.

Students of the subject widely share the view that the courts have expanded intellectual property protection. In trademark, courts commonly recognize protection based on a showing of impairment of the value of the mark, rather than on consumer confusion. They have

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expanded the cause of action under section 43(a) of the Lanham Act, giving competitors a greater ability to protect their existing market positions against aggressive competitive advertising. Relaxation of the standards of patent validity has made it easier than it once was to enforce patent rights. Courts have applied the Copyright Act to expand copyright protection. Even *International News Service v. Associated Press* ("INS"), which applied the tort of misappropriation to protect uncopyrighted news against competitive appropriation, receives increasing deference.

These developments may have other explanations. One explanation could take the position that technological and social changes led to each of the disparate developments. The expansion of trademark protection, for instance, may reflect the law's recognition of the increased importance of symbolic identification in an age of visually oriented consumers. Recognition of the importance of new copying technologies and the new ways in which works may be exploited might have led to the expansion of copyright. The strengthening of patent protection may be a reaction to the formation of the specialized United States Court of Appeals for the Federal Circuit, which in part was...

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5 Most notable was the award of nearly a billion dollars in damages to the Polaroid Corporation for patent infringement. Polaroid Corp. v. Eastman Kodak Co., 789 F.2d 1556 (Fed. Cir. 1986).
7 E.g., Mirage Editions v. Albuquerque A.R.T. Co., 856 F.2d 1341 (9th Cir. 1988) (expanding the concept of derivative works in a surprising way), cert. denied, 489 U.S. 1018 (1989); West Publishing Co. v. Mead Data Cent., 799 F.2d 1219 (8th Cir. 1986) (extending copyright protection to page numbers generated by the mechanical consequences of the editing and printing process), cert. denied, 479 U.S. 1070 (1987). It is likely the United States Supreme Court has been letting these issues develop in the lower courts before it confronts the issues itself.
8 248 U.S. 215 (1918).
9 In Board of Trade of Chicago v. Dow Jones & Co., 456 N.E.2d 84 (Ill. 1983), the Supreme Court of Illinois held that the Board of Trade's offering of a futures contract tied to the Dow Jones stock indices and averages constituted misappropriation. The United States Supreme Court cited *INS* in *Carpenter v. United States*, 484 U.S. 19 (1987), in support of the proposition that business information is property within the meaning of the federal mail-fraud and wire-fraud statutes. For an examination of how the *INS* decision's factual context can be used to limit its scope, see Richard A. Epstein, *International News Service v. Associated Press*: The Role of Custom and Law in Creating Property Rights in News, 78 Va. L. Rev. 85 (1992).
intended to overcome a law that was overly hostile to patents.\textsuperscript{10} The new respectability of the \textit{INS} decision can be seen as a momentary infatuation with a decision about which the courts always have been ambivalent.

Accepting, however, the utility of looking at these developments as a whole, as Professor Gordon urges us to do, other explanations, none necessarily inconsistent with the importance of the "sow not, reap not" principle, exist. Property-rights theorists suggest one such explanation. Property rights emerge as resources become scarce, such that it becomes necessary to manage them more efficiently.\textsuperscript{11} The current expansion of intellectual property then becomes an information-enclosure movement that shrinks the public domain, much as the classic enclosure movements took away the village common. Such a view requires identification of the relevant scarce resource. What this resource might be is unclear.

Professor Gordon tests these expansionist tendencies by asking: What protection would the legal system likely provide if it drew only from basic ideas of justice and the common law tradition? Long-accepted copyright lore maintains that judges would have created copyright in published works in the absence of a statute.\textsuperscript{12} Common law did—and does—recognize trademarks in the absence of a registration statute.\textsuperscript{13} The trade secret doctrine provides common law protection for technological information.\textsuperscript{14}

Professor Gordon suggests that the law of restitution is relevant, as it provides a remedy for unjustified reaping. The law of restitution

\textsuperscript{12} The judges who provided the House of Lords with advisory opinions in Donaldson v. Becket, 98 Eng. Rep. 257 (H.L. 1774), took the majority position that such a right had existed at common law, but they gave their opinion more than half a century after the Statute of Anne. Howard Abrams has reviewed the cases and cogently argued that the House of Lords then determined that post-publication common law copyright never had existed. Howard B. Abrams, The Historic Foundation of American Copyright Law: Exploding the Myth of Common Law Copyright, 29 Wayne L. Rev. 1119 (1983). Yet, an answer to the question was not strictly necessary to the decision in the case because the same result could be reached on the ground that the Statute of Anne had eliminated whatever post-publication rights existed. It is not clear that the House of Lords would have had any better hunch than would the judges as to what the "law" would have been.
\textsuperscript{13} See, e.g., Restatement of Torts §§ 715-40 (1939).
\textsuperscript{14} See, e.g., Smith v. Snap-On Tools Corp., 833 F.2d 578 (5th Cir. 1987) (applying Restatement of Torts § 757 (1939)).
supports Professor Gordon's central thesis—that a claim of compensation for benefits conferred, standing alone, is weak indeed and provides no basis for expanding the scope of protection. The bulk of restitution law addresses the remedial mop-up problems in the wake of transactions based on a good-faith belief in a right to compensation. Contracts that fail due to mistake of fact are a typical example. But this body of law does not fit the creator who creates and disseminates a work knowing that the law provides no right to compensation.

The closest analogy is provided by the restitution cases holding that those who provide emergency medical services to persons who are unconscious or are otherwise unable to arrange for medical services may recover the reasonable value of their services. Such cases reflect that, if conscious, the beneficiary would desire, and would agree to pay for, the services. Further, they reflect a policy of encouraging the provision of emergency medical services to the unconscious. But can we move from the willingness of judges to impose an obligation to pay in that situation to the situation where a creator "sows" for the benefit of users who can determine for themselves whether they will pay for the benefit?

The restitution cases fit within a narrow exception to the general principle that one does not have to pay for benefits that one has not agreed to accept. According to the Restatement of Restitution: "A person who without mistake, coercion or request has unconditionally conferred a benefit upon another is not entitled to restitution, except where the benefit was conferred under circumstances making such action necessary for the protection of the interests of the other or of third persons." What preexisting "interests" of a user are protected when the creator chooses to disseminate his creation? What is the necessity that justifies restitution for the conferral of a benefit?

Amplifying further, the Restatement outlines four situations within the exception to the rule of no restitution: the provision of (1) things or services "immediately necessary to prevent serious bodily harm to or suffering by" another; (2) things or services "immediately neces-

16 See, e.g., Cotnam v. Wisdom, 104 S.W. 164 (Ark. 1907); In re Estate of Crisan, 107 N.W.2d 907 (Mich. 1961).
17 Restatement of Restitution § 112 (1937).
18 Id. § 114. The restitution is against a third person responsible for the beneficiary's "necessaries." Id.
sary to satisfy the requirements of public decency, health, or safety";\(^1\) (3) things or services "necessary to prevent the other from suffering serious bodily harm or pain," but only if (a) "the person supplying them had no reason to know that the other would not consent to receiving them, if mentally competent" and (b) "it was impossible for the other to give consent";\(^2\) and (4) the preservation of "things belonging to another."\(^3\)

Protecting the public health and safety or preventing serious bodily harm presents a more compelling need for restitution than the claim of an inventor, artist, or writer who seeks restitution for the benefits conferred upon an audience. Only one section of the Restatement of Restitution involves property interests; that section recognizes restitution for the cost of protecting the value of property only where communication with the owner is impossible.\(^4\) Surely a creator can communicate with those to whom she plans to provide her work and can ask them whether they want to pay for it.

Thus, the simplest, most direct reading of the restitution tradition leads to the conclusion that restitution would not be available, even by analogy, to the creator of intellectual property who "sows" the fruits of her creation upon recipients who have not agreed to pay. The law of restitution protects the autonomy of persons to choose whether they want to pay for the use of the creator's work and leaves the creator with the choice not to disseminate her creation if she does not want it used without payment.

In my view contract, not restitution, provides a stronger common law analogy. The right not to disseminate a work includes an enforceable right to disseminate the work on the condition that payment is made. Could a system use common law contract principles to protect

\(^1\) Id. § 115.
\(^2\) Id. § 116.
\(^3\) Id. § 117. This fourth exception is further qualified such that it applies only if (a) the protector was in lawful possession of the property protected, (b) it was "reasonably necessary" to take the protective steps "before it was possible to communicate with the owner by reasonable means," (c) "he had no reason to believe that the owner did not desire him to so act," (d) "he intended to charge for such services or to retain the things as his own," and (e) "the things have been accepted by the owner." Id.
\(^4\) Id.
intellectual property? The creator of a work could disseminate the work subject to a notice on all copies, such as: "This work may not be copied, used, or exploited, except that the purchaser may [fill in the blank: read and resell (if the work is a book); use (if the work is an invention); apply only to the goods and services as sold (if the work is a trademark); etc.]. The purchaser must obtain an acceptance of the same restrictions from any subsequent purchaser, user, or viewer of the work."

Such a contractually based effort to obtain protection is not fanciful. For instance, creators of software, unhappy with the scope of their rights under the copyright statute, have attempted to impose conditions on the use of purchased software, complete with complex ceremonies of separate acceptance as part of the purchase transaction. Tickets to sporting events often carry the legend: "No photographs, rebroadcasts, or other uses of the event permitted." Broadcast sporting events, with limited copyright protection, intone the warning: "No use of this broadcast may be made without the express written permission of . . . ." And the Cetus Corporation recently has licensed a test kit useful in conducting biomedical research, on the condition that the licensee share with Cetus the profits of any invention made with the use of the kit.

One can imagine a brave new world in which creators retain by contract the value imparted by their creations. On the ground that higher education enhances lifetime earnings, educational institutions might require students to agree to pay the institution a share of their


24 David Rice analyzes these licensing clauses and concludes that they are not legally enforceable. David A. Rice, Licensing the Use of Computer Program Copies and the Copyright Act First Sale Doctrine, 30 Jurimetrics J. 157 (1990).

25 To deal with arguments about whether the buyer accepts the conditions, the licensing conditions often are placed outside the wrap that encloses the software package with a bold notice that states: "DO NOT OPEN THIS PACKAGE UNTIL YOU HAVE READ AND ACCEPTED THE LICENSE CONDITIONS APPLICABLE TO THIS SOFTWARE. IF YOU DO NOT ACCEPT THE CONDITIONS, RETURN THE PACKAGE FOR FULL REFUND."

26 This is true because a game is not a work of authorship protectable by copyright. 17 U.S.C. § 102 (1988).

lifetime earnings as a condition of attending. If that idea seems implausible, consider that similar proposals have been considered in connection with student loan plans. Automobile manufacturers might require purchasers to service their automobiles only at manufacturer-approved facilities, on the ground that the manufacture of the automobile creates the opportunity to repair it. Note that automobile warranties that require dealers to perform warranty services resemble this seemingly implausible suggestion. Similarly, manufacturers might require purchasers to use approved parts to repair their vehicles. Though seemingly implausible, proposed federal design legislation has been crafted to achieve that end.  

Professor Gordon has argued that the contract approach falls well short of the protection afforded by statutory copyright because it does not bind persons who do not accept the contract and then view or obtain the work free of the contractual restrictions. She gives the example of someone who views a statue in a public square.

The common law, however, could have called upon the tort of inducement of breach of contract to close this gap. Suppose, for example, that all books were sold subject to the express condition that they not be copied and that the common existence of such restrictions was widely known. A person who copies the work, knowing of these restrictions, knows that he is violating the condition under which the work originally was provided, destroying the value of the book for the original seller, and undermining the purposes of the contractual restriction.

29 Gordon, supra note 23, at 1420.
30 This is an area of legal doctrine orphaned among contracts, property, and torts. The Restatement (Second) of Torts cautioned that liability for interference with existing or prospective contractual relations "depends upon the interplay of a number of factors" and is not reducible to a single rule. Restatement (Second) of Torts, ch. 37, introductory note (1977). The Restatement formulation recognizes liability for intentional and improper interference with contractual performance, id. § 766, and enumerates the factors used to determine impropriety, id. § 767. The point here is that courts could use the doctrine to create a contract-based system of protection quite like a property-based system. The interference doctrine has been the subject of a lively literature. See Lillian R. BeVier, Reconsidering Inducement, 76 Va. L. Rev. 877 (1990); Richard A. Epstein, Inducement of Breach of Contract as a Problem of Ostensible Ownership, 16 J. Legal Stud. 1 (1987); Harvey S. Perlman, Interference with Contract and Other Economic Expectancies: A Clash of Tort and Contract Doctrine, 49 U. Chi. L. Rev. 61 (1982).
Under trade secret law, which provides the most fully developed example of common law protection of the fruits of creative effort, one who receives a trade secret knowing that it is a trade secret is liable to its owner. If creative works generally were distributed under contractual restrictions on their further use, all reasonable persons would have notice that they were subject to claims of appropriability. In trade secret law, even the innocent recipient, who does not know of a trade secret, will be liable if there has been no change of position.

What limits a system of protection derived from contract principles? Some major areas of protection clearly would be lacking. For instance, would foreign jurisdictions enforce such contractual restraints? How could the government use its power over imports to control the international flow of “breaching” works? From a strictly domestic perspective, however, the system would provide surprisingly pervasive protection.

One issue that might be treated differently under contract than it is under the present statutory regime is patent infringement. Patent law provides that the infringer of a patent claim has committed infringement even if the infringer has no reason to know of the patent, whereas inducing breach of contract would require knowledge of the “contract.” But copyright law suggests a way to narrow the difference. Even though copyright law requires an actual appropriation or (to use the copyright term) copying of the protected work, similarity itself may be used to prove an appropriation, leading to the possibility of “unconscious” appropriation. In the same way, similarity could be used to prove awareness that the technology was taken in violation of contractual restrictions. If such a doctrine were used, little difference would exist between the current patent system and a contract-based system of protection for creators’ works.

33 Professor Gordon reports that Murray Rothbard uses this distinction to attack patents for going beyond the protection that could be obtained through contract. Gordon, supra note 23, at 1415 n.327 (citing 2 Murray Rothbard, Man, Economy, and State: A Treatise on Economic Principles 653-56 (1962)).
34 See, e.g., ABKCO Music v. Harrisongs Music, 841 F.2d 494 (2d Cir. 1988); Fred Fisher, Inc. v. Dillingham, 298 F. 145 (N.Y. 1924). Judges in these cases may be finding unconscious copying in order to avoid having to assert that the author has lied.
Strikingly, such a hypothetical system of protection could be more protective than the present statutory system. The contractual restraints need not be enforced for a limited time; indeed, perpetual protection would be possible. Without restrictions on subject matter, works that may have fallen outside the present statutory schemes could be covered—industrial designs, methods of doing business, principles of nature, sports, and other events, and innovations that do not meet the present patent standard of nonobviousness. The only questions would be whether a contractual obligation covered the creator's works and, if so, what the terms of that contract were.

The common law blocks the implementation of a system of contractually based intellectual property by refusing to enforce contracts in violation of public policy, particularly nonancillary restraints on competition. A promise not to copy or use something is a promise not to compete by copying or by using the subject of the promise. If the copying or use is otherwise a legitimate form of competition, then a promise not to copy or to use is a promise not to compete in that way. Thus, a condition of sale that reaches beyond the scope of the rights conferred by the law is itself unenforceable. In *Keeler v. Standard Folding Bed Co.*, the United States Supreme Court held that limited licenses could not confine resales of patented wardrobe bedsteads to particular territories. Similarly, in *Bobbs-Merrill Co. v. Straus* the Supreme Court held that sale of a copyrighted book could not be conditioned on resale-price maintenance. The antitrust laws, which offer more attractive remedies to unhappy contracting parties, have swallowed the issue of when a contractual restraint is unenforceable because it exceeds the scope of the statutory right. But the basic principle is the same: contract cannot be used to go beyond the limits of the statutory right. Under our law, as it has developed, the statutes provide the limits to contract.

In the absence of statutory rights, however, the common law still may have permitted such a system to develop. In the absence of statutory protection, courts would have faced arguments that the promise

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35 Restatement (Second) of Contracts § 178 (1981). It is not tortious to induce nonperformance of a contract in violation of an established public policy. Restatement (Second) of Torts § 774 (1977).
37 157 U.S. 659 (1895).
38 210 U.S. 339 (1908).
not to copy or use in fact was ancillary to the sale of the work and that it was a reasonable restraint. The arguments would mirror the familiar policy arguments for intellectual property. The seller of a work incorporating intellectual property needs a means to separate the sale of a single exemplar of the work from the sale of the right to use the work to produce more exemplars. It makes sense to sell the single exemplar cheaply to many only if each exemplar cannot be used as the source of a competing product. Moreover, this restriction would provide a necessary and sufficient incentive to create the work in the first place. In the absence of the statutes, the courts would be forced to define the limits of "reasonable" protection.

Ironically, in the presence of the statutory systems, courts have become mechanical in deciding what is or is not permitted. A striking example is Brulotte v. Thys Co., in which the Supreme Court held unenforceable a licensing clause requiring the payment of royalties beyond the statutory patent term:

[W]e conclude that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se. If that device were available to patentees, the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there.

The Court could not explain why, as Justice John Harlan argued, such an agreement was not simply an extended payment term. Recently, the Supreme Court held a state plug-molding statute unconstitutional, even though the statute was designed to keep a firm from buying a competitor's boat and duplicating the hull by using it as the "plug" for a mold. The Court based its decision on the ground that the patent statute did not protect the hull design and therefore was free for all to use. The Court did not consider that the statute applied only to those buying the boat from the seller at prices set for the end user, not the competitor. Moreover, the statute could be viewed as a state law amplification of an implicit sale term—that the boat will be used only for sailing and not as the seed of a competitive

40 Id. at 32-33.
41 Id. at 34, 39 (Harlan, J., dissenting).
43 Id.
boat line. The limits of the statutes have provided the courts with off-the-shelf rules that they have used to set the limits of reasonableness.

In the Supreme Court, the idea that contracts are unenforceable because they are in restraint of trade has evolved from an issue of relevance in infringement cases, because it is necessary to interpret the contract to determine what rights the defendant has obtained from the rights-holder,44 to a direct policing of such contracts under federal common law,45 to a doctrine of implied preemption of any state law that expands the scope of subject matter within the domain of the statute.46 The preemption development turns on issues of federalism and statutory interpretation beyond the scope of the discussion here, but it does indicate that the Supreme Court is strongly committed to the principle that neither private arrangements nor state statutes can extend protection beyond the limits of the statutory rights.

The common law tradition affords little insight into the appropriate limits of the statutory rights. The courts rely on the statutes to avoid the hard question: What scope of protection provides a reasonable tradeoff between incentives to create and exploit works and the rights of others freely to use information in the public domain? Attempting to answer this question takes us back to the same public-policy issues inherent in efforts to evaluate the statutes. We cannot identify the outlines of a common law system of protection because the courts have not developed one.

One conclusion is clear: The common law courts would require a substantial demonstration of the need for a restraint. Courts value highly the right to compete free from contractual restraint and have permitted restraints no broader than those required by the justification. Thus, for instance, these courts recognize that a restraint on subsequent competition by the seller of a business is necessary to enable the seller to obtain a price that reflects the value of the business. This justifies restraints only as broad as the scope of the business being sold, however. Courts in this tradition are not sympathetic to the argument that restraints should be permitted simply because they are customary or even valuable. This tradition suggests that courts should not expand the scope of intellectual property rights sim-

45 *Brulotte*, 379 U.S. 29.
ply because the owners assert such rights and claim a loss of value if the rights are not recognized. A common law court requires a clear demonstration that such an expansion is in the public interest, and imposes a substantial burden of overcoming the public interest in free and unconstrained competition.