THE OXFORD INTRODUCTIONS TO U.S. LAW

INTELLECTUAL PROPERTY

Dan Hunter

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DAN HUNTER

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(Based on the Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations.)

For Elena and Nate

"[Congress may make laws] . . . To promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."—U.S. Constitution, Article I, Section 8, Clause 8

"Overprotecting intellectual property is as harmful as underprotecting it. Creativity is impossible without a rich public domain. Nothing today, likely nothing since we tamed fire, is genuinely new: Culture, like science and technology, grows by accretion, each new creator building on the works of those who came before. Overprotection stifles the very creative forces it's supposed to nurture." — Judge Kozinski[1]

"I am aware that copyright must have a limit, because that is required by the Constitution of the United States . . . When I appeared before . . . [a] committee of the House of Lords the chairman asked me what limit I would propose. I said, 'Perpetuity.'" —Mark Twain[2]

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1. White v. Samsung Elecs, Am., Inc., 989 F.2d 1512, 1513 (9th Cir. 1993) (Kozinski C.J. dissenting).

2. Mark Twain, December 6, 1906, appearing before the Congressional Committee deciding on the proposed Copyright Bill.

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Preface

This book provides an overview of the laws of intellectual property, and does so by focusing on the battles that are fought over these laws.

Any number of texts provide basic introductions to intellectual property law and practice, and they all explain the basics of copyright, patent, trademark, trade secret, and related laws. Like this book, those introductory texts all detail, for example, how fair use operates as a defense to copyright infringement, they all discuss the requirements of misappropriation in trade secret protection, they all walk the reader through the way that file wrapper estoppel operates in patent law, and they all note the significance of secondary meaning in trademark law. And they all make the assertion, explicitly or implicitly, that intellectual property is a boon for society because it encourages the production of such vital products as AIDS drugs, the Coca-Cola logo, or books such as this one. Few of these other texts explain why intellectual property is a legal area where the people who teach the subject are often its strident critics. Few if any of those introductory primers note the presence of strong activist movements against patent, copyright, and trademark laws. And none of them spend much, if any, time exploring the political economy of intellectual property—the influence of money, the tireless efforts of lobbyists, and the failings of legislators and judges—or the psychology and rhetoric of possession and control that operate within this hotly contested arena of law.

This book is intended to provide you with a basic overview of intellectual property, but more importantly, it is intended to explain

how and why battles about intellectual property are fought, and to provide a way to understand how these battles might and should be resolved. I wanted to call this book *A Dyspeptic Introduction to Intellectual Property*, but the publishers understandably said "Um, no." But even if the modifying adjective is not in the title, the description is accurate because it conveys the sense that intellectual property may well be a good thing in society, but it's not a *wholly* good thing. Any worthwhile introduction to intellectual property should give you, the reader, some indication of the queasiness and uncertainty of its field of study. Innovation is a fundamentally wonderful thing, and intellectual property has contributed greatly to the myriad innovations that we enjoy, love, and need in our modern lives. But there is evidence that the expansion of intellectual property has reduced innovation by stopping others from implementing their great ideas or producing their new work. Any serious introduction of intellectual property should be a little suspect of the laws it describes. So this work will endeavor to explain intellectual property by seeking to sail between the Scylla of Joyous Embrace and the Charybdis of Despairing Rejection. Little is gained by uncritical acceptance of the current regime of intellectual property law, but then equally little is gained by its wholesale snubbing.

This book will therefore provide a guide to the current laws of the various regimes of intellectual property, and will explain how we got here. One of the characteristic features of intellectual property over the last fifty to a hundred years has been its relentless expansion, and so this book will explain the process of expansion and the territorial wars that have emerged from it. As the empire of intellectual property has grown, various tribes have fought battles over the expansion. At times the battle has been between two competing interests, such as those over the point at which competitors can begin to reproduce the idea in a patent to make a cheaper, generic competing drug. At other times the battle is a contest between private property interests and those who represent the public interest, or the interests of those in developing

countries, or those who are just not crazy about the dominance of property systems. Like most wars, no side is completely virtuous or completely evil, and no side can claim always to have acted wholly honorably. There is the danger that in using the metaphor of territory and war that I'll simplify nuanced and sophisticated positions into a banal Manichaean struggle. So I will try to provide as neutral an account as I can, even though I am as partisan as any commentator in the intellectual property arena.

But in thinking about modern intellectual property in this way, as we discuss the details of the current laws I hope you will be able to see how innovation and progress is linked to intellectual property law. I also hope that you will be able to see how numerous small changes in intellectual property law have had significant consequences for our society. And, I hope that, as you learn the law, you will discover for yourself your political orientation in relation to intellectual property.

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ONE

Introduction

Intellectual property is the expression used to denote a series of legal principles and domains that create exclusive rights in intangible "property of the mind." Thus, the federal statutes that establish and regulate copyrights, patents, and trademarks are commonly referred to as intellectual property laws, as are various state statutes and common laws dealing with issues such as trade secrets, rights of publicity, celebrity rights, and even some types of unfair competition. Although they differ dramatically in their historical development, their subject matter, their reasons for existence, and their specifics, these laws share certain characteristics that mean that they can be treated as a distinct category of law. Most important, they all confer in one shape or another state-sanctioned exclusive rights of use for the specific types of intangible things. In other words, they create a monopoly right for certain types of imaginary property.

Intellectual property rights are fundamental to social progress and innovation, and they have become central to the sorts of businesses that characterize modern economies. Newspapers, book publishers, television broadcasters, software developers, music labels, movie studios, web studios, graphic designers, fashion houses, and all manner of media companies assert copyrights over various types of content, in all its myriad forms. Drug companies, semiconductor chip fabricators, financiers, and inventors of all stripes claim patent and/or trade secret protection for their commercially valuable innovations. Celebrities assert rights over the use of pictures of them. And the significance of trademarks is obvious to anyone who has

been confronted by the serried ranks of brands in the supermarket, or who has walked down the street and tried to count the number of trademarks arrayed on storefronts or stamped on products as diverse as banking services, candy bars, and cars. And what of anyone who has watched an hour of network television and noted the advertisements and brand placement at every level? If it can be said that the Industrial Age was built out of legal and social control of land, plant, and heavy equipment, then the post-Industrial Age is built around control over intangibles such as brands, information, celebrity, and ideas. And these are the province of intellectual property.

So it's not far-fetched to claim that intellectual property is one of the most important legal subjects for modern society: it is like the air around us, invisible and unseen, but vital to our functioning. But intellectual property is more interesting than this, because much of it is founded on a strange, inconsistent premise. We create the monopolies of intellectual property in order to increase the amount and types of valuable innovation and information in our society. Thus, the main justification for the grant of intellectual property is to increase knowledge. But in order to increase knowledge, we have to restrict it. For that is what property rights confer: an exclusive right for me, the property owner, to stop you and the world at large from using my property without my permission. And while this *may* make sense when it comes to physical property such as my car or my computer where your use of it deprives me of it—what the economists call a "rivalrous" good—it makes less sense when we consider the non-rival nature of the sorts of things that intellectual property laws protect. My creation of a generic "knock-off" of the chemical structure of Viagra does not deprive the patent owner of the use of its drug; my listening to an illegal recording of Katy Perry's latest masterpiece does not stop others from listening to it; my use of the likeness of Arnold Schwarzenegger on a bobblehead doll does not deprive him of using his likeness.

Thus, the core of intellectual property does not operate in the same way as regular property. But more than this, the increasing

significance of intellectual property in society has led to the emergence of two distinct groups: those who see intellectual property as wholly important and socially beneficial, and those who argue that intellectual property cuts down on expression and makes felons of ordinary citizens. This is a strange development. It wasn't long ago—probably not more than twenty years—when intellectual property law was seen as a wholly positive force in society. In those simpler times, intellectual property was thought to guarantee social progress, promote innovation, and (no doubt one day) cure baldness. But within the blink of an eye, the golden period faded, and intellectual property became a mare's nest. In the field of copyright, scholars and civil society groups led a series of attacks on term extensions. They claimed that by extending rights to private owners, we were diminishing the "public domain" (whatever that might mean). Within patent law we witnessed increasing concerns about the extension of patent scope and the grant of wildly overbroad patents, and recently a number of civil society groups announced plans to challenge the grant of those patents that they see as the worst offenders. Internationally, criticism was leveled at the role of Western intellectual property policy on developing nations in areas such as plant and seed protection, access to essential medicines, and development of indigenous high-technology industries. At the same time, intellectual property owners such as music labels and movie studios became terrified of the internet and peer-to-peer file sharing, and daily foretold the deaths of their industries at the hands of billions upon billions of "intellectual property thieves and pirates." Where once intellectual property was seen as good for everyone, we now survey a modern day Hobbesean battlefield that pits all against all.

This book provides an explanation of the laws of intellectual property, as well as one of the ideology and politics that shape these laws. This chapter will introduce the history of intellectual property as a whole and provide some basic discussion of the theories and justifications that underlie intellectual property. Subsequent chapters will explore the main regimes that make up the collection of

laws that we call intellectual property. Chapter 2 will discuss copyright, Chapter 3 will deal with patent, Chapter 4 trademark, and Chapter 5 trade secrets. The final chapter will cover the remaining mixed bag of state and federal laws that fit, untidily, into the intellectual property domain. Within each chapter on the substantive areas of law, the basic format will be the same: each will begin by looking at the history and theory of the applicable law, and then focus on the creation of the rights within that regime and the way in which those rights are infringed, then survey the available defenses. Finally, each chapter reviews the current fault lines in that law by examining the main criticisms that have been leveled at it. The idea behind adopting this structure for each chapter is to provide a balance between the theory and the principles that you need to know in order to be able to understand intellectual property law. This common structure will also demonstrate that each area of law comes from a specific historical milieu, with specific sorts of justifications for its existence, but that all types of intellectual property law create a type of property right that the plaintiff has to establish, and upon which the defendant may or may not be infringing.

In the chapters that follow we will examine the theory and principles of the main types of intellectual property in some detail, but it's worth spending a moment to consider the basic scope of the laws that we will soon study in more detail. Copyright protects works of authorship—things such as books, magazine articles, computer programs, drawings, movies, and so on. Anything that is created by an author is probably protected by copyright, and it's protected for a really long time: typically the life of the author plus seventy years. Patent law, on the other hand, only protects creations for twenty years, but it protects ideas and inventions, and that protection—for reasons we'll see later—is much broader than copyright allows. Trade secret law, similar to patent law, generally protects commercially valuable ideas—such as the recipe for KFC chicken or customer lists—and does so for an even longer period, potentially forever. But trade secrets are very fragile, and once the

secret leaks out, there is little that the law will do for the wronged plaintiff. Celebrity rights—also called rights of publicity—are created under state laws, and generally protect the commercial persona of well-known singers, actors, and athletes. And, finally, trademarks don't try to protect ideas, creations, or personas, but rather brands that indicate where a product comes from.

In the subsequent chapters we'll spend a lot of time fleshing out the details underlying this sketch. But before we do so, we need to understand the "how" and "why" of intellectual property; that is, we need to understand the historical development and the theories underlying intellectual property law. And so it's these two topics that we consider in the remainder of this chapter.

History

For much of human history there has not been a concept called "intellectual property," although there have, of course, been various laws and concepts that were precursors to the myriad laws that make up that category in modern times. To understand many features of our current systems, it's useful to look at how we got to where we are today.

The first stage in the development of intellectual property is what we might call the Premodern Period. Prior to the Enlightenment, there were various actions and laws that are often denoted as the beginning of the intellectual property system. Since historical records are sparse prior to the Classical Period, the earliest examples of intellectual property rights usually come from Ancient Greek and Roman times, including the efforts of Roman courts to forbid third parties from corrupting slaves so that they will disclose information about their owners' business secrets, and examples of Greek pottery with trademarks impressed in the clay. However after this, and during the medieval era, we find few examples of intellectual property law, in large part it seems because the political institutions

of the period were attuned to different needs. The feudal system did not recognize private property except through the system of estates that derived from the Crown. Protection of ideas during this period seems to have been relatively unimportant because of the nature of feudalism, which emphasized control over land and over people rather than over ideas. And of course trade was relatively small-scale and local. Thus, during this time there was little in the way of precursors to patent or trade secret protection. And, until the invention of the printing press, there was little need for a set of laws to protect expression; thus copyright didn't exist.

The second stage in the development of intellectual property can be called the Early Modern Period, which began in the period after the Enlightenment with the rise of the Westphalian state and the emergence of large-scale trading between states. Numerous features contributed to the development of intellectual property as a significant artifact of this era, principally the appearance of mercantilism (the first time that merchants were granted autonomy to produce and trade goods), the emergence of trade guilds (which policed the knowledge of their members), and the new interest of rulers in gaining competitive advantage within their new geographic boundaries.

It's reasonable to identify the birth of modern intellectual property as the patent system that emerged in Venice during the fifteenth century. With the rise of the modern state, European rulers came to issue *letters patent*, a term derived from the Latin *litterae patentes* or "open letters." These were letters from the sovereign to everyone, stating that a group or an individual now had the monopoly to produce an identified product (or the monopoly to ply a given trade) within the sovereign's realm. These monopolies covered a huge range of industries and products and were *not* issued for the reasons that underlie modern intellectual property. They were as likely to be issued to court favorites in order to control the production of gunpowder, or certain types of clothing, as they were to inventors conferring a benefit on society. But in 1474 the senate in

the Republic of Venice passed an act that began intellectual property as we know it:

> Be it enacted that, by the authority of this Council, every person who shall build any new and ingenious device in this City, not previously made in this Commonwealth, shall give notice of it to the office of our General Welfare Board when it has been reduced to perfection so that it can be used and operated. It being forbidden to every other person in any of our territories and towns to make any further device conforming with and similar to said one, without the consent and license of the author, for the term of 10 years. And if anybody builds it in violation hereof, the aforesaid author and inventor shall be entitled to have him summoned before any Magistrate of this City, by which Magistrate the said infringer shall be constrained to pay him one hundred ducats; and the device shall be destroyed at once.[1]

These types of intellectual monopolies spread outward within Europe. From the late fifteenth century until the late seventeenth century, the development of intellectual property occurred through the intertwined development of guilds and the advancement of the autonomous nation-state. Guilds such as those controlling the glassblowers of Murano sought to advance their interests and consolidate their power by protecting the secret processes of their trade, and by ensuring there were no lateral entrants into their business. The state was happy to use the guilds and the rise of mercantilism generally as part of its competitive advantage, at first militarily and then for the benefits conferred by international trade and domestic taxation of the industry. Thus European states enacted the modern precursors of trade secret laws protecting the

1. Giuli Madlich, Venetian Patents (1450–1550), 30 J. PAT. & TRADEMARK OFF. SOC'Y 166, 177 (1948).

secrets of the guilds while modern precursors to the patent system granting monopolies to the guild emerged throughout the city-states and nation-states of Europe.

Copyright emerged in a similar way. Johannes Gutenberg developed the printing press around 1440, and worked on perfecting it for the next twelve years. The year 1452 saw the first printed edition of the Bible, an event that profoundly changed the world. Venice was again notable for its speed in adopting the new printing technology and for encouraging its use within the city by granting monopolies. It granted its first print-related patent in 1469 to Johann Speyer, giving him the monopoly over all book printing in the territories for the subsequent five years. Printing spread throughout Europe during the next hundred years, and, like other trades, was carefully overseen by the sovereign and the guilds.

The U.S. tradition of copyright stems from the English copyright system, one that emerged from the response of the English Crown to the revolution of printing. William Caxton brought the printing press from the Continent to England in 1476, setting up in Westminster and changing forever the relationship between sovereign and subject. The opportunity for widespread dissemination of printed documents—including seditious material—was suddenly a pressing political concern. Unsurprisingly, the response of the Crown was to try to police printing and printing presses as completely and efficiently as possible. Initially the approach was to control the presses directly, but during the period 1486 to 1557 there was great experimentation with printing privileges and letters patent, and a better system emerged. The Crown delegated control of the presses to a guild of printers who were given enormous trade advantages as a result, and whose self-interest in maintaining their monopoly transformed them into literary enforcers for the Crown. This guild was called the Stationers' Company, and the publication rights granted to the guild during this period were not similar in any meaningful sense to the copyright we know today. The "copy" right was a right to print, and it was granted to the authorized printer—or "stationer" as the printer was then called—rather than

the author. It was the stationer's copy right that was infringed when an unauthorized copy was made by a rival printer. Authors didn't feature much, if at all, in this system of copy right, and certainly there was no conception that authorship of the work was the significant event: printing was all. Royalties for authors were essentially unknown, and if payment to an author was made at all—many works were simply printed without the author's approval or even involvement—it was usually the case that the stationer would commission a book from an author for a lump sum, at which point the author's economic, legal, and practical interests in the work were extinguished.

This system went on for the better part of 159 years, during which societal attitudes to the Crown and censorship changed, and the first intimations of democracy emerged within the British state. Censorship by the Crown became more unpalatable and with this, the power of the Stationers' Company declined. This brought competition from other printers and, in response, the Stationers sought newer and greater protections against piracy. Eventually these protections were enacted in the Statute of Anne 1709, the world's first modern copyright act and one that ushered in a series of profound changes. We will examine this act in the next chapter, but the important difference to understand here is that it was the first act that provided protection to the author, rather than to the state, the church, or the printer. As a practical and commercial matter, the author would transfer his or her interest to the publisher in order to make enough money to live; but, for the first time, there was a law that created the starting position that authors had rights over their intellectual product. This marked the beginning of what we can think of as the third stage in the development of intellectual property, the Modern Period, in which the laws developed their recognizable current form.

In each of the chapters below we will examine how the fundamental change of the Statute of Anne—granting the creator the initial rights—worked its way through the different intellectual property regimes, and how over time it came to be expressed in U.S. law.

The basic story of intellectual property protection in the Modern Period from the early 1700s to the beginning of the twentieth century was an initial recognition, and then slow expansion, of the rights of authors, inventors, and creators. The three fundamental grants of intellectual property interests—patent, copyright, and trademark—were relatively both narrow and unimportant. There was the understanding that certain types of businesses deserved some special protections as otherwise they could not flourish. So patent law developed to provide monopolies in certain industries, for example those dealing with mechanical or chemical processes, and copyright developed to deal with the interests of book authors, newspapers, and publishers. Few other businesses cared much about either regime. During this period, trade secrets and trademarks were important (but not central) to the operation of many businesses. On the whole, industries during the Modern Period didn't care that much about intellectual property. Rather, they cared about the factory, the production line, and the land on which these were sited: this was the property that mattered.

As the Modern Period advanced, the importance of industrial production waned. No longer were heavy machinery and physical plant the predominant means of production, and physical inventory wasn't the most important asset. In the developed world, control over intangibles came to dominate the business agenda, and thereby the political agenda. In the latter part of the twentieth century the importance of property interests in these intangibles—information, brands, pharmaceuticals, and so on—became obvious to business and government, and so the intellectual property system grew. This stage we'll call the Late Modern Period, and we're living in it now.

The Late Modern Period of intellectual property law is defined by two trends: the extensive expansion of intellectual property protection, and the eventual opposition against this expansion by various publicly oriented groups. The expansion during the latter half of the twentieth century was profound. Copyright had been limited in its infancy to protecting maps, charts, and books. During the Late

Modern Period it broadened to encompass musical and dramatic works, photographs, movies, sound recordings, software, architectural drawings, and the like. As we'll see in the next chapter, the term of protection was extended from a modest period—initially a slim fourteen years, with the chance of one extension of fourteen years—to increasingly extended periods each time Congress considered the matter, eventually reaching a period of life-plus-seventy-years. Patent law followed the same path: its scope widened, over time annexing new inventive territories such as plants, surgical procedures, computer algorithms, and business methods. Eventually even life-forms became patentable, including gene sequences of the human genome. The strict early patent requirement that only the specific claims could be infringed was loosened with the introduction of the doctrine of equivalents, giving judges the flexibility to determine that nonidentical-but-equivalent methods were infringing. Trademarks too were set loose from their historical moorings. The trademark term was extended, and the prototypical application of a physical brand to a physical product no longer marked the limit of trademark's dominion. Not only could the hourglass shape of the Coke bottle be a trademark in itself, but sounds such as the Harley-Davidson exhaust note for motorcycles, the fragrance on sewing thread, or the distinctive color of dry cleaning pads were protected by trademarks.

At first these manifold expansions were ignored, not only by socially progressive commentators but by the public. The growth of intellectual property didn't seem to involve a reduction of any interests in the common wealth. Of course, the grant of a patent over a new class of inventions, a new form of trademark, or the extension of a copyright might affect a direct competitor—but after all, that's just business. Society at large just didn't care much, and the expansion of private interests didn't awaken any public concern. However, there has long been the sense that the public does have some stake here. The concept of the *public domain* was first advanced in 1896, in a Supreme Court case involving the Singer sewing machine. The court noted that upon the expiration of a patent, the public