

INTELLECTUAL PROPERTY AND THE NEW PRIVATE LAW

*Henry E. Smith**

In the first event of its kind, a distinguished group of scholars and practitioners convened in March 2016 for a conference on “Private Law and Intellectual Property.” The conference was sponsored by Harvard Law School’s Project on the Foundations of Private Law. As the “and” in the title indicates, we were not sure what exactly would emerge from looking at private law and intellectual property (“IP”) together, but we believed it would be something interesting.

We were right. As the following papers demonstrate, there is a lot to be gained from considering these subjects together. And the traffic is not all one way. Issues of property are relevant to entitlement definition, contract law is a part of licensing, and private law remedies play a large role in intellectual property. Looking at intellectual property issues through a private law lens is informative, even when, in the view of many, the lens may be distorting. That intellectual property is more public and administrative than classic areas of private law can be better appreciated by efforts to grasp just what the relationship between intellectual property and private law really is. The reverse is also true. There are few things more contested in the legal academy than the nature of private law, whether it has a nature, and if it even exists at all. Considering intellectual property issues from a private law frame of reference is an effective avenue for thinking about private law itself.

Even a brief sketch of the topics covered at the conference — and now in this Symposium issue — indicates how an inquiry into the relation of intellectual property and private law can illuminate both.

ENTITLEMENT DESIGN

Fundamental to intellectual property and law more generally is entitlement design. What does the law afford actors beyond their basic liberties, and, correspondingly, what does it constrain others to respect? How do these legal relations emerge or change? To set up entitlements in the first place, legal institutions must be in a position to measure something about potential assets or their uses. It is generally thought that this process is especially difficult when it

* Fessenden Professor of Law and Director of the Project on the Foundations of Private Law, Harvard Law School. Email: hesmith@law.harvard.edu. I would like to thank John Goldberg and John Golden for their helpful comments. All errors are mine.

involves defining information as an asset and assessing uses of it. At the same time it is also recognized that calibrating rewards for developers of intellectual property is especially difficult. Tun-Jen Chiang's paper addresses the tension between avoiding the need for courts or officials to tailor rewards through the use of property rights and the degree of valuation required to set up those rights in the first place. One way out of this tension is to let it guide our choice of theories justifying intellectual property rights. For example, it is easy to see how patent law's commercialization function — which encourages people to develop and bring to market various innovations — could benefit from the tools of private law, including aspects of property law, contract law, and perhaps torts. Oskar Liivak's paper is about how intellectual property could become more like private law in order to promote commercialization. Like private law, patent law would form a platform for private transfers of technology rather than a system of direct rewards. Furthermore, contrary to the view that associates private law with stringent property protections, Molly Van Houweling's paper shows that property law is often designed to constrain what she calls "remote control" property, which confers rights that allow owners to control others' behavior from great distances and for great durations. She examines how limits on remote control property rights can inform how IP responds to excessive owner behavior.

INSTITUTIONS

It is easy to forget that private law is not a collection of rules, but a social institution. Indeed, many theories of private law are built around the institution of litigation, an adversarial system that pits plaintiff against defendant.¹ Private law also has a close and uneasy relationship with custom in terms of when custom will be treated as law and how the law will treat it.² Picking up on the theme of entitlement definition, Christopher Newman analyzes what exactly an IP license is and shows how copyright affords some rights, like distribution and display rights, that interfere with use privileges in

1. See, e.g., ERNEST J. WEINRIB, *THE IDEA OF PRIVATE LAW* 38–55 (1995) (making coherence in the bipolar relation between plaintiff and defendant a central criterion for theories of private law); John Gardner, *What Is Tort Law For? Part 1: The Place of Corrective Justice*, 30 *LAW & PHIL.* 1 (2011); Andrew S. Gold, *A Theory of Redressive Justice*, 64 *U. TORONTO L.J.* 159 (2014); John C.P. Goldberg, & Benjamin C. Zipursky, *Civil Recourse Revisited*, 39 *FLA. ST. U.L. REV.* 341 (2011); Benjamin C. Zipursky, *Rights, Wrongs, and Recourse in the Law of Torts*, 51 *VAND. L. REV.* 1 (1998).

2. See, e.g., Yun-chien Chang & Henry E. Smith, *The Numerus Clausus Principle, Property Customs, and the Emergence of New Property Forms* 100 *IOWA L. REV.* 2275 (2015); Henry E. Smith, *Community and Custom in Property*, 10 *THEOR. INQ. L.* 5 (2009).

personal property and affords other rights, like the right to perform and reproduce copyrighted works, that do not so interfere.

Private law does not encompass matters involving the State as a litigant or party, but the State does set the platform and many of the rules for private interactions that are the subject of private law. Scott Kieff explores how various agencies applying patent, antitrust, and tariff law manage the relationship between public and private law and argues that these agencies should pay greater attention to the private law aspects of the problems they deal with.

LICENSING

Licensing is at the heart of private law, intellectual property, and contemporary controversies in IP. Jonathan Barnett shows how licensing is critical to certain business models for commercialization and argues that if commercialization is a core objective of IP, then hostility to licensing is likely to undermine intellectual property law's effectiveness. Karen Sandrik builds on morality-based theories of contracts, using the work of Seana Shiffrin³ and Rob Kar⁴ to provide a non-instrumental justification for enforcement of many licenses but not those that violate public policy. Greg Vetter analyzes various approaches to licensing for free and open source software and shows that licenses based on copyright principles can help manage the problem of opportunism in an area where participants' contributions to projects are difficult to modularize. Providing an international dimension to the Symposium, Jacques de Werra shows how private law notions such as notice can helpfully inform approaches to certain problems in international intellectual property law, including those involving the standing of exclusive licensees to sue infringers of their licensed IP rights.

STANDARDS

Currently, standard setting is one of the most discussed and contested topics in patent law. Standard setting involves private parties generating an agreement or set of agreements that often look like — and maybe even are — enforceable contracts. Among other things, as a condition of participating in standard setting, patent holders often represent that they will license standard-essential

3. See generally Seana Valentine Shiffrin, *The Divergence of Contract and Promise*, 120 HARV. L. REV. 713 (2007).

4. See generally Robin Bradley Kar, *Contract as Empowerment*, 83 U. CHI. L. REV. 759 (2016).

technologies on reasonable and nondiscriminatory terms, and there are substantial questions about the extent to which these representations are enforceable by the courts. And yet standard setting commonly reaches far beyond the kind of standardization associated with bundles of privately enforceable contracts. Participants' decisions about standards often implicate entire industries and have a significant impact on broad classes of consumers, making the standards look more "public" than "private." Therefore, the decisions are in some ways analogous to industry-wide rules or policies that a public regulatory agency might typically adopt. Jorge Contreras emphasizes this public aspect of standard setting yet argues that the tools for dealing with the public implications of standard setting need not be uniformly public (or, in other words, grounded in public regulatory law such as antitrust law). Internal policing and private law doctrines may in many instances be sufficient to deal with these problems. These doctrines include many from the law of contracts, as Contreras argues, and we might also look to the interventions associated with traditional equity.⁵

Another forum for standardization in the patent arena is the patent document itself. Although patent law sets numerous requirements for patentability, many of which have implications for how claims and descriptions are drafted, the language used in patents is not nearly as standardized as it would need to be in order to make patent searches optimally effective.⁶ Janet Freilich and Jay Kesan explore the theory of standardization and show how the standardization of patent language might be achieved in various technological areas, including how patent drafters might promote soft standards among themselves.

REMEDIES AND PRIZES

Like standard setting, patent remedies have come to the fore in debates over intellectual property, with a great deal of ferment over both damages and injunctions. John Golden tackles the knotty problem of how to assess reasonable royalty damages in patent law by comparing the problem to the requirement of "reasonable certainty" of damages in contract law. He shows that the application of reasonable certainty principles in patent law might satisfy the need for rigor and

5. Henry E. Smith, *Property as Platform: Coordinating Standards for Technological Innovation*, 9 J. COMPETITION L. & ECON. 1057, 1078–88 (2013) (showing how various equitable doctrines can solve problems of opportunism in the setting and employment of standards).

6. See generally JAMES BESSEN & MICHAEL J. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK* (2009).

flexibility in what counts as evidence of harm from patent infringement.

Remedies may also tell us something about the nature of a right. In patent law, the remedies afforded to patentees are commonly compared to devices such as prizes, which subsidize innovation more directly. In his contribution, Ted Sichelman argues that despite the similarities between patents and prizes, the property-based remedies are actually distinct. He further argues that property-based remedies serve the ends of minimizing information and administrative costs, and yet the use of such remedies does not imply that patent law shares other aims with the private law areas from which these tools are borrowed.

This brings us back to the relationship between intellectual property and private law. Are they simply different domains of law? If they are similar, is it only by way of analogy, or is this a case in which substantially similar legal structures are used for very different purposes? Put differently, are any similarities that may exist between IP and private law purely superficial?

If the question is about possible similarities and the reasons for them, it is worth thinking about what intellectual property tells us about private law. This is a subject addressed more implicitly in the papers that follow. Some authors' approach to private law is mainly interpretive and resolutely internal. On this view, private law is not explained or justified by reference to something external to it, whether efficiency, fairness, or even considerations of justice.⁷ Private law is a practice that should be understood from within, and that practice is a form of reasoning in the interest of justice between parties. It is an instantiation of some kind of justice, often some variant of corrective justice. By contrast, the dominant view of intellectual property in the United States since its founding has been largely a utilitarian one. The Exclusive Rights Clause granting Congress constitutional authority to pass laws on copyright and patents states its purpose: "To promote the Progress of Science and useful Arts."⁸ In contrast, a more personhood-oriented approach to copyright law is prevalent in some other countries, notably in European countries such as France.⁹ This

7. Probably the strongest statement of this position is Weinrib's famous aphorisms that "the purpose of private law is to be private law," and that "private law is just like love" in being its own end. ERNEST J. WEINRIB, *supra* note 1, at 5–6.

8. U.S. CONST. art. I, § 8, cl. 8.

9. See Jane C. Ginsburg, *A Tale of Two Copyrights: Literary Property in Revolutionary France and America*, 64 TUL. L. REV. 991, 992, 996 (1990) (discussing the development

makes interpretivist and internal theories of private law difficult to reconcile with U.S. intellectual property law, although the papers by Liivak and Sandrik argue that this fit might be possible and even necessary. Even if we take utilitarianism as a theory of IP from an internal perspective, we will inevitably confront the external question of how well IP serves social goals of promoting and disseminating innovations.

Does this mean that the relation between private law and intellectual property is a dysfunctional or antagonistic one? Not necessarily. To begin with, internal perspectives on private law are not the only game in town. As law and economics and many versions of philosophical analysis attest, there is a rich tradition of analyzing private law in terms of external goals.

Moreover, it is not necessary to analyze law merely in terms of the results it achieves. One could also focus on questions of legal structure that stress law as an overall system rather than a collection of disconnected rules. Originally, law and economics scholarship asked whether the results achieved under various legal rules taken individually were efficient (with the answer in first-generation law and economics often being yes, at least for the common law).¹⁰ New Private Law (“NPL”) is a family of approaches united by the commitment to take the structure of private law seriously.¹¹ NPL embraces not just internal perspectives but also external perspectives that offer functional explanations for the structures and doctrines of private law. Thus, it might ask whether the division of private law into discrete doctrinal areas and their associated concepts might be functionally justified by making the system easier to navigate and promoting beneficial evolution.¹² In the case of property, what purpose does it serve to employ “things,” such as parcels of land, that can be treated as partially isolated from their context?¹³ Furthermore, we can transcend the compartmentalization of private law if we ask

starting in the nineteenth century of a personhood approach to copyright in France and contrasting it to earlier French and U.S. copyright law); Justin Hughes, *The Philosophy of Intellectual Property*, 77 GEO. L.J. 287 330–65 (1988) (discussing Hegelian intellectual property and noting a greater reliance on personhood theories in French than in U.S. law).

10. For critical discussion, see DONALD WITTMAN, *THE MYTH OF DEMOCRATIC FAILURE: WHY POLITICAL INSTITUTIONS ARE EFFICIENT* 116 (1995); Frank B. Cross, *The Judiciary and Public Choice*, 50 HASTINGS L.J. 355, 358–360 (1999); Eric A. Posner, *Law, Economics and Inefficient Norms*, 144 U. PA. L. REV. 1697, 1703–05 (1996).

11. See John C.P. Goldberg, *Introduction: Pragmatism and Private Law*, 125 HARV. L. REV. 1640, 1651–56 (2012).

12. Henry E. Smith, *The Persistence of System in Property Law*, 163 U. PA. L. REV. 2055, 2065–66 (2015).

13. Henry E. Smith, *The Economics of Property Law*, in OXFORD HANDBOOK OF LAW AND ECONOMICS (Francesco Parisi ed., forthcoming) (exploring the economic consequences of separation into things in the law of property).

how its various parts might work in tandem to achieve social objectives.¹⁴

With respect to the question of whether property rights must correspond to something tangible — a question over which property theorists and legal systems differ¹⁵ — the nature of intangible rights can help us refine the notion of a “thing,” which is otherwise too easily taken for granted in the law of tangible property.¹⁶ Thus, property rights surrounding tangible things can create a platform for contracting; these constellations of legal relations would be too costly if the law attempted to delineate them “stick by stick.” Is licensing defined as the transfer of a stick from the bundle, or is it the creation of a new relationship with its existing holder?¹⁷ This seemingly metaphysical question has implications for how we think about IP licensing. Can one create an ownership regime against others by requiring a license in order to gain access, achieving control “against” the world one user at a time? Is this too much power for an IP owner to have?

We are certain that the papers that follow will shed a great deal of light on the connection between private law and intellectual property, and we are hopeful that they will open up fruitful new avenues of research in and between both areas.

14. See Henry E. Smith, *Emergent Property*, in PHILOSOPHICAL FOUNDATIONS OF PROPERTY LAW 320 (James Penner & Henry E. Smith eds., 2013).

15. See NIGEL FOSTER & SATISH SULE, GERMAN LEGAL SYSTEM AND LAWS 493 (4th ed. 2010) (describing the law of things in the German civil code); Simon Douglas & Ben McFarlane, *Defining Property Rights*, in PHILOSOPHICAL FOUNDATIONS OF PROPERTY LAW 219 (James Penner & Henry E. Smith eds., 2013) (explaining property as based on a right against interference with a physical thing).

16. Cf. J.E. PENNER, THE IDEA OF PROPERTY IN LAW 70, 117–20 (1997); Frederick Pollock, *What Is a Thing*, 10 L.Q. REV. 318, 318–19, 320–21 (1894); Henry E. Smith, *Intellectual Property as Property: Delineating Entitlements in Information*, 116 YALE L.J. 1742, 1751–53 (2007).

17. See generally J.E. Penner, *Potentiality, Actuality, and “Stick”-Theory*, 8 ECON J. WATCH 274 (2011).