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Epstein's Insights about Private Law and History for Intellectual Property and Trade of Today and Tomorrow

F. Scott Kieff
George Washington University Law School, skieff@law.gwu.edu

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ABSTRACT

Richard Epstein's work on private law emphasizes themes that have survived since Ancient Roman Law. This paper highlights two practical benefits that those themes can offer some flashpoints in modern debates about the interface between intellectual property (IP) and trade. Arguments grounded in private law may avoid the open-textured public policy debates between concern over too much or too little protection for both IP and trade law while largely addressing the major stated concerns raised by both sides. They also can avoid many arcane doctrines within both IP and trade law. Private law's attention to business norms helped the *Grokster* case explore a modern on-line services' liability for indirect IP infringement. Private law's common law approach to agency can similarly help address joint liability for IP infringement around modern on-line services after *Limelight*. Private law also may help address business opportunism around trade in electronic transmissions and set top boxes.

[1] F. SCOTT KIEFF is the Fred C. Stevenson Research Professor at George Washington University Law School and the founder of Kieff Strategies LLC, which brings together fellow academics, former government officials, and business practitioners to collaboratively engage complex challenges facing firms in technology, finance, business, and law. From October 18, 2013, through June 30, 2017, he was a Commissioner of the U.S. International Trade Commission (ITC) who participated as an individual adjudicator in many of the investigations discussed herein. These views are those of the author only, having been reached in his role as an individual adjudicator in those investigations, and are not properly attributable to the ITC or any of its other Members or Staff. The author gratefully acknowledges the many helpful contributions to these ideas from the parties, their counsel, members of the commenting public, and the ITC staff.

I. INTRODUCTION

Richard Epstein's work is as powerful as it is prolific, spanning an enormous range of topics within the law. A scholar of Roman Law, British Law at the time of our nation's founding, and the Founders' approach to our Constitutional Order, Richard's work is perfused with historical insight. Much of Richard's work has focused on private ordering among individuals and firms in the marketplace, with particular focus on how law can advance overall welfare by providing opportunities for economic growth. He emphasizes property rights within a limited government framework, as powerful tools for unleashing individual's liberty interests and improving overall economic growth. Richard's work has informed contemporary policy discussions by elucidating causal links between the efficiencies and inefficiencies of certain aspects of the patterns of behavior private parties were historically allowed to do and prohibited from doing, and the particular mechanisms of the governing systems of property rights, contracts, and misappropriation or unfair competition at those times. This paper explores how some of the basic insights about private law that Richard has highlighted from history can inform the fields of IP and trade today and tomorrow.

Despite my having trained outside of Richard's host schools, it's a testament to his openness, curiosity, and generosity, that his broad searches for collaborators offered me the good fortune to become a close student of his work by becoming a colleague of his on so many

projects.[2] But the influence of Richard's ideas was too helpful to stop with those collaborations. It thankfully stayed with me on work I've done without him, including several projects in the post I just left as a Commissioner of the U.S. International Trade Commission (ITC). In this paper I will explore some key themes often highlighted in Richard's work that helped me better understand several of those cutting-edge issues in that role at the ITC when working on cases at the interface between IP and international trade. These themes from Richard's work might also help illuminate a path forward for private parties and policy makers of tomorrow as they face similar ongoing issues.

The ITC is notoriously linked to the infamous Smoot-Hawley Tariff Act of 1930 (Pub. L. No. 71-361, ch. 497, 46 Stat. 590 (1930) (codified in various sections of Title 19 of the United States Code)), which has again taken center stage in contemporary policy debates about more aggressively political trade measures. Yet, it is rooted in the post-Civil War Tariff Commission designed largely by the famous Harvard economics professor Frank Taussig, who was appointed

[2] We have been colleagues as members of various academic groups, including from 1999-2006 on the Immune Tolerance Network's Conflict of Interest Committee at the MacLean Center for Medical Ethics at the University of Chicago Medical School; in the Spring of 2001 when he was Acting Dean and I was Visiting Assistant Professor at the University of Chicago Law School; from 2003-2013 and again from June 2017 to June 2018 as fellows at Stanford University's Hoover Institution; from 2007-2013 on the Hoover Project on Commercializing Innovation; and from 2008-2013 on the Hoover Task Force on Property Rights, Freedom, and Prosperity. Over the same time period, we also have collaborated on various private sector consulting projects. We also have been co-authors, including: Epstein, Kieff, and Spulber (2012); Epstein and Kieff (2011); Epstein, Kieff, and Spulber (2011); Epstein and Kieff (2009); Epstein and Kieff (2009); Epstein and Kieff (2007); Epstein *et al*. (2006).

the first Chair of that commission, to de-politicize the import component of US international trade as an agency structured to do only fact-finding, analysis, adjudication, and technical advising, leaving policy-making to the political branches of government.[3]

The adjudicatory portions of the ITC's docket are generally recognized to include two basic categories of cases (more precisely termed "investigations"): the Title VII portion, which is filled mostly with issues of anti-dumping and countervailing duty law; and the Section 337 portion, sometimes also referred to as the "unfair competition" portion, which is most known for cases focused on IP law.[4] Although most known for IP, the ITC's Section 337 docket is much broader, meeting the statute's mandate to address "unfair competition."[5]

This paper explores several specific flashpoints in modern debates about the precise contours of the broad mandate in Section 337. It shows how many of the insights from the literature on private law to which Richard has contributed much could in turn offer some practical leverage to those modern debates within some high-profile cases that otherwise are thought to primarily belong to the domains of IP law and trade law. My aim is to highlight a single theme –

[3] *See generally*, Dobson (1976).

[4] For a review of the ITC's law and practice in these areas, *see*, *generally*, Kieff (2017).

[5] Section 337 instructs the ITC to investigate and adjudicate claims of "[u]nfair methods of competition and unfair acts in the importation of articles . . . into the United States, or in the sale of such articles by the owner, importer, or consignee,…" 19 U.S.C. § 1337(a)(l)(A).

which is that simply following some basics of the approach to private law that has so long been a focus of Richard's work can lead to easier analyses as well as perhaps different outcomes in some high-profile IP cases that too frequently otherwise tend to get hotly debated in one of two more common rubrics: either as an open-textured public policy spat between too much and too little, or as a matter of the arcane and complicated features buried deep within a particular substantive law regime's internal doctrine.

In so doing, the paper recognizes that, especially when a case gets to the level of an *en banc* appellate body, such as review of an ALJ determination by the six Commissioners at the ITC, and especially at the highest level when before the Supreme Court, it can be very seductive to frame the debate in one of these two more common rubrics. Both advocates and adjudicators can be drawn by the seeming flexibility of open-textured public policy as well as by the seeming restraint of arcane black-letter doctrine.

Yet, the basic themes of private law can provide a different – and in some ways preferable – blend of risks and opportunities. This central risk is that historical roots of private law can require more explanation to an audience of clients, judges, and other government decision-makers who often are more versed in and drawn towards contemporary public policy. Historical intricacies of private law can appear even more arcane than the debates specialized advocates

and lower tribunal adjudicators often engage deep within the black letter law outlines of IP and trade. The central opportunities are that a private law approach can be fully accessible to an audience of generalist adjudicators; and may offer a chance for much greater payoff, so long as it is presented at the outset of a case and sustained throughout.

To be sure, there are many private and social costs and benefits that flow from both complexity and simplicity; and this paper does not suggest that simple is always better, from the perspective of either a party, an advocate, an adjudicator, or a policy-making social planner. Instead, the paper offers the more modest payoff of providing a roadmap grounded in private law and history that anyone -- party, advocate, adjudicator, or policy-making social planner – may find simpler to follow when addressing modern cases at the interface of IP and trade than navigating the arcane details of each black letter law regime and that simultaneously has the benefit of largely addressing at least the central stated concerns of both sides in competing policy debates.

Before getting deeper into substantive discussion, one final introductory note on terminology may help. In this paper, the term "private law" is used in keeping with its widely accepted meaning, which refers to the set of rules primarily governing how individuals and businesses interact with each other, in contrast to public law as those rules primarily governing

how these private actors interact with government bodies and how government bodies interact with each other.[6] Following a private law approach to legal rules like those governing property rights and contracts can, in turn, facilitate private ordering and economic growth by encouraging and enabling private actors to directly engage each other more than the government.[7] Each substantive discussion that follows builds on an important example of Richard's contribution to the study of both the sources and mechanisms of private law that focus on either custom, the common law, or core themes about how property actually operates in practice, or some combination.[8]

II. CUSTOM AND MODERN ON-LINE SERVICES' LIABILITY FOR INDIRECT IP INFRINGEMENT

Much of Richard's work emphasizes the beneficial role of custom as a source of private law throughout history.[9] While Richard's work along this vein has reached the early business activities involving the electronic transmission of information for news-wire services about a

[6] *See*, *e.g.*, Goldberg (2012).

[7] The approach followed here emphasizes the detailed legal mechanisms used to structure entitlements, rather than simply how many entitlements there are or how powerful the consequences are for breach or trespass. *See*, *e.g.*, Haber, Kieff, and Paredes (2008) (referring to property rights and contracts "at their best" and "at their worst" when structured differently based on their impact on private ordering); and Kieff and Paredes (2004) (showing how at least explicit recognition of core consensus "basics" of particular private law legal regimes can facilitate both economic growth and diverse social engagement by earning an honest broker reputation that can draw in democratic participation as those regimes evolve while stimulating investment).

[8] *See*, *e.g.*, Epstein (2016); Epstein (2010); Epstein (1992).

[9] *See*, *e.g.*, Epstein (1992).

century ago,[10] the same approach yielded great success for the copyright plaintiffs suing modern internet-based file-sharing services in the 2005 *Grokster* case (*MGM v. Grokster*, 545 US 913 (2005)).[11] Although not from the ITC, *Grokster* is a striking example of the power that can be conferred by invoking basic private law intuitions; and since it occurred at the Supreme Court level it binds all lower courts and tribunals including the ITC.

Grokster was one front in the ongoing *battle royale* in the field of IP that is essentially between the content industries – movie studios, music labels, producers, musicians, and the like – and the high-tech service industries – providers of internet connectivity, and of search, storage, and playback systems and software. The plaintiffs were holders of copyrights in movies, songs, and the like. 545 US at p. 920 ("A group of copyright holders (MGM for short, but including motion picture studios, recording companies, songwriters, and music publishers)". The defendants were distributors of free software that enabled direct, peer-to-peer, file-sharing between users without the use of intermediary servers between them, thereby leaving the

[10] See, Epstein (1992) (discussing the famous business and legal conflict between the two main news-wire services of the early 1900s: International News Service, or INS, and the Associated Press, or AP, regarding copying of "hot-news" reporting from Europe during World War I that was first printed in the morning editions of newspapers on the east coast of the US and then copied by a competitor when time for the morning editions of the west coast papers).

[11] Similar cases were brought against the file-sharing services Napster and Aimster, with each case of course involving different facts material to the liability analysis. *A&M Records v. Napster*, 239 F.3d 1004 (2001) (Ninth Circuit affirming ND Cal. on peer-to-peer file-sharing service Napster's liability for contributory and vicarious copyright infringement); *In re Aimster Copyright Litigation*, 334 F.3d 643 (7th Cir. 2003) (Judge Posner writing for the Seventh Circuit affirming ND IL. Grant of preliminary injunction against Aimster file-sharing service).

plaintiffs facing a broad and diffuse swath of many potential direct copyright infringers (senders and receivers of copied files) rather than a small number of intermediaries operating large-volume file-servers. 545 US at p. 920. A key characteristic of the service was that it could be used to share files of any type – whether subject to copyright or not, whether any applicable copyrights were owned by the plaintiffs or not – and for any purpose – whether the purposes would infringe under copyright law or not, such as perhaps when copying is allowed as a fair use. This left the plaintiffs facing a commercial actor that was interfering with the plaintiffs business interest in copyrighted files but were not, themselves, directly interacting with – let alone copying – the copyrighted files, themselves; and instead were providing software that enabled other users of the software to send and receive copies of potentially copyrighted files in potentially infringing ways. The issue the Court addressed was "under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product." 545 US at pp. 918-19. The Court held that liability was appropriate where the distribution was done with the "object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement." 545 US at p. 919.

In *Grokster*, the open textured public policy debate of too much versus too little mapped well onto the debate internal to the copyright regime about the doctrine known as contributory

infringement. On the policy level, one side fanned the flames of fear that piracy would abound, while the other side fanned the flames of fear that any multi-use technology amenable to possible infringing use would be forever banned, and the internet would be unduly taxed or even shut down. Analogies and hypotheticals frequently focused on examples like the photocopy machine and the video-cassette recorder. On the doctrinal level, the debate often boiled down to how many alternative non-infringing uses would be enough to protect a dual-use technology (capable of both infringing and non-infringing uses) from the risks of the inunctions or high damages awards that can flow from infringement liability? After all, since at least the 1984 *Sony* Betamax decision, contributory infringement in copyright law largely had turned on the degree of legitimate non-infringing uses that could be made of a particular copying technology. *Sony v. Universal City Studios*, 464 US 417 (1984).

The winning argument in the case took a different approach, grounded in private law.[12] In keeping with Richard's study of custom and private law, there is a long tradition in private law of holding liable those who willfully interfere with other people's property or business relationships.[13] Sure, it's always hard to know what darkness lurks within the hearts and minds

[12] Don Verilli was the lead attorney for the plaintiffs in that case and later served as Solicitor General.

[13] *See*, *e.g.*, Epstein (2016, at pp. 1515-16) (common law's traditional private law theories of unfairness were based on the coercive nature of an interaction by either force or fraud, including even the taint thereof when outside the ordinary course of business).

of other people, which makes actually proving these business torts often difficult. But proof of mental state is not so hard when written in one's own hand to solicit investors. Grokster, the defendant company in that suit, turns out to have sold itself to investors in part on the promise that its user base would be profitably enlarged to a significant degree by attracting those users who wanted to download content they neither owned nor licensed. Suddenly there was an easy way to help the Court draw a line between companies of the modern internet era who would be saddled with liability and who wouldn't.

At the same time, this approach largely embraced the competing policy concerns of both sides. IP owners could get practical redress against commercial actors who were deliberately targeting the economic value of their IP, while anyone worried on a policy level about accidental infringers and an ever-expanding slippery slope of the scope of IP protection could easily avoid liability. The argument based in custom and private law focused on intent. Businesses worried about accidental liability could take comfort if they just didn't intend.

The Supreme Court adopted this private law argument – entirely, and unanimously. Indeed, the private law intuition was so powerful that it gave the Court enough energy to import from Title 35 in the US Code governing Patent Law the inducement of infringement doctrine from

that Title's Section 271(b) into a different Title of the Code, Copyright Law's Title 17, which did not even have a corresponding statutory provision on point.

While the outcome favored the plaintiff, the line of reasoning gave a degree of clarity to both sides of the broader policy debate over how broad the protection for IP should be. Intending to reach over the line to poach from someone else's business through induced infringement, while nominally dancing close to a different line about the limits of contributory infringement, can still be seen through the eyes of custom as improper. Litigation counsel for IP owners can easily make the argument. Business planning counsel for potential defendants in such suits can easily avoid it.

III. COMMON LAW AND JOINT LIABILITY FOR IP INFRINGEMENT AROUND MODERN ON-LINE SERVICES

As Richard reminds us in Epstein (2016), the common law is another source of private law, especially when focused on relationships among people inside business organizations. While Richard has explored the common law as a source of the law of insider trading, this section explores the common law as a source of the law governing joint liability for IP infringement by considering long-standing doctrines of agency law and partnership law in the context of the 2014 *Limelight* case. *Limelight v. Akamai*, 572 U.S. 915 (2014). That case turned on an IP doctrine

related to *Grokster's* indirect infringement that is colloquially called "divided infringement" or "joint infringement," and involves a patented method having all of its steps practiced across multiple entities, but where no single entity is practicing all of the steps. The Supreme Court in *Limelight* denied liability, unanimously rejecting various arguments to expand established doctrines within the patent law system, largely basing its analysis on the concern that the doctrine of inducement of infringement that had played such a large role in *Grokster* would become too unconstrained if the underlying act of direct infringement on which it must be predicated could itself include situations in which no single entity has directly infringed. 572 US at p. 922 ("Federal Circuit's contrary view would deprive [the inducement doctrine] of ascertainable standards").

This is where a private law approach might have offered an easy solution for plaintiff's counsel. The idea is a simple one.[14] It's borrowed from an infamous question that shows up somewhere on most final exams in courses on business associations – and Bar Exams that test on that field – about the failed attempt for several parties to follow the right formalities when trying to set up a limited liability enterprise like a corporation. Among business law professors

[14] It's been explored in patent law textbooks for a few years, *see*, *e.g.*, Kieff et al. (2011, at 819-20), and seemed to be lurking underneath the Supreme Court oral argument in *Limelight* during a colloquy between Justice Sotomayor and Seth Waxman, a former Solicitor General who served as counsel for the patentee in that case. Transcript of Supreme Court Oral Argument in *Limelight v. Akamai*, at 28-29 (Apr. 30, 2014).

it's colloquially called the "defective formation" hypothetical. Creating a corporation to enjoy the protection of limited liability requires formalities including incorporation, meetings, respecting the corporate form, etc. The exam question in a law course or for Bar membership is designed to get students to show their awareness that the price paid for a defective attempt to follow those formalities isn't a failed business or some government-imposed fine. It's designed to get them to point out that, instead, defective formation usually leaves the participants in the joint enterprise exposed to the legal risk that a court will follow long established common law and treat the joint venture as a partnership, leaving each participant liable jointly and severally – as a matter of partnership law and its older common law predecessor agency law – for the liabilities of the partnership.

This gives patentees seeking liability for joint infringement some easy leverage. The patentee just has to include from the start of a case the requisite pleading and proof that the key defendants are doing the things that will lead them to be treated under the common law as a partnership. The requirements are few: generally, working together for a common business interest.[15] The patentee then enjoys a chance to target a very large, legally distinct, virtual, or constructive, person as the single entity that the patentee will have to plead and prove acted in a way that constitutes direct patent infringement. Put differently, the patentee now faces a

[15] See, Kieff *et al*. (2011, at 819-20).

single entity that comprises many actors, which makes it more likely that each step in the patented method is being practiced by at least one of those actors and therefore by that broader entity. Applying longstanding common law principles of agency law and partnership law, a judgement of direct infringement by that single entity, a partnership, then exposes each general partner in it – each of those individual actors – to joint and several liability for the partnership's infringement.

As with custom, this common law approach can discern between proper and improper with a degree of ease. And as with custom, while the outcome of the common law approach could favor the plaintiff in particular cases with facts just like *Limelight*, the line of reasoning gives a degree of clarity to both sides of the broader policy debate over how broad the protection for IP should be. Litigation counsel just need to be ready to plead and prove the partnership elements. And business planning counsel just need to remind clients to avoid joining those groups committing such business torts or trespasses.

IV. RESPONSES TO BUSINESS OPPORTUNISM AROUND TRADE IN ELECTRONIC TRANSMISSIONS

Richard also has pointed out how traditions of private law have been appropriately vigilant to police opportunism on all sides of business transactions.[16] When it comes to trade in modern electronic transmissions, some particular examples of potential opportunism can be seen through careful attention to the practical details of about how business relationships are shifting in response to various enforcement efforts. Consider the increasing modern reliance on business models that separate out physical operational components of integrated business operations so as to cross national boundaries, while maintaining the runtime speeds of today's fast-paced economy by reliance on electronic transmissions, as in a recent high-profile case called *ClearCorrect* involving 3-D printing. Certain Digital Models, 337-TA-833, 2014 (ITC determination in *ClearCorrect v. Invisalign*).

To be sure, many of these separated business models offer important overall efficiencies and should not be excessively curtailed. But the demand for a practical legal argument may be particularly sharp when the separation in the business model is driven by strategic opportunism to circumvent established legal rules. Once again, an approach grounded in the tradition of private law may offer a convenient path for reaching a practical remedy for potential plaintiffs

[16] See Epstein (2010, at p. 487) (rules designed to reign in opportunism by one side – such as IP infringers – can give too much room for opportunism by the other side – such as IP owners).

while largely meeting the core stated goals of the potential-defendant-side of the broader policy debate.

The *ClearCorrect* case arose within the ITC's 337 docket, where the Commission's statutory power is limited to the importation of "articles." This raised an important question about whether the term "article" in that statute effectively limits the ITC from acting against electronic transmissions into the country. The operative question asks, what constitutes an "article" under the ITC's statute – only physical goods, or are electronic transmissions included? The answer has increasing relevance in the context of the increasingly common reliance on electronic transmissions into the US as part of distributed business models like 3-D printing, as in *ClearCorrect*.

ClearCorrect began as an ordinary tangible goods case at the ITC, involving a patent on orthodontic alignment devices made of plastic for which the frequent adjustments many of us remember all too well are essentially accomplished by the frequent manufacture and installation of slightly different variants of many similar orthodontic devices. Rather than installing a single set of metal braces and tightening or loosening particular pairs of teeth by adjusting the connecting wires, the patent covered a different approach in which the teeth can be slowly

moved by the successive application over time of many slightly different clear plastic devices designed to clamp across a set of teeth at once.

The initial phase of the case was against a competitor who arranged for its US patients to get the three-dimensional geometry of their teeth electronically scanned here in the US, and then had those electronic maps sent to Pakistan where the sets of plastic devices would be made, benefitting from that country's abundant pools of low-cost high skilled workers in the fields of orthodontia, plastics, and computer-assisted-manufacturing. The foreign-built plastic implants were then imported into the US for installation into the mouths of patients. After months of adjudication at the ITC determining patent validity and infringement, an ordinary order was issued to stop the importation of the plastic implants. But that's not where the case ended. Circumvention ensued.

The later phase of the case that lead to the appeal focused on the circumvention of the prior order in which the planning and ultimate blueprint for the plastic implants were made in Pakistan, and then transmitted into the US in a digital file – like a PDF is for a printed document – so the plastic devices could then be made on a 3-D printer in each local orthodontic office in the US who did business with the patentee's competitor. The key legal issues in the case focused on the proper interpretation of the word "article" in the ITC's enabling statute granting the

Commission power over "articles that infringe" US patents. The ITC decided in 2014 that the word "article" was not limited to tangible things – it included electronic transmissions – and the ITC issued a cease and desist order; but the Federal Circuit reversed in 2015, and in 2016 denied *en banc* review. *Certain Digital Models*, 337-TA-833, 2014 (ITC determination in *ClearCorrect v. Invisalign*); *ClearCorrect v. Int'l Trade Comm'n*, 810 F.3d 1283 (Fed. Cir. 2015) (reversing ITC); *ClearCorrect v. Int'l Trade Comm'n*, 819 F.3d 1334 (Fed. Cir. 2016) (denying *en banc* review). Most of the arguments in *ClearCorrect* were grounded in public policy and quickly became enmeshed in questions about whether this would unduly expand IP protection and unduly enable the ITC to block all digital transmissions, trapping innocent intermediaries, and blocking the internet.

In contrast, if the IP owner's pleadings and ongoing arguments in *ClearCorrect* had framed the question differently, the case could have been seen as well-grounded in the private law tradition and largely accommodative of the countervailing concerns about excessive IP protection by seeking a narrow remedy against particular infringing opportunism. It also would have provided a powerful reminder of the countervailing risks from giving a green light to those already increasingly motivated and enabled[17] to enter the broad spectrum of unfair business practices that take advantage of splitting across the national border. Why would IP infringers not

[17] Non-IP incentives to set up business models like this in many countries like Pakistan include their educated workforce paired with significantly reduced regulatory protections for workers, the environment, public health and safety, and financial markets.

set up web pages accessible to the US market and merely operate their design work off-shore to then pump back into the US economy digital renditions of a vast range of bespoke tangible products that could then be locally made by vast numbers of computer-controlled machines? Consider plastic car taillight covers and bumpers, mixed-to-order cosmetics that are mixed like paints now are mixed at your local hardware store, and anything worn in or on the body such as the orthotics already made locally in the foot aisle of local sundries stores, and including purses, shoes, glasses, sunglasses, contact lenses, teeth veneers, casts, splints, prostheses, and the like. If the market-efficient solution in this case had been to conduct a bifurcated business model straddling the national border, then the case would have been less likely to have begun against an importer of plastic devices instead of electronic transmissions. The split in the business model across the national border using electronic transmissions arose only after the private patent right was enforced by the lawful agency order, suggesting it was motivated by the intent to circumvent that order.

Such a private law approach could be grounded in several historical precedents based on custom and the common law involving legal actions grounded in misappropriation and unfair competition against business models analogous to the particular circumvention in *ClearCorrect* that date back over a century to when Congress enacted the ITC's predecessor statute containing the word "article." One example is highlighted by Richard's work on custom, Epstein (1992), in

which he explores the *INS v. AP* case involving electronic transmissions of news articles across wires. A second example borrows from Richard's work on common law and insider trading, Epstein (2016), as colorfully portrayed in the movie, *The Sting*, and the misappropriation cases involving ticker-tape, telegram information and the like.[18] While each of those cases involved more primitive electronic transmissions than the modern internet, the Court has specifically pointed out in the particular context of trade law, such a mere change in mode is a distinction without a difference. According to The Court, importation

> … consists in bringing an article into a country from the outside. If there be an actual bringing in it is importation regardless of the mode by which it is effected.
>
> *Cunard S.S. Co. v. Mellon*, 262 U.S. 100, p. 122 (1923).

The Court's similar treatment of different modes of importation in trade cases parallels the Court's similar treatment of different modes of copying in IP cases, as in the famous contributory infringement opinion by Justice Holmes from around the same time about the book Ben Hur,

[18] See, *Board of Trade v. Christie Grain & Stock*, 198 US 236 (1905) (wrongful appropriation of price quotes). Indeed, The Court recognized the powerfully common themes underlying these theories when it cited the Board of Trade decision in *International News Service v. Associated Press*, 248 US 215, 234, 239 (1918). See also *National Tel. News Co. v. Western Union Tel. Co.*, 119 F. 294 (7th Cir. 1902) (injurious appropriation of news sent by telegraph before printing on ticker tape).

despite the putative infringement arising out of what was at the time an entirely new electronic medium – moving pictures.[19]

To be sure, a key benefit of embracing a private law antipathy towards such opportunistic circumvention for a case like *ClearCorrect* would be that the associated spillover risks to chilling innocent third parties, intermediaries, and the like is at the lowest possible level because the underlying order is an in-personam cease and desist order against a particular party who had a full and fair opportunity to litigate all details of the case and lost. Such an approach would leave third -party innocence kept firmly ensconced in the substantive legal tests for infringement, both direct and indirect, across the US IP systems.

In addition, such a private law approach to *ClearCorrect* happens to have the added benefit that it would even be consistent with arcane legal doctrine within IP. While the patent system and the copyright system both have long standing contributory infringement doctrines that turn on whether a "material" has contributed to infringement, the copyright system has

[19] *See, e.g.*, *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911) (contributory infringement of copyright in the book Ben Hur) (Holmes, J.); *Gershwin Pub. Corp. v. Columbia Artists Management*, 443 F.2d 1159 (2nd Cir. 1971) (contributory infringement of copyrights in music); *Screen Gems-Columbia Music v. Mark-Fi Records*, 327 F.Supp. 788 (SDNY 1971) (same).

some precedent for treating mere intangible activities as sufficient to count as providing enough "material" to trigger liability for contributory infringement.[20]

In sum, *ClearCorrect* provides an example of how a basic insight from private law about viewing opportunism through the lenses of misappropriation and unfair competition may be helpful from a range of perspectives in addressing the type of opportunism surrounding trade in electronic transmissions in which an infringing business model is split across the national border. It happens to have the added benefit of also being grounded in precedents within the IP and trade legal systems. And because it targets such specific behavior with an in-person remedy, it largely meets the central stated public policy concern on the other side of the IP marketplace about excessive IP enforcement.

Lastly, one additional basic insight from private law may be helpful to at least potential plaintiffs facing a different business practice that has been gaining more attention at the ITC involving electronic transmissions. In this business model, the trade in electronic transmissions – such as a television signal for which a relatively high fee is paid, usually monthly – is bundled with

[20] *See*, *e.g.*, *Gershwin Pub. Corp. v. Columbia Artists Management*, 443 F.2d 1159 (2ndCir. 1971) (contributory infringement of copyrights in music by concert promoter); *Screen Gems-Columbia Music v. Mark-Fi Records*, 327 F.Supp. 788 (SDNY 1971) (contributory infringement for promoting sales of copyrighted music through radio advertisements).

a second component that is a set-top-box. The box runs special software to provide a user-interface for that transmission for which a relatively low fee is paid, usually monthly, if any nominal fee is even attributed to the box.

A key part of this business model is that the box and its software provide important user-interface qualities that get the consumer to bring the box into their home, such as the ability to quickly and conveniently find, record, and playback specific content. Once the box is in the home, the providers of cable TV services then sell further entertainment content such as individual on-demand or pay-per-view performances, expanded networks, and the like. Today, this business model operates through a set-top-box for TV content. Tomorrow, it could be used to provide a range of services into a consumer's home through a range of internet-of-things-driven-appliances.

Owners of the IP in the software that enables the features of these set-top-boxes or appliances see this business model as a particularly pernicious type of IP infringement. They see the box as enabling a form of direct-to-consumer marketing, like a Trojan Horse point of sale for more electronic transmissions of entertainment content such as pay-per-view events or expanded bundles of channels and networks. As with many contemporary appliances and electronic devices, cable TV set top boxes often are made in whole or in part outside of the US,

and therefore would ordinarily be subject to the jurisdiction of the ITC 337 docket. The owners of the IP in the set-top-box-software have recently been facing an argument that this type of business model is outside the scope of the 337 docket because while the transaction with the consumers for set-top-boxes purports to be a "rental," the statutory text of Section 337 limits its reach to settings in which there has been a "sale" (as in "importation for sale" and "sale after importation"). Certain Semiconductor Devices, 337-TA-1010 (Additional Views of Commissioner Kieff, April 18, 2017) (discussing distinction between a true lease and a security interest).

This argument for avoiding the ITC's 337 power has a prima facie link to private law in that it appears to draw a key distinction between two basic types of private law interactions: sales and rentals. It also has the added appeal to a lay audience in that almost every customer of residential cable or internet service can relate to it from ordinary life experiences. At least a few frustrating distinctions that flow from such a legal technicality are well known to most consumers of these services. When equipment needed to operate the service breaks – like a cable TV set-top-box or an internet service provider's special router – and customer service is sought, the feared response is that once bought, the equipment can no longer be returned. Too bad, you own it. When equipment needs to be tweaked before it can be put to a customer's preferred use, and customer service is sought, the feared response is that it's not yours, because its only rented, and so can't be adjusted by the end user. Too bad, you don't own it. Commercial

parties wrestle with this in bankruptcy cases involving personal property. They must ask whether the party in possession has a mere contractual interest, a lease, leaving the asset out of the bankruptcy estate, or ownership encumbered by a security interest, which makes it part of the estate subject to foreclosure. Certain Semiconductor Devices, 337-TA-1010 (Additional Views of Commissioner Kieff, April 18, 2017, at p. 6.

While the distinctions between sales and rentals can have big differences for different areas of law, such as consumer warranties or taxes, the differences don't have to be the same across all areas of law. It turns out that in the long-standing tradition of private law, sales and rentals are more alike than different. At least Article 9 of the UCC treats a very broad set of transactions including what lay audiences might split into categories of sales, rentals, and loans, as simply being members of one large category of encumbered sales that the UCC and the common law call security interests, but still sales, nonetheless. *Certain Semiconductor Devices*, 337-TA-1010 (Additional Views of Commissioner Kieff, April 18, 2017, at pp. 5-6). Put differently, many things that look in many respects like some form of encumbered transfer, whether labeled as rental or not, have long been recognized through history and across today's commercial system as various forms of sales. Within the context of the ITC's 337 docket, a petitioner might consider pursuing a well briefed argument pointing out that for purposes of private law like the Uniform Commercial Code, most rentals are merely a sub-category of sales (a restricted sale).

Such an argument might have the practical effect of defeating a respondent's attempts to argue that some particular piece of equipment like a set-top-box is entirely outside the scope of Section 337 if the equipment was transferred to a customer after importation into the country via a type of contract that appears to those less-familiar with the field of private law be a mere rental (rather than a sale). After all, the field of private law treats what most lay people consider to be rentals as simply various types of sales.

To be sure, it would be for the plaintiffs in any given case to decide to ground their arguments seeking 337 protection in this approach to private law that emphasizes the commonality between sales and rentals. And it is for future work to explore the overall social costs and benefits to the ITC and the courts determining to embrace such an argument. This paper merely highlights how a deeper familiarity with the private law traditions that are explored so richly in Richard's work may provide plaintiffs an added option to consider when facing cases like this.

In sum, both of these examples – "article" and "sale" – show how powerful a single word can be outcome determinative for ITC 337 litigations. If there's no sale or no article then the ITC

337 may not apply.[21] That's where facility with private law scholarship, including Richard's appeal to pragmatism, the common law, and custom can be brought to bear. Rather than get trapped in the broader policy debates about how much or little classes of plaintiffs should win or lose, decision-makers in business and law can be reminded about the types of key private law distinctions that have made long-standing differences. And again, the litigation counsel need only remember to plead and prove along these lines while the business planning counsel need only select the options that best suit the business needs.

V. CONCLUSION

Richard Epstein's insights about history and private law offer several practical solutions for the technologies of today and tomorrow. They can offer significant leverage at the interface between IP and trade for professionals in business, law practice, academia, and government who are focused on many of the rapidly evolving technologies of tomorrow. For adjudicators and policy makers, they largely address the intense concerns raised on both sides of typical policy debates while avoiding the arcane details of the black letter law legal regimes of IP and trade. For advocates and clients, they may offer practical guidance for both sides of potential lawsuits – at least in so far as plaintiffs elect to plead and prove them at trial and sustain them on appeal.[22]

[21] At least directly, to that act of importation. Section 337 powers applied to other acts of importation likely provide authority for remedies that do reach these and other domains.

[22] As was done in *Grokster*, but largely not done in *Limelight* and *ClearCorrect*.

These lessons from history are only increasingly helpful as the economy sees more use of on-line sales platforms and distributed computing systems drive businesses for fin-tech, the internet-of-things, and autonomous vehicles, and as old-fashioned business models increasingly operate across national boundaries with the help of electronics.

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